

ADVANCE PAYMENT APPROPRIATION POLICY

FY 2026-27

Version No. 1.0

BALANCE SHEET AND CENTRAL ACCOUNTS SECTION

FINANCIAL MANAGEMENT WING

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Advance Payment Appropriation Policy FY 2026-27

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1. Preface

This policy provides a structured framework for permitting advance payment of loans and outlines conditions, procedures, and accounting treatment to ensure transparency, compliance with regulatory requirements and protection of Bank's financial interests. The policy shall be subject to review/ratification in accordance with the procedure set forth below.

2. Legal Framework

The bank has a mechanism of collecting partial prepayment from its term loan borrowers. The amount received under prepayment of loans is either set off against principal (partial payoff) or collected as advance payment. To substantiate above context, we hereby put forth the Advance Payment Appropriation Policy for the bank.

3. Objective

To ensure uniform practices across all branches and to safeguard customer rights and maintain transparency in charges and disclosures. The Advance Payment Appropriation Policy has been framed to define how advance payment lying in any loan account should be treated.

Any requirement mandated as per the guidelines of the Reserve Bank of India (RBI), or Ministry of Finance that are communicated subsequent to the adoption of the policy shall automatically form part and parcel of the Policy and the Bank shall have to comply with all such additional requirements.

4. Scope of Application

Applicable to all Term loans under Retail, Agriculture, MSME, Corporate and other loan products where bank is accepting advance payment.

5. Definitions

5.1 **"Audit Committee of the Board (ACB)"** means Committee of Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI) and the Government of India (GOI). The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalization and quality control of internal audit and inspection within the Bank and follow up on the statutory/external audit of the Bank.

5.2 **"Board"** means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

5.3 **"Bank"** shall mean **"Canara Bank"** constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;

5.4 **"Advance/Partial Payment /Prepayment"** includes any amount paid over and above the regular installment amount.

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5.5 **“Policy”** means Advance Payment Appropriation Policy which herein after shall be referred as **“ADVANCE PAYMENT APPROPRIATION POLICY”**.

5.6 **“Reserve Bank of India”** shall mean Reserve Bank of India as constituted under the Reserve Bank of India Act, 1934.

6. Eligibility Criteria:

- i. Advance payment is permitted in all loan accounts except those in recall status.
- ii. Any RTGS/NEFT/IMPS/any other mode of remittance received in the loan account from another bank shall, subject to due verification of bona fides of the transaction, be treated as advance payment. Borrower shall submit a declaration either in writing or through approved digital channels to inform about converting the advance payment into partial payment.
- iii. Amounts credited to the loan account through digital modes shall be treated, at the borrower’s option, either as partial prepayment or as advance payment. In case of partial prepayment, the borrower shall additionally be provided the option to recalculate EMI or to recalculate loan tenor.
- iv. Any standing instruction or ECS mandate executed at the request of borrower, other than towards regular installments.

7. Procedures:

Accounting Treatment of advance payment over and above the scheduled EMI under different scenarios:

Case 1: Deposit of advance payment by the borrower at the branch

Where borrower deposits advance payment either in cash or through fund transfer from an account held with our bank, the branch shall mandatorily obtain a declaration/consent (as per HO circular IC/221/2025 dated 28/03/2025) from the borrower indicating opted treatment of the amount, i.e., adjustment towards principal by way of partial payment with further option of either recalculate EMI or recalculate loan tenor or as advance payment.

Case 2: Deposit of advance payment by the borrower through digital mode

Where the borrower uses digital mode for crediting advance payment in the loan account, an option is available in Internet Banking or Mobile Banking (Canara Bank Ai1 app) to the borrower for opting for adjusting the amount either in form of partial payoff of principal amount with further option of either recalculating the loan tenor or recalculating the EMI or in form of advance payment.

Case 3: Deposit of advance payment by the borrower by way of RTGS/NEFT/IMPS/any other mode of remittance from another bank

Any RTGS/NEFT/IMPS/any other mode of remittance received in the loan account from another bank shall, subject to due verification of bona fides of transaction, be treated as advance payment. The customer has to either visit the branch physically or use approved digital channels to inform about converting the advance payment into partial payment with further option of either recalculating the loan tenor or recalculating the EMI or else the amount shall be treated as advance payment which shall be adjusted towards future installment payments.

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8. Options available in the CBS/Internet Banking/Mobile Banking for the borrower:

8.1 Partial Payoff:

There exists an option in CBS which allows maker and checker to adjust the amount paid towards principal payment. A similar option is available in digital channels for borrowers to select how the repaid amount is to be treated. Partial payoff is irreversible. Partial payoff functionality shall be enabled in Mobile Banking as well as Internet Banking.

8.2 Advance Payment:

There exists an option in CBS which allows maker and checker to deposit the amount paid as advance payment in the loan account. The amount is credited to the loan account and outstanding liability is reduced by the amount paid and interest is calculated on the reduced outstanding. The advance payment over and above the scheduled EMI is automatically adjusted towards future installments without any further demand from the borrower until the exhaustion of advance payment balance and the same is reversible under conditions specified below.

9. Refund/Utilization of Advance Amount:

Refund of unutilized advance amount not adjusted to the loan amount for any loan category shall be permitted only by way of second level authorization by the respective DGM-CO-CAC and strictly under underlined circumstances:

- i. Government subsidy credited directly to the loan accounts and subsequently identified as refundable in accordance with the applicable scheme guidelines.
- ii. Where an NEFT/RTGS/IMPS/any other mode of remittance is received for a single loan account but is required to be apportioned across multiple loan accounts, refunds or re-appropriation shall be carried out only upon receipt of a written request from the borrower, duly verified and recorded.
- iii. Wrong credit reversals subject to verification of bona fides, shall be permitted by DGM-CO-CAC.
- iv. In case of term loans where Purchase/Sale transactions did not materialize the amount disbursed shall be credited back to the loan account as advance payment and shall be refunded subsequently using refund option.
- v. Refund of Credit Balance in Closed Accounts.
- vi. Borrower's request to convert the advance payment to partial payoff option.

10. Restrictions on Advance Payment Refund:

Refunds under advance payment shall be permitted only in accordance with the restrictions laid down herein:

- i. Refund of advance payment through cash withdrawal shall not be permitted under any circumstances.
- ii. Refund of advance payment to third party CASA accounts shall not be permitted.

11. Validity of the policy:

The policy shall be valid for one year or until such time further communications are issued by RBI or Bank decides to modify the policy as deemed fit based on macro-economic factors.

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12. Interpretation

In any circumstances where the terms of these policies and procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Bank, including extant IRAC norms of RBI, such law, rule, regulation or standard will take precedence over these policies and procedure until such time as these policies and procedures are changed to confirm to law, rule, regulation or standard.
