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# Bandhan Bank retires high cost loans, may revise base rate soon

By *Atmadip Ray*, ET Bureau | Updated: Apr 01, 2016, 07:52 PM IST

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KOLKATA: **Bandhan Bank** has retired high cost bank loans worth Rs 5000 crore in the first six months of its being helping it to reduce cost of funds. It has also managed to raise about Rs 11,000 crore from depositors, one-fifth of which is low cost current and **savings** deposits.

The reduction in cost may translate in to lowering of lending rates for its borrowers from next month as all banks will migrate to marginal cost based calculation from April.

"We may revise base rate from April," Bandhan Bank managing director and chief executive officer **Chandra Shekhar Ghosh** told ET. "We will examine the cost of funds aspect after end of this month," he said.

Bandhan Bank's base rate is now at 12% compared to the latest entrant **IDFC Bank's** 9.5%. **State Bank of India** and **HDFC Bank** have the lowest base rates in the industry at 9.30%.

As a **microfinance** company, Bandhan used to borrow from banks at 12-14% rate for onlending. As a bank, its cost of fund is bound to come down with access to public deposits and low cost savings. It now offers 8.5% for one to two year deposits.

The Kolkata-based lender is still carrying bank loans worth Rs 3,500 crore on its books while **Reserve Bank of India** has given special dispensation to carry this for another couple of years. Ghosh said these loans would completely go out of books in another one or one-and-a-half year.

One-third of Bandhan Bank's deposits have been raised from retail depositors. "What's most interesting is that we received good response from depositors across the country," Ghosh said.

The bank is opening branches at brisk pace. The count has reached 655 which gives it's a pan-India presence, well ahead of the entry of small **finance** banks. RBI doled out 10 small finance bank licenses and eight of them are microfinance companies.

"We had worked together as an MFI and had reached the leadership position. This puts us in an advantageous position. Secondly, except for Ujjivan **Financial Services**, the others are largely regional players and are not present in the **eastern market**, which is our niche area of business," Ghosh said.

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