

BASIS FOR INTEREST CALCULATION ON TERM DEPOSITS

1. Payment of Interest on Fixed Deposit

- Interest on Fixed Deposits is reckoned/ paid at quarterly / monthly intervals or at maturity and at the rate/s applicable as on the value date of opening of Fixed Deposits, as the case may be, in accordance with the rate fixed by the Bank from time to time as also directives issued by RBI.
- The interest may be paid either in a lump sum at the time of maturity or it may be paid every quarter or every month in accordance with the regulatory requirements for payment of interest on the Fixed Deposit & scheme opted by the customer. Where the interest is to be paid by the Bank in lump sum at the time of maturity, the Fixed Deposit shall bear the annual rate of interest on the Fixed Deposit.
- The Bank may announce special rates for senior citizens and staff.

2. Methodology of interest calculation

- Interest is calculated basis simple interest method for tenor's up to 3 months and for tenors of 3 months and above, interest is quarterly compounded. However, in case of Pay-out Fixed Deposits interest rates are calculated basis simple interest only irrespective of the tenor.
- Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed to the investors

3. The method of calculation on interest on a Fixed Deposit, both Pay-out and Cumulative deposits is as under:

- For Traditional Fixed Deposits with quarterly payouts interest is calculated based on annual rates (simple interest). For Traditional Fixed Deposits with quarterly payout, interest is calculated on the principal amount for completed quarters and then for the balance period, interest is calculated for completed months and further for incomplete month on actual number of days.
- For Cumulative Fixed Deposits, interest is compounded quarterly on completion of exact quarters. For the broken period beyond completed quarters, simple interest is calculated on the cumulated deposit amount for remaining number of days.
- All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits.

4. In case of premature withdrawal the interest is calculated on the principal amount for completed quarters and then for the balance period, interest is calculated for completed months and further for incomplete month on actual number of days.

5. For the purpose of interest calculation calendar year is taken to consist of 365 days, except in a leap year when it is taken to consist of 366 days.

6. Renewal: In the absence of any special instructions, the deposit will be renewed on maturity for a like term at the then applicable interest rates. If request for renewal is received after the date of maturity, such overdue deposits will be renewed with effect from the date of maturity at interest rate applicable as on the due date, provided such request is received within 14 days from the date of maturity. In respect of overdue deposits renewed after 14 days from the date of maturity, interest for the overdue period will be paid at the rates decided by the Bank from time to time.

- 7. Splitting of fixed Deposit:** In case of splitting of the amount of fixed deposit at the request from the claimant/s of deceased depositors or Joint account holders, no penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change.

Tax Deduction at Source: Tax is deducted at source on interest on Fixed Deposit held by the resident if the interest paid/compounded/ accrued by bank for the financial year exceeds the threshold limit specified under Income Tax Act. Currently, the threshold limit for this purpose is Rs. 50,000/- p.a. "Further, in case of a resident senior citizen whose age is 60 years or more tax shall be deducted at applicable rate if the interest paid/ compounded /accrued during financial year exceeds or likely to exceed Rs. 1,00,000/-."

- 8.** For pay-out FDs (with quarterly/monthly interest payment), tax will deducted on each interest payment/interest accrued on 31st March of every year. For Cumulative FD, TDS is deducted every time the Bank pays/ compounding interest during the Financial Year or interest accrued on 31st March of every year. TDS amount calculated on interest payment/compounding/accrual on 31st March is remitted to tax authorities on behalf of customer by the Bank.
- 9.** As per provisions of Finance Act 2009, w.e.f April 01, 2010, valid PAN is required to be submitted by all customers whose tax needs to be deducted. In the absence of a valid PAN, tax will be deducted at the prevailing rate or 20% whichever is higher. Also, Form 121 (Formally known as 15G/H) shall not be treated as valid unless PAN is mentioned in such forms.
- 10.** In case the customer is eligible for TDS exemption as per the provisions of Income tax Act, they may submit Form 121 (Formally known as 15G / 15H) (other than company, firm) every financial year for each fixed / recurring deposit.
- 11.** In case the customer is eligible for TDS exemption as per the provisions of Income tax Act, Exemption Certificate under Section 395 (in case of all holders)/ or any other Tax Exemption Certificate with the Bank has to submit on PAN basis for applicable period.
- 12.** In case of non-resident individual, TDS will deducted on NRO fixed deposit and NRO saving account @ 31.20% with applicable surcharge, if any
- 13.** In case customer is having inoperative PAN (PAN is not linked with Adhar) then benefit of Form 121 is not granted and TDS will be deducted at higher rate @ 20%.

14. Date of Fixed Deposit

- The effective date of Fixed deposit shall be the date on which the amounts of deposit placed are realized by / credited to the Bank. No Fixed deposit receipt / advice will be issued in anticipation of realisation of cheque/s in relation to any deposit and will be issued only on actual receipt of payment / deposit monies.
- In case request for opening Fixed deposits is received on a Sunday or holiday through electronic channels like Internet Banking, phone banking, ATM or any other electronic channel, the Fixed Deposit will be opened with the value on the next Working Day.

- In case requests for opening Fixed Deposits are received on Sunday from customers walking into a branch working on Sunday, the Fixed Deposit will be opened on the next business Working Day.
- If a fixed deposit is maturing for payment on a non-business working day, interest shall be paid at the originally contracted rate on the original principal deposit amount for the non-business working day, intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.

15. Premature/partial closure/ withdrawal of Fixed Deposits:

- In the event of the Term being closed/ withdrawn before completing the original term of such deposit, as per the terms & conditions of Fixed/Term deposit accounts of the bank, interest will be calculated at the rate applicable for the period for which deposit has actually remained with the Bank or contracted rate whichever is lower, subject to a premature penalty, if any. The interest charge, if any will be communicated to the customer at the time of booking the Fixed.
- In case the fixed Deposit is withdrawn before completion of the minimum period, no interest shall be paid on such premature withdrawal.

16. Premature Renewal of Fixed Deposit

If a depositor having an existing fixed Deposit applies for re-investment / renewal into another scheme of fixed Deposit, the existing deposit would be closed prematurely, provided the deposit is renewed for a period longer than the balance period of the original deposit, after charging interest charge as per the existing penalty rates. While prematurely closing a deposit for the purpose of renewal, interest on the deposit for the period it has remained with the bank will be paid at the rate applicable to the period for which the deposit remained with the bank and not at the contracted rate.

The interest rate prevailing on date of re-investment / renewal of fixed Deposit will be applicable for the new fixed Deposit.

RECURRING DEPOSITS:

1. **Period of RD** - Recurring Deposit accounts can be opened for a minimum period of 3months.
2. **Interest Payment / TDS Liability on RD**
 - The interest on Recurring Deposits will be calculated by the Bank in accordance with the policy of the Bank and as per Law or Regulation.
 - Interest on Recurring Deposit is applied on a quarterly capitalization basis
 - It is important to note that the Union Budget 2015 has expanded the definition of Term deposits to include Recurring Deposits as well. Tax will be deducted at applicable rate if total interest paid/accrued during a financial year on fixed deposits & recurring deposits exceeds threshold limit of Rs. 50,000 (for senior citizen the limit applicable is Rs. 1,00,000). TDS liability would now be determined based on the total interest accrued for all deposits tagged to the Customer's Unique ID, if the exemption limits of some customers are breached (despite submission of the Forms 121), would be liable for deduction of tax.
 - As per provisions of Finance Act 2009, w.e.f April 01, 2010, valid PAN is required to be submitted by all customers whose tax needs to be deducted. In the absence of a valid PAN, tax will be deducted at the prevailing rate or 20% whichever is higher. Also, Form 121 shall not be treated as valid unless PAN is mentioned in such forms.
3. **Payment of instalments**
 - The instalment amount once fixed cannot be altered at any later date, except as provided in the product offering;

- If more than one instalment is overdue at the time of payment, the paid instalment, if sufficient to cover only that one instalment will be appropriated towards the first or earliest instalment overdue;
- Penal Charges, if applicable, will be charged for any late payment of instalments
- Partial payment of instalments will not be permitted, unless provided in the product offering and agreed in writing by the Bank.

4. Maturity

- Interest is paid only on maturity;
- When all the stipulated installments are paid by the Customer, the accumulated amount is repayable together with accrued interest on the date of the maturity;
- However, where the last instalment is received by the Bank after the due date, the accumulated amount together with interest will become repayable on the maturity date of the deposit;
- The maturity amount mentioned on the Recurring deposit confirmation advice is subject to the payment of all instalments on time; and
- The terms herein will be subject to the terms of the product offering and as agreed in writing by the Bank.
- In case of deposits maturing on non-business working day, interest shall be paid for the intervening non-business working day on the maturity value.

5. Premature Withdrawal and Penalty

- Grace period of 5 days to pay instalment will be available to Customer. After 3 non-payments, bank reserves the right to close the Recurring Deposit account and credit the proceeds to the linked Savings/Current Account; the interest rate applicable on such closed accounts will be as per the premature withdrawal policy of the Bank.
- Premature withdrawal of Recurring Deposit is allowed, and interest will be paid for the period for which the deposit has run. interest charge, if any, will be applied on the contracted rate.

*Refer Deposit Policy for any further details on deposits with AU Small Finance Bank Limited.