

The procedure and an example of calculating and paying deposit interests / according to Regulation 8/02 of the RA Central Bank “On calculation of annual interest profitability of bank deposits”/

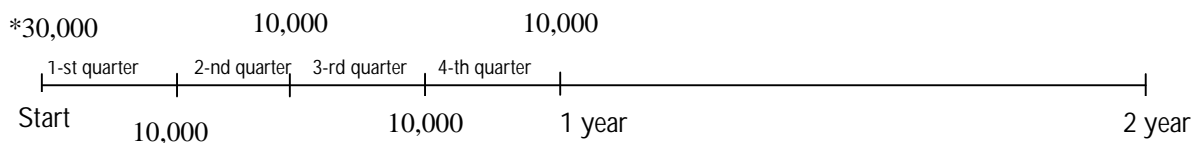
- The deposit amount interests are calculated on actual balance of deposit account from the next day of depositing the amount in the bank till the day before paying it back to the depositor or writing off the account of the depositor on the other bases.
- The calculation of interests is done by the Bank at ordinary interest rate, taking 365 days a year /366 for a leap-year/ as divider.
- If the depositor is a non-resident legal entity or sole entrepreneur, the interests are paid to the depositor in the deposit currency. In all other cases if the deposit is in foreign currency, the interests are paid in AMD at the exchange rate defined by the bank for buying the relevant currency as of the payment day.
- The deposit interests are subject to 10% income tax.

An example of calculating annual interest profitability.

Deposit KARAS

- Deposit amount - AMD 30,000
- Deposit term - 2 years
- Current interest rate - CBSI +1.5% (Settlement Interest rate of "Converse Bank"), which we consider as unchangeable during the deposit term, makes up $11\%+1.5\%=12.5\%$
- Interest accrual – Once a year the calculated interests are accrued to the deposit account balance.
- Other –During the first year the account increases with AMD 10,000 once in a quarter*.
 - 10% interest income tax at the moment of accrual,

The deposit interest amount is calculated as follows:



a. 1-st year

1-st quarter

Daily interest income

$$\frac{30,000 \text{ (deposit amount)} \times 12.5\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 10.27$$

Quarterly interest income

$$10.27 \times 90 \text{ (number of days in a quarter)} = \text{AMD } 924.66$$

2-nd quarter

Daily interest income

$$\frac{40,000 \text{ (deposit amount)} \times 12.5\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 13.70$$

Quarterly interest income
 $13.70 \times 91 \text{ (number of days in a quarter)} = \text{AMD } 1,246.58$

3-rd quarter

$$\frac{50,000 \text{ (deposit amount)} \times 12.5\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 17.12$$

Quarterly interest income
 $17.12 \times 92 \text{ (number of days in a quarter)} = \text{AMD } 1,575.34$

4-th quarter

$$\frac{60,000 \text{ (deposit amount)} \times 12.5\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 20.55$$

Quarterly interest income

$$20.55 \times 92 \text{ (number of days in a quarter)} = \text{AMD } 1,890.41$$

Net interest income at the end of the year

$$924.66 + 1,246.58 + 1,575.34 + 1,890.41 - 563.70 \text{ (10\% taxation)} = 5,073.29$$

As a result, the deposit balance will make up AMD 75,073.29, from which AMD 70,000 is deposited by the depositor, and AMD 5,073.29 is the yearly interest income.

b. 2-nd year

$$\frac{75,073.29 \text{ (deposit amount)} \times 12.5\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 24.27$$

Net interest income of the 2-nd year

$$24.27 \times 363 \text{ (the number of days a year minus the opening and closing days of the deposit)} - 881.01 \text{ (10\% taxation)} = \text{AMD } 7,929.10$$

$$\text{The deposit balance will make up AMD } 75,073.29 \text{ (the deposit amount of the 2-nd year)} + 7,929.10 \text{ (interest income of the 2-nd year)} = 83,002.38$$

As a result, the deposit "Karas" in amount of AMD 30,000 with CBSI+1.5% annual profitability and with quarterly increase in amount of AMD 10,000 for the first year, after two years will make up AMD 83,002.38.