

CITY UNION BANK LTD
ADMINISTRATIVE OFFICE, KUMBAKONAM
Policy on Pricing of Liability Products

1. Preamble:

With liberalization in the financial system and deregulation of interest rates, banks are now free to formulate deposit products within the broad guidelines issued by RBI. In its circular dated August 28, 2012, Reserve Bank has advised banks to put in place a Board approved transparent policy on pricing of liabilities, in order to address inadequate liquidity management and deficient pricing methodologies in banks.

This policy document on Pricing of Liability outlines the guiding principles in respect of pricing of various liability products offered by the Bank and terms and conditions governing the payment of Interest on Liability Products. Typically, liability products mainly include deposit products, eg; savings deposits, term deposits and certificate of deposits (CDs). The document aims at dissemination of information with regard to various aspects of pricing of deposits from the public, especially on bulk deposits, payment of interest on various deposit accounts etc., for the benefit of customers. It is expected that this document will impart greater transparency in dealing with the individual customers and create awareness among customers of their rights. The ultimate objective is that the customer will get services they are rightfully entitled to receive without demand. While adopting this policy on Pricing of Liability, the bank reiterates its commitments to individual customers outlined in the code of Banks Commitment to Customer adopted by the banks in respect of payment of Interest on deposits. This document is a broad framework under which the rights of common depositors are recognized. Detailed instructions on operational / payment of interest, on various deposit schemes and related services are being issued from time to time by the Bank.

2. Product Pricing:

In a deregulated environment pricing of liability as well as asset products is essential to ensure that the required spread is realized. In a highly competitive scenario, the interest rates on the Bank's various deposit products generally depends on market conditions, the Reserve Bank of India's policies, competitor bank's interest rates, and the Bank's need for mobilization of funds. Pricing of liability products, where the Bank has the option of pricing will be done based on the Bank's asset-liability mix, liquidity in the system and that of the Bank, cost of funds, the Bank's appetite for various risks and the opportunities available for the Bank to deploy funds with a positive spread and future interest rate outlook. The pricing model will also look into reducing the liquidity risk and interest rate risk.

3. Deposit Policy of the Bank:

The Bank is having a separate policy on acceptance of deposits. Bank's policy relating to revision in interest rates and the various charges on such accounts and the revisions in such policy and the charges, shall be intimated to the depositors in the following manner.

- a) The terms and conditions for opening a deposit account and the charges that will be levied on the account shall be given along with the account opening form for the information of the depositors before opening the account.
- b) In case of any revision in the interest rates and charges, the revised interest rates and revised charges shall be displayed in a prominent place in branches.
- c) Additionally, depositors shall be informed about the revised policy/requirement/ charges either through press releases or advertisement in print media and or by displaying in Bank's web site

4. Interest Payments and Charges:

Interest shall be paid on saving account / term deposit at the rates of interest as decided by the Bank within the general guidelines issued by the Reserve Bank of India from time to time.

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 depositors requiring interest payments monthly, 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 formulae and conventions advised by Indian Banks' Association, Mumbai.

The rate of interest on deposits shall be prominently displayed in the branch premises and website of the Bank. Changes, if any, with regard to the deposit schemes and other related services shall also be communicated upfront and shall be prominently displayed. The Bank shall also publish the same in the Banks' website for the information of the general public and customers.

The Bank has statutory obligation to deduct tax at source if the total interest paid / payable on all deposits (where ever TDS is applicable) held by a depositor exceeds the amount specified under the Income Tax Act. The Bank shall issue a tax deduction certificate (TDS Certificate) for the amount of tax so deducted. The depositor, if entitled to exemption from TDS can submit declaration in the prescribed format at the beginning of every financial year.

For the present, the Bank shall have term deposit schemes with fixed interest rate products. However, the Bank may opt for offering floating interest rate term deposit products, if the same is required in future, with the approval of ALCO and Board.

4.1 Payment of interest on Frozen accounts:

In the case of Term Deposit Accounts of customers frozen by the orders of the enforcement authorities, the following procedure is followed in payment of Interest.

- a) A request letter shall be obtained from the customer on maturity for renewal of the deposit for further term for which the deposit has to be renewed In case the depositor does not exercise his option of choosing the term for renewal, bank may renew the same for a term equal to the original term.
- b) No new receipt shall be issued. However, a suitable note should be made regarding renewal in the deposit ledger.

- c) Renewal of deposit will be advised by registered letter / speed post / courier service to the Government department concerned under advice to the depositor indicating the period, rate of interest at which the deposit is renewed.
- d) If overdue period does not exceed 14 days on the date of receipt of the request letter, renewal should be done from the date of maturity. If it exceeds 14 days, bank will pay interest for the overdue period as per the policy adopted by them, and keep it in a separate interest free sub-account which should be released when the original fixed deposit is released.

4.2 Payment of Interest on Premature withdrawal of term deposit:

The Bank on request from the depositor, shall allow withdrawal of term deposit before completion of the period of the deposit agreed upon at the time of placing the deposit unless otherwise restricted in the scheme for such pre mature withdrawal. The rate of interest applicable for the prematurely closed deposits shall be as per the prevailing Bank guidelines. The Bank shall declare the penal interest rates to be collected as per the policy for premature withdrawal of term deposit and disclose the same in its website.

4.3 Payment of Interest on Premature renewal of term deposit:

In case the depositor desires to renew the deposit by seeking premature closure of an existing term deposit account, the bank shall permit the renewal at the applicable rate on the date of renewal, provided the deposit is renewed for a period longer than the balance period of the original deposit. The rate of Interest for the period up to the date of renewal shall be the rate applicable for the period for which the deposit had already run prevailing on the date of opening the original deposit account without applying penalty. Premature renewal can be done only from the date of presentation of the deposit for such renewal.

4.4 Payment of Interest on Renewal of Matured/Overdue term deposits:

If the depositor approaches for renewal of matured term deposit, procedure shall be adopted for payment of interest for the overdue period as given in a separate policy on "payment of interest on overdue term deposits"

4.5 Payment of interest on deposits maturing on a holiday:

In respect of a term deposit maturing for payment on a holiday or a non-business working day, bank would pay the interest for the intervening holidays irrespective of whether the depositor seeks repayment on the succeeding working day or later on.

4.6 Interest on deceased depositors' account:

In the case of a term deposit standing in the name/s of a deceased individual depositor, the interest on such deposits shall be paid as follows:

- a) At the contracted rate of the deposit if the deposit shall be paid on the maturity date.
- b) In respect of the deposit of the deceased closed before maturity and repaid to the legal heirs/ representatives of the deceased depositor, interest shall be payable at the rate applicable for the period for which the deposit actually remained with the bank without charging premature closure charges.
- c) In the case of death of depositor before maturity date and amount is claimed after the date of maturity, interest shall be paid at contracted rate till the date of maturity and from the date of maturity to the date of payment, simple interest is paid at the

applicable rate operative on the date of maturity, for the period the deposit remained with the bank beyond the date of maturity.

- d) In the case of death of the depositor after the date of maturity of the deposit, interest shall be paid at Savings Bank rate operative on the date of maturity from the date of maturity till date of payment.

No interest shall be paid on deposits held in current accounts.

e) However in case of death of the Current account holder, individual depositor or sole proprietorship concern, for the balance lying in his current account interest from the date of death of the depositor till the date of repayment to the claimant/s at the rate of interest applicable to saving deposit as on the date of payment, shall be paid.

f) In case of term deposits with "Either or Survivor" / "Former or Survivor" mandate or where nomination facility had utilized by the depositor, premature withdrawal will be allowed to the survivor/ nominee at the rate of interest applicable on the date of deposit for the period the deposit remained with the bank and without penalty (similar to that of 4.6.b).

This clause is also applicable for Tax Saver deposits.

4.7 Charges for maintaining and operating the deposit account:

While there is no charge for maintenance of term deposit accounts, incidental/ service charges as decided by the Bank from time to time shall be payable on operating accounts viz. Savings Bank accounts and Current Deposit accounts, such as request for cheque books, issue of duplicate pass book/statement of accounts, Transaction/ Folio charges for current accounts, Maintenance charges and other services as may be specified from time to time.

The Bank shall also publish the Service Charges on liability products, in the Banks' website for information of the general public and customers.

5. Interest Payable by the Bank/ charges collected for services:

5.1 Current Deposits:

Interest Payable:

No interest shall be paid on credit balance kept in Current Account.

Charges:

- a) Service charges shall be levied for Ledger folio used, Cheque books issued, Non maintenance of minimum balance, Request for cheque books, Return of cheques, noting of stop payment instructions / missing blank cheque leaves, entertaining ECS facility etc.
- b) Cash deposited into the account, over and above the prescribed limit, shall attract service charges as fixed by the Bank from time to time.
- c) If the account is closed, incidental charges shall be recovered (except where premature closure of an account is due to the death of the account holder, transfer to another branch, transfer for term deposits or for opening another joint account).

5.2 Savings Bank Deposits:

Interest Payable:

- a) Balance kept in Savings Bank account shall earn interest at rates determined by the Bank from time to time.
- b) Interest on Savings Bank Account shall be paid at the prescribed rate on daily products. Such interest shall be calculated and credited at quarterly rests. Interest so calculated shall be rounded off nearest to a rupee. If interest comes to less than a rupee no interest shall be paid for that quarter.
- c) The interest rates applicable on the domestic savings deposit will be determined on the basis of end-of-day balance in the account. Accordingly, while calculating interest on domestic savings bank deposits, bank will apply the uniform rate on end-of-day balance up to Rs.1.00 lakh and for any end-of-day balance exceeding Rs.1.00 lakh, bank may offer the differential rate(s) as fixed by the Bank if any, from time to time.
- d) With regard to the savings bank accounts frozen by the enforcement authorities, bank shall continue to credit the interest to the account on a regular basis.

Charges:

- e) The account holder is required to maintain minimum balance in the operative account, as specified by the Bank from time to time, separately for branches of different population group and also depending on whether account holder wants to avail the cheque book facility or not.
- f) Maximum withdrawals other than through ATM are restricted. Service charges will be collected if the number of withdrawals exceeds the maximum number for the prescribed period of every quarter.
- g) Similarly, the bank may specify charges for issue of cheque books, additional statement of accounts, duplicate passbook, folio charges, etc.
- h) Cash deposited into the account, over and above the prescribed limit, shall attract service charges as fixed by the Bank from time to time.
- i) If the account is closed within one year from the date of opening of the account incidental charges as decided by the Bank from time to time will be recovered (except where premature closure of an account is due to the death of the account holder, transfer to another branch, transfer for term deposits or for opening another joint account). No charges will be levied in case of closure of Current account / Savings bank accounts within 14 days of making first payment into the account.

5.3 Basic Savings Bank Account / Small Account:

Interest Payment:

As applicable to normal Savings Bank Account

Charges:

- a. No folio charges will be levied.
- b. No penalty for non-maintenance of minimum balance.
- c. No charges will be levied for noting standing instructions. However, for execution of standing instructions, the charges will be levied.

All other terms and conditions applicable to normal Savings Bank account shall also apply to this scheme.

5.4 Term Deposits:

Interest Payable:

- a. The card rates of Interest as published from time to time are applicable for the period of deposit and amount of deposit.
- b. 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. Interest on deposit is payable either monthly at discounted value or quarterly or half yearly or yearly or on maturity. The interest on Term deposits is calculated by the Bank in accordance with the formulae and conventions advised by Indian Banks' Association.
- c. Resident Senior Citizens are eligible for additional rate of interest as per the prescribed rates.

Charges:

There is no charge for maintenance of term deposit accounts. However, penal interest will be charged for prematurely closed term deposits as decided by the Bank from time to time.

6. Differential rate of interest:

The Bank may at its discretion to offer a certain rate of interest on deposits of Rs.2 crore & above (bulk deposits) as decided by the Committee at Treasury department formed for this purpose and the same will be published in the website of the bank.

6.1 Deposits of Staff Members:

Deposits made by our Bank's staff/retired staff members (on superannuation or otherwise as per Bank's Rules, but excluding employees retired compulsorily or in consequence of disciplinary actions or resigned employees), are eligible for 1% p.a additional interest over and above the card rate is being paid in respect of Savings Bank or a term deposit account. This will be governed by separate rules framed by the Bank for extending additional interest over and above the card rate for the public.

6.2 Senior Citizens

- a. The applicable additional interest offered to senior citizens shall not be offered, if the depositor becoming a senior citizen during the contractual period of the deposit and the additional interest would be applicable only for renewals/ fresh deposits after attaining the age of 60 years.
- b. Bank may at its discretion offer Fixed deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size.
- c. The additional interest clause stated above also applies to a staff member, who is a senior citizen.
- d. The additional interest rate so offered to resident Indian senior citizens is in his/her individual capacity and not as HUF/Karta. In the case of a term deposit which is standing in the name of an HUF, the Karta of the HUF shall not be offered higher rate of interest, even if he is a resident Indian senior citizen, as the beneficial owner of the deposit is the HUF and not the Karta in his individual capacity.
- e. Bank at its discretion may define the ceiling on the deposit amount and the period to offer additional rate of interest on different maturity.

7. Special Term Deposits:

In response to market conditions and customer preferences the Bank may at its discretion introduce Special Term Deposit scheme for a limited period and also for a specified maturity period to boost business by offering special interest rates. ALCO shall decide upon introduction/ withdrawal of such special term deposits, periodically reviewing our interest rates depending on the market rates, competitor banks' interest rates, our cost of deposits, maturity profile, etc and also keeping in view the competitive edge required vis-à-vis other banks.

7.1 Wholesale/ Bulk Deposits:

- a) a. Wholesale Deposit of the Bank shall mean term deposits of Rs. 5.00 crore and above, or such other sum as may be decided by ALCO from time to time.

- b) Bulk deposits shall mean term deposits of Rs.2.00 crore and above (with effect from Feb.2019). For accepting bulk deposits, prior permission from Treasury Department should be obtained and rate of interest shall be specified by the Committee formed for this purpose. Bulk Deposits shall not be accepted under "Flexi Fix Deposit scheme".

- c) c. The quantum of individual deposit limits under the above Bulk deposits (i.e presently Rs.2.00 crore & above) shall be reviewed by the Bank based on the directives of the RBI, as and when the same gets revised by RBI.

7.2 Retail Term Deposits:

- a. Retail Term deposits means Term deposits of below Rs. 5.00 crore.

- b. The limits under the above Retail Term deposits shall be reviewed from time to time by the Bank based on the market conditions and/ or directives of the RBI.

8. Non Resident deposits:

Interest Payable:

Interest rates offered by the Bank on NRE and NRO Term deposits cannot be higher than those offered on domestic rupee deposits of comparative maturity period.

The interest rates on NRE/NRO savings deposits should be the same as applicable to domestic savings deposits.

- I. Bank will pay interest on NRE savings deposits and NRE term deposits, at the rates specified.
- II. The Bank will calculate interest on NRO/NRE-Savings Bank accounts on a daily product basis.
- III. Consequent to the deregulation of interest rates of Domestic, NRO and NRE savings deposits accounts, the Bank may at its discretion determine its savings bank deposit interest rate, subject to the regulatory norms.
- IV. In respect of FCNR deposits, IBD Chennai has been empowered to fix interest rates every month based on LIBOR rates declared by FEDAI or any other alternative rate prescribed by RBI/FEDAI from time to time, subject to post facto approval by ALCO/ Board.

No interest will be paid on NRE Term deposits, originally accepted for a period of more than one year, but prematurely closed before completion of one year from the date of deposit.

9. Insurance cover for deposits:

All bank deposits are covered under the insurance scheme offered by Deposit Insurance and Credit Guarantee Corporation of India (DICGC) subject to the limits and conditions prescribed by DICGC. (With effect from 04.02.2020, the limit of insurance cover for deposit has been enhanced to Rs.5.00 lakhs). The premium for such insurance cover will be borne by the Bank.

10. General:

- a) Pricing of liability products shall be reviewed/ revised by ALCO as and when necessity arises, including bulk deposits (i.e. Rs. 2.00 crore & above).
- b) The decision of ALCO shall be placed to the Board for approval and the directions of the Board in this regard shall be carried out by the respective department.
- c) For accepting bulk deposits, Treasury is entrusted with powers so as to modify the rate of interest based on the liquidity position on a day to day basis. Treasury Department shall have the right to reject or accept placing of bulk deposits. The rate of interest for bulk deposit is made available in CBS, which shall be decided by Treasury and shall be placed before the ALCO/Board for ratification.
- d) Interest rates on deposits shall be fixed by ALCO based on the inputs such as the
 - i) residual pattern of deposits.
 - ii) interest range wise distribution of deposits.
 - iii) rolling over/ rolling in portion of term deposits.
 - iv) composition of CASA.
 - v) the overall market liquidity position of the financial system.
 - vi) interest rate scenario of the system.
 - vii) the objective/ directions of the Government and Monetary authorities/ supervisors.
 - viii) the corporate goal of the Bank.
 - ix) addressing liquidity mismatches and interest rate risks.
- e) to improve the Net Interest Margin of the Bank
Product pricing – Service charges shall be reviewed periodically by the Bank to improve non interest income, in order to cope with the increase in the operational/ service costs. All such revisions in service charges shall be approved by the Board.
- f) Interest rates on deposits shall be fixed by ALCO based on the inputs such as the
 - i) residual pattern of deposits.
 - ii) interest range wise distribution of deposits.
 - iii) rolling over/ rolling in portion of term deposits.
 - iv) composition of CASA.
 - v) the liquidity position of the Bank (Bank specific)
 - vi) the overall market liquidity position of the financial system.
 - vii) interest rate scenario of the system.
 - viii) the objective/ directions of the Government and Monetary authorities/ supervisors.
 - ix) the corporate goal of the Bank.
 - x) the necessity for addressing liquidity mismatches and interest rate risks.

xi) to improve the Net Interest Margin of the Bank.

g) Product pricing – Service charges shall be reviewed periodically by the Bank to improve non interest income, in order to cope with the increase in the operational/ service costs. All such revisions in service charges shall be approved by the Board.

h) Waiver of service charges for deserving customers shall be considered at the level of Assistant General Manager or above.