THE COSMOS CO-OPERATIVE BANK LTD

Interest Computation Methodology for Loans and Deposits

1. Interest Computation Methodology for Loan Accounts:

-Compound Interest: Interest is Calculated on the Principal Plus any accumulated interest.
-Calculation Period: Monthly

Interest Rate Changes

Bank with the approval of Board of Directors decides the rate of interest for loan products, considering Market Situation, degree of Risk & other relevant matters.

Floating Rate: Changes according to market situations
Fixed Rate: Remains constant throughout the loan tenure.

Penal Interest:

As per RBI Circular (RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/ 2023-24 dated 18.08.2023 regarding Fair Lending Practice- Penal Charges in Loan Accounts), for all the financial and operational defaults there should be penal charges and not penal interest. Hence no penal interest is charged.

Overdue Loans: On overdue Amount, penal charges are calculated and debited to operative account of a borrower in case of term loan.

RBI Guidelines highlights

Transparency: Clear communication of interest rates is made with customer through sanction letters of Loans, notice board, of the branch, SMS, Email on registered email id and mobile no.etc.

Documentation: Bank provides statement showing interest calculation as per requirement of borrower.

Customer Grievances: Customer complaints related to interest computations are resolved quickly & efficiently at branch level and if not satisfied consumer can sent complaint to Head office through mail to customer care.

Example Calculations: -

Loan Account:
-Principal: Rs. 1,00,000
-Interest Rate: 10% per annum
-Period: 1 year

Compound Interest: Rs 100000/- @ 10% Rs.5503/-

Loan Amount	Rs 100000/-
ROI	10%
Duration	12 months
Account Open Date	23-08-2024
Instalment	8792

EMI Due Date	Products	days	Interest	Principal	Instalment	Balance	cumulative principal	cumulative Interest
23.09.2024	3100000.00	31	849	7943	8792.00	92057.32	7943	849
23.10.2024	2761719.60	30	757	8035	8792.00	84021.95	15978	1606
23.11.2024	2604680.47	31	714	8078	8792.00	75943.56	24057	2320
23.12.2024	2278306.85	30	624	8168	8792.00	67775.76	32225	2944
23.01.2025	2101048.41	31	576	8216	8792.00	59559.39	40441	3519
23.02.2025	1846340.94	31	506	8286	8792.00	51273.23	48727	4025
23.03.2025	1435650.49	28	393	8399	8792.00	42874.56	57126	4419
23.04.2025	1329111.38	31	364	8428	8792.00	34446.70	65554	4783
23.05.2025	1033401.03	30	283	8509	8792.00	25937.82	74062	5066
23.06.2025	804072.56	31	220	8572	8792.00	17366.12	82634	5286
23.07.2025	520983.55	30	143	8649	8792.00	8716.85	91283	5429
23.08.2025	270222.46	31	74	8717	8791.00	0	100000	5503

2.Interest Computation Methodology for Deposit Accounts:

1.Savings Accounts:

Interest shall be paid at quarterly rests on savings account as directed by Reserve Bank of India directives from time to time. Interest will be calculated on the EOD balance of savings account on daily basis and will be credited to the account only when it is Rs. 1/- Or more. The interest will be credited to customers account at the end of every Calendar quarter.

2.Fixed Deposit Accounts:

In terms of Reserve Bank of India directives, interest shall be calculated at quarterly intervals on term deposits and paid at the rate decided by the Bank depending upon the period of deposits. In case of monthly deposit scheme, the interest shall be calculated for the quarter and paid monthly at discounted value. The interest on term deposits is calculated by the Bank in accordance with the formula and conventions advised by Indian Banks' Association as under:

Interest on deposits for fixed term is paid / credited / transferred with frequency not less than the quarterly rests. However, payment of monthly interest if required, is paid by discounting the quarterly interest accrued.

On deposits repayable in less than three months or where the terminal quarter is incomplete, interest would be paid for completed months if exist in that broken period, and then based on month's interest, interest for broken days is calculated.

A. Monthly Interest Payout:

Deposit Type	Interest Calculation	Example
Fixed Deposit with Interest Payment Frequency of "Monthly Payout"	Interest is paid at a Discounted Interest Rate	To compute the discounted rate, formula used shall be = Standard Interest Rate/ 1+(Standard Interest Rate/1200) Interest earned for the month shall be computed as = (Principal Amount*Discounted Rate/12). For the broken period (days), Interest per day shall be computed as = (Principal Amount*Discounted Rate/12)*completed days/No. of days in the month

B. Quarterly Interest Payout:

Deposit Type	Interest Calculation	Example
Fixed Deposit with Interest Payment Frequency of "Quarterly Payout"	Interest is calculated on the principal amount for the completed quarters. For the balance period, it is calculated for completed months. For the remaining broken days, Interest is calculated on the actual number of days left.	interest earned for the quarter shall be computed as =(Principal Amount*Rate*3/12). For the incomplete quarters left, interest for completed months shall be computed as =(Principal Amount*Rate*3/12)/3 For the remaining days, Interest per day shall be computed as =[(Principal Amount* Rate*3/12)/3]*completed days/No. of days in the month

C. Reinvestment:

Deposit Type	Interest Calculation	Example
Cumulative Fixed Deposit	Interest is compounded quarterly on completion of exact anniversary quarters. For the broken period beyond completed quarters, simple interest is calculated on the cumulative deposit amount for the remaining Number of days.	On completion of first quarter, the interest earned for the quarter shall be reinvested in the Deposit Contract. It shall be computed as =(Principal Amount* Rate*3/12). Similarly, interest for the 2nd, 3rd and 4th quarter shall be computed on the same logic with the accumulated amount as the Principal amount and reinvested in the Deposit Contract. For the remaining days left, Interest shall be computed as per simple Interest method i.e. =(accumulated amount*rate*number of days/365)

- 365 days is reckoning in a year, even in the case of LEAP year.
- Interest payable on deposits is rounded off to the nearest rupee i.e. fraction of 50 Paise and above is rounded up to the next higher rupee and fraction of less than 50 Paise is ignored.