

METHOD OF CALCULATION OF INTEREST ON DEPOSITS

A. Savings Account:

Interest on Savings Bank Accounts is calculated on daily product basis.

B. Domestic Term Deposit:

- A) Term deposit (reinvestment): Interest is compounded quarterly on completion of exact quarter from date of deposit. For the broken period beyond completed quarters, simple interest is calculated on the cumulative deposit for the remaining number of days. Interest is calculated as per following formula:

$$\text{Interest (I)} = P.V. * (1+r/n)^{nt}$$

(r = rate of interest, n = frequency of interest pay out during year and nt = frequency of interest pay out during tenure of Term Deposit)

- B) Term deposit (Monthly payout): Interest is paid at discounted value. Interest is calculated as per following formula:

$$\text{Interest (I)} = (P.V. * r * n) / (12 * 100 + r)$$

- C) Term deposit (Quarterly payout): Interest is calculated at simple rate of interest on the principal amount for completed quarters. For the incomplete month/s, interest is calculated on the actual number of days.

- D) Short Term Deposit:

Short Term Deposits means interest bearing deposit for a fixed period ranging from minimum 7 days and less than 12 months. Interest is calculated at simple rate of interest on the basis of number of days for which deposit is held. Interest is calculated as per following formula:

$$\text{Interest (I)} = (P * r * t) / (365 * 100)$$

- E) Term Deposit (Yearly/Half Yearly): Interest is calculated at simple rate of interest on the principal amount for completed year and for incomplete month/s interest is calculated on the actual number of days.

- F) Recurring Deposit:

Interest is compounded quarterly on completion of total completed quarters on the balance amount in the account. For the broken period beyond completed quarters, interest is calculated for the remaining month/number of days, as the case may be.

Interest is calculated as per following formula for completed quarter:

$$\text{Maturity Value (M)} = P * [(1+i/400)^n - 1] / [1 - (1+i/400)^{-1/3}]$$

For broken months = M + P + (P * i / 1200) 1 month and so on.

(P = Principal amount, i = rate of interest, n = frequency of interest pays out during year)

- For all the cases, maturity date is arrived at first based on the date of deposit and the tenor specified by the customer. Then the number of completed quarters and broken period in days will be counted to arrive at the earliest.
- In case of completed months interest is computed considering 30/360 days. In case of broken period, interest is calculated on actual number of days reckoning 365 days in a year, even in the case of leap year.
- The maturity value is subject to deduction of Tax and Interest thereon.
- Interest payable on deposits is rounded off upto unlimited decimals.
- Interest payable on deposits is rounded off to the nearest rupee i.e. fraction of 50 paise and above is rounded off to the next higher rupee and fraction of less than 50 paise is ignored.
