

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 a 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, except the resident legal entities.

An example of calculating annual interest profitability.

Deposit PENSION

- a. Deposit amount – AMD 100,000.0,
- b. Deposit term - 10 years,
- c. Current interest rate - CBSI + 5% (Settlement Interest rate of "Converse Bank"), which we consider as unchangeable during the deposit term, makes up 9.75% annually) + 5% annually = 14.75%
- d. Interest accrual – Once a year the calculated interests are accrued on the deposit balance.
- e. Other – During ten years at the end of each month account is increased with AMD 10,000*,
- f. 10% interest income tax at the moment of accrual,

The deposit interest amount is calculated as follows:

a. 1st year

1st month

Daily interest income

$$\frac{100,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 40.41$$

1st month interest income

$$40.41 \times 31 \text{ (number of days a month)} = \text{AMD } 1,252.74$$

2nd month

Daily interest income

$$\frac{110,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 44.45$$

2nd month interest income

$$44.45 \times 28 \text{ (number of days a month)} = \text{AMD } 1,224.66$$

3rd month

Daily interest income

$$\frac{120,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 48.49$$

3rd month interest income
48.49 x 31 (number of days a month) = AMD 1,503.29

4th month

Daily interest income
 $\frac{130,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 352.53$

4th month interest income
52.53 x 30 (number of days a month) = AMD 1,576.03

5th month

Daily interest income
 $\frac{140,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 356.58$

5th month interest income
56.58 x 31 (number of days a month) = AMD 1,753.84

6th month

Daily interest income
 $\frac{150,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 60.62$

6th month interest income
60.62 x 30 (number of days a month) = AMD 1,818.49

7th month

Daily interest income
 $\frac{160,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 64.66$

7th month interest income
64.66 x 31 (number of days a month) = AMD 2,004.38

8th month

Daily interest income
 $\frac{170,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 468.70$

8th month interest income
68.70 x 31 (number of days a month) = AMD 2,129.66

9th month

Daily interest income
 $\frac{180,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 472.74$

9th month interest income
72.74 x 30 (number of days a month) = AMD 2,182.19

10th month

Daily interest income

$$\frac{190,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 76.78$$

10th month interest income
 $76.78 \times 31 \text{ (number of days a month)} = \text{AMD } 2,380.21$

11th month

Daily interest income

$$\frac{200,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 480.82$$

11th month interest income
 $80.82 \times 30 \text{ (number of days a month)} = \text{AMD } 2,424.66$

12th month

Daily interest income

$$\frac{210,000 \text{ (deposit amount)} \times 14.75\% \text{ (annual interest rate)}}{365 \text{ or } 366 \text{ (number of days a year, leap-year)}} = 484.86$$

12th month interest income
 $84.86 \times 31 \text{ (number of days a month)} = \text{AMD } 2,630.75$

1st year interest income
 $1,252.74 + 1,244.66 + 1,503.29 + 1,576.03 + 1,753.84 + 1,818.49 + 2,004.38 + 2,129.66 + 2,182.19 + 2,380.21 + 2,424.66 + 2,630.75 - 2,290.09 \text{ (10\% taxation)} = 20,610.80$

At the end of the first year after accrual and increase with AMD 10,000 the deposit amount will make up AMD 240,610.80.

The calculations for the years 2-10 are done on the same principle.

In case of holding the deposit till the end of the term, the deposit will make up AMD 2,710,972.62 at the end of the 10th year.

As a result, the deposit "Pension" in amount of AMD 100,000 with CBSI+5% annual profitability and with monthly increase in AMD 10,000 during ten years will make up AMD 2,710,972.62 after ten years.

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