

**THE CENTRAL BANK OF THE REPUBLIC
OF ARMENIA BOARD RESOLUTION No. 39**

Adopted on February 9, 2007

**ON APPROVAL OF REGULATION 2 ON “REGULATION OF BANKING, PRUDENTIAL
STANDARDS FOR BANKING”**

This Regulation includes all amendments made by the following Resolutions of the Central Bank Board
18.09.07 N 297-N, 02.10.07 N 317 N, 30.10.07 N 332 N, 21.11.07 N 368 N, 25.12.07 N 422, 11.03.08 N 56 N,
23.05.08 N 163 N, 07.10.08 N 285-N, 18.11.08 N 325-N, 30.12.08 N 375-N, 30.06.09 N 195-N, 14.10.09 N 297-N,
16.03.10 N 46 N, 19.03.10 N 53-N, 19.03.10 N 54-N, 27.07.10 N 171 N, 12.10.10 N 254 N, 01.02.11 N 21 N,
04.02.11 N 22 N, 08.02.11 N 26 N, 12.04.11 N 94 N, 30.08.11 N 224 N, 22.11.11 N 305 N, 30.11.11 N 323 N,
20.12.11 N 354 N, 26.06.12 N 168 N, 27.11.12 N 325 N, 16.04.13 N 101N, 24.06.14 N 146 N, 23.07.13 N 179 N,
24.12.13 N 299 N, 10.12.14 N 339 N, 17.12.14 N 365 N, 23.12.14 N 369 N, 30.12.14 N 376N, 21.01.15 N 6N,
24.02.2015 N 44-N, 12.03.2015 N 50-N, 15.04.2015 N81-N, 30.06.2015 N 152 N, 11.08.2015 N 183N, 10.11.2015
N 236-N, 29.12.2015 N 299-N, *10.05.2016 N 79-N, 20.09.16 N 146-N, 25.10.2016 N-177-N, 03.02.2017 N 31-N,*
14.11.2017 N 257-N, 26□12□2017 N 293-N, 19.01.2018 N 2-N, 23.11.2018 N 196-N, 07.06.2019, N 75-N,
19.07.2019 N 94-N

By virtue of the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia” article 20 (“e”), the Law of the Republic of Armenia “On Legal Acts” Article 16, the Law of the Republic of Armenia “On Currency Regulation and Currency Control”, articles 5, 7, the Law of the Republic of Armenia “On Banks and Banking”, chapters 4, 5, the Board of the Central Bank of the Republic of Armenia decides:

1. To approve:

1.1. Regulation 2 on “Regulation of banking, prudential standards for banking” according to Appendix 1 (attached).

1.2 (Repealed according to Resolution N- 354 of 20.12.11)

1.3 “Calculation of credit risk”, being an indivisible part of Regulation 2 on “Regulation of banking, prudential standards for banking”, according to Appendix 3 (attached).

1.4 “Calculation of market risk” being an indivisible part of Regulation 2 on “Regulation of banking, prudential standards for banking”, according to Appendix 4 (attached).

1.5 “Calculation of operational risk”, being an indivisible part of Regulation 2 on “Regulation of banking, prudential standards for banking”, according to Appendix 5 (attached).

1.6 “Minimum requirements for extending mortgage loans with 50/75 percent risk weight”, being an indivisible part of Regulation 2 on “Regulation of banking, prudential standards for banking”, according to Appendix 6 (attached).

1.7. “Additional requirements for attraction of deposits in the territory of the Republic of Armenia by branches of foreign banks” according to Annex 1 (attached).

(Point 1 amended by N- 354-N, 20.12.11, addition by 27.11.12 N 325-N)

2. Upon entering into force of this Regulation, to repeal the Central Bank of the Republic of Armenia Board Resolution N237 as of September 20, 2004 Regulation 2 “On approval of Regulation of banking, prudential standards for banking”.

3. This Resolution shall enter into force on January 1, 2008.

Chairman of the Central Bank of the Republic of Armenia

**REGULATION OF BANKING, PRUDENTIAL STANDARDS FOR BANKING
REGULATION 2**

CHAPTER 1. SUBJECT OF REGULATION

1. This Regulation is set pursuant to provisions of the Law of the Republic of Armenia on “Banks and Banking” and shall regulate opening and management of correspondent accounts of banks operating in the territory of the Republic of Armenia and branches of foreign banks, calculation of main prudential standards, components used in calculation and limits thereon.

(point 1 amended by 20.12.11 N 354-N)

CHAPTER 2. INVESTMENT AND SUBSCRIPTION ACTIVITY OF BANKS

(Chapter is repealed according to Resolution N- 354 of 20.12.11)

**CHAPTER 3. ESTABLISHMENT OF CORRESPONDENT ACCOUNTS BY
BANKS**

8. Banks and foreign bank branches shall establish correspondent accounts with the Central Bank in Armenian Dram and foreign currency.

(point 8 amended by 26.06.12 N 168-N)

9. Banks and foreign bank branches may open correspondent accounts in Armenian Dram and foreign currency with banks operating in the Republic of Armenia and abroad. Banks and foreign bank branches may open correspondent accounts in unallocated gold with banks operating in the Republic of Armenia and abroad. The account holder bank shall in writing notify the Central Bank of establishing the account within five business days.

(point 9 addition by 08.02.11 N 26-N)

10. For the purpose of this Regulation and other regulations adopted based on this Regulation a “nostro” account shall be the account held by the respective bank with the correspondent bank in Armenian Dram or foreign currency, including accounts in unallocated gold, and a “loro” account shall be the account held by the correspondent bank for the respective bank in Armenian Dram or foreign currency, including accounts in unallocated gold.

(point 10 amended by 08.02.11 N 26-N)

CHAPTER 4. PRUDENTIAL STANDARDS FOR BANKING AND THEIR LIMITS

11. The Central Bank shall set prudential standards for banking as follows:

- 1) the minimum statutory capital and the minimum total (equity) capital (with the exception of branches of foreign banks)
- 2) the capital adequacy standards
 - a. the ratio of the core capital to risk weighted assets
 - b. the ratio of the total capital to risk weighted assets;
- 3) the bank liquidity standards:
 - a. the ratio of high liquid assets to total assets (general liquidity);
 - b. the ratio of high liquid assets to demand liabilities (current liquidity);
- 4) the maximum risk on a single borrower, major borrowers;
 - a. the maximum risk on a single borrower;
 - b. the maximum risk on major borrowers;
- 5) the maximum risk on one bank related party, the maximum risk on all bank related parties;
 - a. the maximum risk on one bank related party;
 - b. the maximum risk on all bank related parties;
- 6) the minimum reserve requirement with the Central Bank;
 - a. for funds attracted in Armenian drams;
 - b. for funds attracted in foreign currency.
- 7) the foreign currency disposition standard
 - a. foreign currency position for each separate currency;
 - b. gross foreign currency position.

(Addition by 297-N, 14.10.09, 325-N, 27.11.12 , revision by 146-N, 24.06.14)

12. Additional requirements for attraction of deposits in the territory of Armenia by branches of the foreign bank are defined by Appendix 8 of this Regulation.

(Revised by 325-N, 27.11.12)

13. This point is repealed by Resolution 14.11.2017 N 257-N

(Addition by N171-N, 27.07.10)

14. The procedure on and the currency of the replenishment of the statutory capital of the bank are determined under Regulation 1 “Registration and Licensing of Banks and Foreign Bank Branches; Registration of Branches and Representative offices”, approved by the Central Bank Board Resolution 145 as of April 12, 2005.

15. The minimum statutory capital of a functioning bank is set to be 50 million Armenian Drams.

The statutory capital of the operating and new banks shall be replenished in Armenian Dram only. The fraction of the statutory capital of the banks replenished in foreign currency prior to June 28, 2005 shall not be revalued.

16. The minimum total capital of a commercial bank is set to be an amount equivalent to 30.000.000.000 (thirty billion) AMD.

(Revised by 146-N, 24.06.14, 03.02.2017 N 31-N)

16.1. The ratio of core capital to risk weighted assets is set to be 10% from January 1, 2020 (S11 Standard).

(Addition by 146-N, 24.06.14)

17. The minimum ratio of total capital to risk weighted assets (S12) shall be 12 %.

(point17 amended by 24.06.14 N 146-N)

18. The minimum ratio of bank’s highly liquid assets denominated in all currencies to total assets denominated in all currencies shall be 15 %.

(Amended by 297-N, 18.09.07, revised by 168-N, 26.06.12)

18.1. The minimum ratio of banks highly liquid assets denominated in first group currencies to total assets of Group I currencies shall be 4% (S2¹¹ standard).

(point 18.1 addition by 26.06.12 N 168-N)

18.2. In case when liabilities denominated in any Group II currency exceed 5% of banks total liabilities according to the month's average daily calculation, for each Group II currency shall be calculated S2¹² standard for the period of month following the relevant month, which is the average ratio of US dollars, Euro and highly liquid assets denominated in those currencies to US dollars, euro and total assets denominated in those currencies. The minimum ratio of Standard S2¹² shall be 4 %.

(point 18.2 addition by 26.06.12 N168-N)

19. The minimum ratio of banks highly liquid assets denominated in all currencies to demand liabilities denominated in all currencies shall be 60% (S2² Standard).

(point19 revised by 26.06.12 N 168-N)

19.1. The minimum ration of banks highly liquid assets denominated in Group I currencies to demand liabilities denominated in Group I currencies shall be 10 % (S2²¹ Standard).

(point 19.1 addition by 26.06.12 N 168-N)

19.2. In case when liabilities denominated in any Group II currency exceed 5% of banks total liabilities according to the month's average daily calculation, for each Group II currency shall be calculated S2²² standard for the period of month following the relevant month, which is the average ration of US dollars, Euro and highly liquid assets denominated in those currencies to demand liabilities in US dollars, euro and demand liabilities denominated in those currencies. The minimum ration of Standard S2²² shall be 10 %.

(point 19.2 addition by 26.06.12 N168-N)

20. The maximum risk on a single borrower (S3¹) shall not exceed 20 % of the total capital.

21. The maximum risk on major borrowers (S3²) shall not exceed 500% of the total capital.

22. The maximum risk on one related party (S4¹) shall not exceed 5% of the total capital.

23. The maximum risk on all related parties (S4²) shall not exceed 20 % of the total capital.

24. The minimum reserve requirement with the Central Bank on resources attracted in Armenian Dram for banks and foreign bank branches operating in the Republic of Armenia shall be set at % of attracted resources, except for cases provided by point 24.1.1 of this Regulation.

(point 24 revised by 21.11.07 N 368-N, amended by 01.02.11 N 21-N, 16.04.13 N 101-N, 24.12.13 N 299-N, addition by 21.01.15 N 6-N, amended by 24.02.2015 N 44-N)

24.1 The minimum reserve requirement with the Central Bank on resources attracted in foreign currency, as well as in dematerialized metal accounts (hereinafter referred to as metal accounts) for banks and foreign bank branches operating in the Republic of Armenia shall be in the amount of 18 % of attracted resources, except for cases provided by point 24.1.2, 24.1.3, 24.1.4 of this Regulation.

(point 24.1 addition by 21.11.07 N 368-N, revised by 16.03.10 N 46-N, amended by 27.07.10 N 171-N, 01.02.11 N 21-N, addition by 08.02.11 N 26-N, revised by 22.11.11 N 305-N, 17.12.14 N 365-N, amended by 23.12.14 N 369-N, addition by 21.01.15 N 6-N, amended by 24.02.2015 N 44-N, revised by 10.11.2015 N 236-N, amended by 20.09.16 N 146-N, 03.02.2017 N 31-N)

24.1.1. The minimum reserve requirement with the Central Bank on resources attracted in bonds meeting the requirements of points 1.2 and 1.4 of Appendix 11 and on resources attracted in Armenian drams provided in point 2 and 3 of Appendix 11 of this Regulation shall be 0%.

(24.1.1 addition by 24.02.15 N 44-N, revised by 10.11.2015 N 236-N)

24.1.2. The minimum reserve requirement with the Central Bank on resources attracted in bonds in foreign currency meeting simultaneously the requirements of points 1.1 and 1.2 or points 1.1 and 1.5 of Appendix 11 of this Regulation shall be 0%.

(24.1.2 addition by 24.02.15 N 44-N, revised by 10.11.2015 N 236-N, revised by 20.09.16 N 146-N)

24.1.3. The minimum reserve requirement with the Central Bank on resources attracted in bonds meeting the requirements of points 1.1 and 1.4 or point 1.3 or 1.5 and on resources attracted in foreign currency provided by point 3 of Appendix 11 of this Regulation shall be set at 1/8 of the rate provided in point 24.1 of this Regulation.

(24.1.3 addition by 24.02.15 N 44-N, revised by 10.11.2015 N 236-N, revised by 20.09.16 N 146-N)

24.1.4. The minimum reserve requirement with the Central Bank on resources attracted in bonds meeting the requirements of points 1.2 or 1.4 and on resources attracted in foreign currency provided by point 2 of Appendix 11 of this Regulation shall be set at 1/4 of the rate provided in point 24.1 of this Regulation.

(24.1.4 addition by 24.02.15 N 44-N, revised by 10.11.2015 N 236-, revised by 20.09.16 N 146-N)

24.1.5(Point 24.1.5 is repealed by *20.09.16 N 146-N*)

(revised by 10.11.2015 N 236-N)

24.2 The foreign currency disposition standard comprises two components: foreign currency position and foreign currency position by types of foreign currencies.

The maximum ratio of foreign currency position to total capital is set to be 10 %. From April 14, 2010 up to July 31, 2010 the foreign currency position shall equal to a grand total of long positions in all foreign currencies, and starting from August 1, 2010 onward the foreign currency position shall equal to gross foreign currency position.

By types of foreign currencies the maximum ratio of each foreign currency to total capital is set to be 7%. From April 14, 2010 up to July 31, 2010 each foreign currency position shall equal to the long position in each foreign currency, and starting from August 1, 2010 onward each foreign currency position shall equal to the open position in each foreign currency.

(point 24.2 addition by 14.10.09 N 297-N, revised by 19.03.10 N 53-N)

CHAPTER 5. CALCULATION OF PRUDENTIAL STANDARDS, COMPONENTS USED IN CALCULATION

25. The minimum statutory capital, the minimum total capital and prudential standards S1, S2¹, S2¹¹, S2¹², S2², S2²¹, S2²², S31, S3², S4¹, S4² shall be calculated on a monthly basis; the reserve requirement standard shall be calculated on a 28-day or 35-day basis in accordance with the reserve schedule set by the Central Bank; the foreign currency disposition standard shall be calculated on a daily basis.

(point 25 amended by 18.11.08 N 325-N, addition by 14.10.09 N 297-N, 27.07.10 N 171-N, amended by 26.06.12 N168-N,24.06.14 N 146-N)

26. Loan and receivables loss reserves, as well as loss reserve on investments in investment securities shall be included in the calculation of the prudential standards and undistributed profit at the amount, calculated according to the procedure on “Classification of loans and receivables of the banks, operating in the Republic of Armenia and loss provisioning”, approved by the Central Bank Board Resolution N63 as of March 23, 1999 and the procedure on “Loss provisioning on

investments in investment securities of banks, operating in the Republic of Armenia, and its use”, approved by the Central Bank Board Resolution N188 as of September 15, 1998.

27. The banks shall ensure the minimum total capital as of the first dates of the schedule determined in this Regulation, Rule 16, and by average daily calculation for each month (grand total of daily value of the total capital divided by the number of days in the month).

28. The total capital of a bank is a grand total of the core capital and the additional capital after the respective deductions. Meanwhile, for calculating core prudential standards, additional capital shall be included in the core capital at an amount not exceeding 50 % of the core capital (taking into account the deductions specified in Rule 28.1 of this Regulation) from January 1, 2015 to December 31, 2017 inclusive, at an amount not exceeding 40% of the core capital from January 1, 2018 to December 31, 2018 inclusive (taking into account the deductions specified in Rule 28.1 of this Regulation), at an amount not exceeding 30% of the core capital from January 1, 2019 to December 31, 2019 inclusive (taking into account the deductions specified in Rule 28.1 of this Regulation) and at an amount not exceeding 20% of the core capital from January 1, 2020 (taking into account the deductions specified in Rule 28.1 of this Regulation).

(Point 28 revised by N 146-N, 24.06.2014, 21.01.15 N 6-N)

28.1 The core capital represents the difference of a grand total of components specified in sub point 1 of this point and the components specified in sub point 2 of this point deducted from the core capital.

1) The following components shall be included in the core capital

a. net value of fully paid ordinary shares, stocks or equity participation (hereinafter ordinary shares) plus income on issue from ordinary shares and deducted discount,

b. reserve fund or other fund established by the law to cover the losses of the bank (hereinafter general reserve),

c. undistributed profit. Meanwhile, undistributed profit of bank shall be included in the calculation of core capital at an amount of maximum 150% of fully paid ordinary shares and nominal value of preferential shares that meet the requirements of Appendix 9 plus income on issue and deducted discount,

d. nominal value of preferential shares that meet the requirements of Appendix 9 plus income on issue of shares and deducted discount. Meanwhile, preferential shares shall be deducted at an amount of preferred shares meeting the requirements of Appendix 9 of this Regulation, which were buy backed by the bank (unless they are already nondeductible from core capital in accordance with accounting standards) or they are acquired from organization in which the bank is qualified holder or which the bank is obliged or is committed to acquire in future according to any legal document (except for cases of mandatory buyback provided by legislation). Starting from January 1, 2018 preferential shares shall be included in the core capital at an amount of maximum 20% of difference between the ratio of components specified in sub point “a-c” and deduction made in accordance with sub point 2 of this point.

2) The core capital shall be deducted:

a. in the amount of book value of long-term subordinated loans provided by bank.

Meanwhile, for the purpose of this paragraph long term subordinated loan shall be considered subordinated loan specified in Civil Code of the Republic of Armenia provided for at least five years.

b. in the amount of nominal value of ordinary shares issued by bank, which

b1. Are bought back by the bank, if are already nondeductible from core capital in accordance with accounting standards, or

b2. Are acquired by organizations in which the bank is qualified holder or has been acquired through bank's indirect financing, or

b3. bank is obliged or may be committed to acquire in future according to any legal document (except for cases of mandatory buyback provided by legislation), or

b4. Are secured by guarantee or surety of bank related persons, or their owners, legally or economically will be in more favorable situation as a result of the fact, that their claim deriving from the ownership right on shares shall be satisfied pursuant to the statute or otherwise earlier than the order of satisfaction of that claim provided by law.

c. in the amount of book value of non-tangible assets (including intangible assets not in use), as well as of capital investments in non-tangible assets. Meanwhile, computer programs used during bank's activities and rights thereon, payment systems giving rights to use Visa, MasterCard, American Express, Swift, CBANet, ARCA and other payment systems (including service of electronic plastic cards), with the Central Bank's consent, shall be deducted in the amount of 50% of their book value for the period involving January 1, 2016 to December 31 2017, and from January 1, 2018 shall be deducted totally.

d. in the amount of book value of assets under bank's ownership and tangible assets not used for banking activities (fixed assets and other tangible assets, including owned asset as a result of disposition of collateral or incurred from other claims), as well as capital investments thereon, after six months as of the day those assets become bank's ownership pursuant to legislation, and in case of acquisition of asset for financial leasing purposes or in case of termination or dissolution of financial lease contract, after one year as of the day of recognizing the asset as a fixed asset in the balance sheet of bank.

e. at an amount of book value of shares owned by the bank as a result of disposition of collateral after six months as of the day of placement of shares under bank's ownership pursuant to legislation. Meanwhile, shares specified in this point are not subject to deduction from core capital (maximum at an amount of claim secured by shares) of bank until the end of six month period specified in this point only in case when the independent assessment exists on real value of shares issued maximum 2 months prior the day of the placement of shares specified in this sub point under bank's ownership pursuant to the law.

f. at an amount of book value of tangible assets under bank's ownership and used for banking business to the extent not exceeding 25% of value of core capital. For the purpose of this paragraph value of tangible assets shall equal to the ratio of its initial value and capital investments deducted in the amount of losses from amortization, depreciation and reevaluation

g. balance of capital investments made to improve the fixed assets leased by bank,

h. in the amount of positive difference between book value of suspended tax assets and suspended tax obligations.

i. book value of investments in statutory capitals of other banks, credit organizations, insurance companies, as well as persons performing financial operations defined in the Law of the Republic of Armenia "On banks and banking", Article 34 (Rule 1) (except for the case under paragraph "j" of this sub point), if

i1. the investment in the statutory capital constitutes 4.99% or more of the statutory capital of the entity, or

i2. investments in statutory capitals of all entities (including entities specified in paragraph "ja" of this sub point) exceed 10% of the book value of the core capital of the bank (deducted components specified in paragraphs "a-h" of this sub point).

j. investments specified in paragraph “i” of this sub point as a result of which the bank acquires 100% participation in the statutory capital of the entity specified in paragraph “i” of this sub point and the investment has the purpose to liquidate the entity (also merge the bank) and the Central Bank has been duly notified of the purpose, shall be deducted at their book value after six months from the investment.

ja. At the biggest amount among differences between the book value of investments in statutory capital of other entities not specified in paragraph “i” of this sub point and values specified in sub points “ja1-ja2” of this paragraph, if

ja1. the investment in the statutory capital constitutes 4.99% or more of the statutory capital of the entity , or

ja2. investments in statutory capitals of all entities (including entities specified in paragraph “ja” of this sub point) exceed 10% of the book value of the core capital of the bank (deducted components specified in paragraphs “a-h” of this sub point).

jb. Book value of investment in bank’s capital in case of reciprocal investments in other entities, if in the Central Bank’s justified opinion the investment is made for the purpose of artificial augmentation of bank’s capital. Within the meaning of this paragraph, reciprocal investment shall mean the investment in the result of which bank or other entity in the statutory capital of which the bank is a qualified holder (hereinafter in this paragraph bank) acquires participation in other person’s or other entity’s capital in which the other person is qualified holder and the later (his qualified holder) has (have) participation in bank’s capital.

(point 28.1 revised by 18.09.07 N 297-N, amended by 23.05.08 N163-N, addition by 14.10.09 N297-N, revised, addition 19.03.10 N54-N, addition 08.02.11 N 26-N, amended by 12.04.11 N 94-N, revised, addition by 20.12.11 N 354-N, addition by 23.07.13 N 179-N, revised, addition by 24.06.14 N146-N)

28.2 The additional capital comprises:

- a. the revaluation reserve for tangible assets as property of, and used in the bank’s business. The reserve shall make no more than the difference between 25% of book value of core capital and the value of tangible assets owned by the bank and used in the bank’s business (the value of the tangible asset equals to a grand total of the original value of the tangible asset and the sum of capital investments less amortizations and loss from depreciations and revaluation). If this difference is a negative value, the reserve for revaluation of tangible assets owned by the bank and used in the bank’s business shall not be included in the calculation of additional capital. It shall be calculated using the following formula:

RR=

$$\mathbf{a\ minimum\ (RR_b,\ CC*0.25 - (TA_{OV} + TA_{CI} - TA_{AM} - TA_L - TA_R)),\ if\ CC*0.25 - (TA_{OV} + TA_{CI} - TA_{AM} - TA_L - TA_R) \geq 0}$$

$$\mathbf{0,\ if\ CC *0.25 - (TA_{OV} + TA_{CI} - TA_{AM} - TA_L) < 0}$$

where

RR = the revaluation reserve for tangible assets owned by the bank and used in the bank’s business, which is included in the calculation of the additional capital

RR_b = the book value of revaluation reserve for tangible assets owned by the bank and used in the bank’s business

CC = the book value of the core capital of the bank

TA_{OV} = the original value of the assets owned by the bank and used in the bank's business

TA_{CI} = the value of capital investments of tangible assets owned by the bank and used in the bank's business

TA_{AM} = amortizations on capital investments and the original value of the assets owned by the bank and used in the bank's business

TA_L = loss from devaluation of capital investments and the original value of the assets owned by the bank and used in the bank's business

TA_R = loss from revaluation of capital investments and the original value of the assets owned by the bank and used in the bank's business.

The calculation of the additional capital shall not include:

- a) the revaluation reserve for tangible assets not used in the bank's business and the revaluation reserve for non-tangible assets deductible from the core capital;
- b) the reserve for foreign exchange fluctuations emerged during the balance sheet consolidation;
- c) preferential shares that meet the requirements of Appendix 9 of this Regulation (at the amount exceeding the ratio included in the calculation of core capital) starting from January 1, 2018, which shall be included in the calculation of additional capital at their nominal value plus income on issue from preferred shares and Meanwhile, with regard to inclusion in the calculation of total capital, the amount specified in this point shall have the priority than other components of additional capital.
- d) Long-term subordinated borrowings attracted by the bank. For the purpose of this regulation (except for paragraph "a" of sub point 2 of point 28.1 of this Regulation) long term subordinated borrowing shall be considered a borrowing which meets all the requirements provided by Appendix 10 of this regulation. Meanwhile, with regard to including in the calculation of bank's total capital, long-term subordinated borrowings shall have the priority than other components of additional capital, except for preferential shares. The attracted long-term subordinated borrowings must be deducted from the calculation of the additional capital at the amount of 20% of their initial grand total starting from January 1 of the fifth year prior to the beginning of their repayment period and each following year.
- e) other reserves.

(point 28.2 revised by 18.09.07 N 297-N, addition by 18.11.08 N325-N, 14.10.09 N 297-N, revised and addition by 24.06.14 N 146-N)

29. For the purpose of this Regulation, tangible assets used in the bank's business shall be the assets used to perform operations specified in the Law of the Republic of Armenia "On Banks and Banking", part 1 of Article 34. Tangible assets include own buildings and premises (real estate), where the bank and its territorial subdivisions perform the operations specified in the Law of the Republic of Armenia "On Banks and Banking", part 1 of Article 34, as well as the buildings and premises used by the representative offices of the bank.

(point amended by 24.06.14 N146-N)

29.1. **Repealed by Resolution 146-N, 24.06.14**

30. This point is repealed by Resolution 14.11.2017 N 257-N

(point 30 addition by 27.07.10 N 171-N, amended by 24.06.14 N 146-N)

30.1. The minimum ratio of core capital to risk weighted assets shall be calculated using the following formula:

$$S11 = \frac{C_{\text{core}}}{RWA}$$

where

C_{core} - core capital (using average daily calculations for a month),

RWA - grand total of credit, market and operational risk, calculated using the following formula:

$RWA = CR + (25/3) * (MR + OR)$, where

CR = credit risk, calculated in accordance with Appendix 3 of this Regulation,

MR = market risk, calculated in accordance with Appendix 4 of this Regulation,

OR = operational risk, calculated in accordance with Appendix 5 of this Regulation.

(Added by 146-N, 24.06.14)

31. The minimum ratio of total capital to risk weighted assets shall be calculated using the following formula:

$$S12 = \frac{C_{\text{tot}}}{RWA}$$

where:

C_{tot} = the total capital (using average daily calculations for a month);

RWA = grand total of credit, market and operational risk, calculated using the following formula:

$RWA = CR + (25/3) * (MR + OR)$, where

CR = credit risk, calculated in accordance with Appendix 3 of this Regulation,

MR = market risk, calculated in accordance with Appendix 4 of this Regulation,

OR = operational risk, calculated in accordance with Appendix 5 of this Regulation.

(point 31 amended by 24.06.14 N146-N)

32. For the days (including non-business days) when the balance sheet of the bank incurs no changes, the calculation of the average daily data shall include the data as of the previous day.

33. The ratio of bank's high liquid assets denominated in all currency to total assets denominated in all currencies shall be calculated using the following formula:

$$S2^1 = \frac{AHL}{A_{\text{tot}}}$$

where:

AHL = highly liquid assets by average daily calculations for a month, which shall be calculated using the following formula:

$$(AHL_1 + AHL_2 + \dots + AHL_n)$$

$$AHL = \frac{\text{---}}{n}$$

where:

AHL₁ + AHL₂ +...+ AHL_n stands for highly liquid assets of the bank by days, and n is the number of days of the reporting month.

A_{tot} stands for total assets by average daily calculations for a month, calculated using the following formula:

$$A_{tot} = \frac{(A_{tot\ 1} + A_{tot\ 2} + \dots + A_{tot\ n})}{n}$$

where:

A_{tot 1} + A_{tot 2} +...+ A_{tot n} stands for the total assets of the bank by days, and n is the number of days of the reporting month.

(point 33 amended by 26.06.12 N 168-N)

33.1. S2¹¹ Standard shall be calculated by the formula used for S2¹ Standard. Meanwhile, highly liquid assets shall include only assets denominated in Group I currencies and specified in point 34 of this Regulation, and total assets shall include the total of all accounts denominated in Group I currencies of category “Assets” of the “Account chart of banks, credit organizations, investment funds and investment fund managers operating in the territory of the Republic of Armenia” taking into account deductions specified in point 34.10. of this Regulation.

(point 33.1 addition by 26.06.12 N 168-N)

33.2. S2¹² Standard shall be calculated by the formula used for S2¹ Standard. Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation and denominated in US dollars, Euro and relevant Group II currency specified in point 18.2. of this Regulation, and total assets shall include the total of all accounts denominated in US dollars, Euro and relevant Group II currency of category “Assets” of the “Account chart of banks, credit organizations, investment funds and investment fund managers operating in the territory of the Republic of Armenia” taking into account deductions specified in point 34.10. of this Regulation.

(point 33.2 addition by 26.06.12 N 168-N)

34. The calculation of highly liquid assets shall include below listed assets (excluding interest accrued on such assets (other than the assets specified in sub-points 34.4, 34.5, 34.6 34.7. and 3.4.9. of this Rule), with no restrictive conditions for their use. Highly liquid assets shall also include securities listed in sub points 34.4, 34.5, 34.6, 34.7 and 34.9 this Rule (in current market price) which were acquired by repo agreements and are accounted in the part 82 of the “Account chart of banks, credit organizations, investment funds and investment fund managers operating in the territory of the Republic of Armenia” approved by the decision of the Central Bank Board No 322-N of November 30, 2011. Highly liquid assets shall not include securities pledged or sold through repo agreements.

(point 34 addition by 30.11.11 N 323-N, amended by 20.12.11 N 354-N)

34.1. cash (including cash in ATMs and in transit), cash equivalent payment documents (excluding payment documents in transit) such as VISA, THOMAS COOK/MASTER CARD, AMERICAN EXPRESS, CITICORP and other payment documents if agreed with the Board of the Central Bank;

(point 34.1 addition by 18.11.08 N 325-N)

34.2. correspondent accounts and deposits (terms of which or the deadline for receipt of resources upon the right to request before repayment term does not exceed 3 working days) with the Central Bank (except for overnight credits borrowed at the credit resources platform at NASDAQ OMX ARMENIA).

(point 34.2 revised by 12.10.10 N 254-N, addition by 20.12.11 N 354-N)

34.3. bank gold (including bank gold in transit).

(point 34.3 addition by 18.11.08 N 325-N)

34.4. transfer notes issued by the Ministry of Finance of the Republic of Armenia with maturity up to 1 year, which are subject to be repaid by the Central Bank at the expense of the funds of the consolidated treasury account of the Republic of Armenia Government, T-bills and securities issued by the Central Bank at current (market) value;

(point 34.4 addition by 30.12.08 N 375-N, revised by 14.10.09 N 297-N)

34.5. Securities of Armenian resident non-financial entities at current (market) value whose rating is equal or higher from rating lower from one rating granted to the Republic of Armenia by rating agencies (Standard and Poor's or Fitch (Moody's));

(Point 34.5 revised by 15.12.15 N 279-N)

34.6. Government treasury bills of countries at least rated A+(A1) by Standard & Poor's or Fitch (Moody's);

34.7. Corporate bonds rated at least A+(A1) by Standard & Poor's or Fitch (Moody's) at current (market) value or non-state bonds issued by European Bank of Reconstruction and Development, European Central Bank, European Investment bank, other international institutions (in which Armenia is a member)

(point 34.7 addition by 23.07.13 N 179-N)

34.8. correspondent accounts with resident and foreign banks (including those in unallocated gold); the amount of such correspondent accounts shall be reduced by the amount of liabilities to the same bank, not exceeding the balance of the relevant "nostro" account. When calculating the bank's highly liquid assets, the correspondent accounts with resident and foreign banks shall be first reduced by the amount of the balance of "loro" correspondent account with the same bank and then by the amount of remaining liabilities. The remaining liabilities shall not be deducted from the correspondent account if the foreign correspondent bank is rated at least BBB-(Baa3) by Standard & Poor's or Fitch (Moody's). Meanwhile, the calculation of S2¹¹ and S2²¹ standard shall include only correspondent accounts denominated in Group I currencies deducted by liabilities specified in this point and denominated in Group I currency. Calculation of S2¹² and S2²² Standards shall include

- 1) correspondent accounts denominated in US dollars and Euro deducted by liabilities specified in this point and denominated in US dollars and Euro
- 2) correspondent accounts denominated in relevant Group II currency deducted by liabilities specified in this point and denominated in same currency.

(paragraph repealed by 26.06.12 N 168-N)

(point 34.8 addition by 30.12.08 N 375-N, revised by 14.10.09 N 297-N, addition by 08.02.11 N 26-N, amended by 30.11.11 N 323-N, addition by 20.12.11 by 354-N, addition, amendment by, 26.06.12 N 168-N)

34.9. Bonds issued by refinancing credit organizations in the current (market) price.

(point 34.9 addition by 30.08.11 N 224-N)

34.9.1. Funds provided upon one working day(overnight) credit agreement if the borrower is a non-resident bank if it has BBB+(Baa1) rating and higher than BBB+(Baa1) rating for long term deposit attraction received from Standard and Poor's or Fitch (Moody's), guided by principles as set out in point 56.3 of this regulation. Funds specified in this point may be included in the calculation of high liquid assets in the amount of maximum 15% of total of assets specified in points 24.1-34.9 and amount in highly liquid assets.

(point 34.9.1 addition by 27.11.12 N 325-N)

34.10. For the purpose of calculation of S2¹ standard the calculation of banks total assets (A_{tot}) shall include the total of all accounts denominated in Group I currencies of category "Assets" of the "Account chart of banks, credit organizations, investment funds and investment fund managers operating in the territory of the Republic of Armenia". For the purpose of calculation of Standards S2¹, S2¹¹ and S2¹² the total of assets shall be deducted

1) In the amount of book value (within secured amount) of the following assets (except for repo agreements) which are secured by

a. transfer notes issued by the Ministry of Finance of the Republic of Armenia with maturity up to 1 year, which are subject to be repaid by the Central Bank at the expense of the funds of the consolidated treasury account of the Republic of Armenia Government,

b. securities issued by the Central Bank and Republic of Armenia Government treasury bonds,

c. banking gold kept in that bank,

d. Armenian drams and Group I currency funds kept in that banks banking and/or deposit accounts

e. Group II currency funds kept in that banks banking and/or deposit account if they are considered a guarantee for assets denominated in the same currency. Meanwhile, for calculation of S2¹² Standard shall be deducted from total assets only those assets denominated in Group II currency which are secured by US dollars, Euro or Group II currency kept in banks banking and/or deposit accounts.

2) In the amount of book value of credit denominated in relevant currency which were provided from the targeted funds attracted form foreign banks and financial organizations, the return of which is guaranteed by the Republic of Armenia Government or the Central Bank, terms of provisions does not exceed terms of attraction and the bank has not undertaken additional risks.

3) In the amount of deductions from "nostro" accounts for the purpose of calculation of relevant Standard in accordance with point 34.8 of this Regulation.

4) In the amount of funds not entering in the calculation of highly liquid assets attracted upon one working day (overnight) credit agreement entered into at the NASDAQ OMX credit resources platform and maintained in the Central Banks correspondent accounts, in the amount of securities specified in points 34.4, 34.5, 34.6, 34.7, and 34.9 of this Regulation sold by repo agreements, as well as pledged (in the relevant currency).

(point 34.10 addition by 26.06.12 N 168-N, 23.07.13 N179-N)

35. The ratio of banks highly liquid assets denominated in all currencies to all demand liabilities shall be calculated using the following formula:

$$S2^2 = \frac{AHL}{DL}$$

where:

$$\text{AHL} = \frac{(\text{AHL}_1 + \text{AHL}_2 + \dots + \text{AHL}_n)}{n}$$

where :

$\text{AHL}_1 + \text{AHL}_2 + \dots + \text{AHL}_n$ = highly liquid assets by days, and n is the number of days of the reporting month.

DL = demand liabilities by average daily calculations for a month, which shall be determined using the following formula:

$$\text{DL} = \frac{(\text{DL}_1 + \text{DL}_2 + \dots + \text{DL}_n)}{n}$$

where:

$\text{DL}_1 + \text{DL}_2 + \dots + \text{DL}_n$ = demand liabilities by days, and n is the number of days of the reporting month.

(point 35 amended by 26.06.12 N 168-N)

35.1. S2²¹ standard shall be calculated by the formula used for S2² Standard. Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation denominated in Group I currency, and demand liabilities shall include demand liabilities denominated in Group I currency as specified in point 36 of this Regulation. Meanwhile, from demand liabilities specified in this point shall be deducted demand liabilities (including incurred interests) deductible from correspondent “nostro” accounts in accordance with point 34.8.

(point 35.1 addition by 26.06.12 N 168-N)

35.2. S2²² Standard shall be calculated by the formula used for S2². Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation and denominated in US dollars, Euro and relevant Group II currency specified in point 18.2, and demand liabilities shall include demand liabilities denominated in US dollar, Euro and relevant Group II currency as specified in point 36 of this Regulation. Meanwhile, from demand liabilities specified by this point shall be deducted demand liabilities (including incurred interests) deductible from correspondent “nostro” accounts in accordance with point 34.8.

(point 35.2 addition by 26.06.12 N 168-N)

36. The calculation of demand liabilities shall include demand resources or resources with no fixed terms of maturity (including accrued demand interest and interest with no fixed terms of maturity) denominated in relevant currency including overdue liabilities, accounted in the category “Liabilities” of the balance sheet. The demand liabilities denominated in relevant currency shall be reduced by the amount of demand liabilities (including interest accrued), deducted from “nostro” accounts pursuant to Rule 34.8. For the purpose of this Regulation, overdue liabilities shall mean liabilities, other than those being in litigation, that have not been performed within the specified period. The liabilities being in the process of examination in court or in arbitration shall be treated as demand liabilities.

(point 36 amendment by 26.06.12 N 168-N)

37. The maximum risk on a single borrower (S3¹) shall be determined using the following formula:

Risk

$$S3^1 = \frac{\text{-----}}{C_{tot}}$$

where:

Risk = the amount of loans to a single borrower and related parties, including lending to a bank account, all other borrowings, factoring and leasing operations, advances, prepayments, installments for bank service or products, letters of credit, investments in securities issued by the party or related parties (including bills), correspondent accounts and deposits of the bank, receivables, repo agreements, currency swaps, as well as any other liabilities to the bank, including bank's sureties and guarantees issued to other parties (not related to the borrower) for liabilities of the latter to the same bank, any other cover funds (secured by the amount not exceeding the total liability), off-balance sheet contingent liabilities, containing credit risk, borrowings and/or guarantees to the same parties provided by other banks at the expense of, and secured by, monetary assets of the bank (provided that the bank assumed the risk to collect such borrowings). These components are not weighted after they are decreased by the amount of their respective reserves, except for "nostro" correspondent accounts, interbank deposits, interbank loans, other requirements applicable to the banks and claims on foreign governments and central banks, which shall be weighted by respective risk weights but for no more than 100% pursuant to Rule 6 of Appendix 3 of this Regulation after they are decreased by the amount of their respective reserves.

C_{tot} = total capital of the bank.

(point 37 amendment by 30.11.11 N 323-N, 27.11.12 N 325-N, 23.11.2018 N 196-N)

38. The maximum risk on major borrowers ($S3^2$) shall be determined using the following formula:

Risk

$$S3^2 = \frac{\text{-----}}{C_{tot}}$$

where:

Risk = the amount of loans to a single borrower and related parties, including lending to a bank account, all other borrowings, factoring and leasing operations, advances, prepayments, installments for bank service or products, letters of credit, investments in securities issued by the party or related parties (including bills), correspondent accounts and deposits of the bank, receivables, repo agreements, claims on currency swaps (according to Rule 48 of this Regulation), as well as any other liabilities to the bank, including bank's sureties and guarantees issued to other parties (not related to the borrower and/or not a major borrower) for liabilities of the latter to the same bank, any other cover funds (secured by the amount not exceeding the total liability), borrowings and/or guarantees to the same parties provided by other banks at the expense of, and secured by, monetary assets of the bank (provided that the bank assumed the risk to collect such borrowings), off-balance sheet contingent liabilities, containing credit risk. These components shall not be weighted after they are decreased by the amount of their reserve,

except for “nostro” correspondent accounts, interbank deposits, interbank loans, other requirements applicable to the banks and claims on foreign governments and central banks, which shall be weighted by respective risk weights of defined assets (but for no more than 100%) pursuant to Rule 6 of Appendix 3 of this Regulation after they are decreased by the amount of their reserves.

C_{tot} = total capital of the bank.

(point 38 amended., revised by 18.09.07 N 297-N, amended by 30.11.11 N 323-N, 27.11.12 N 325-N, 23.11.2018 N 196-N)

38.1 A major borrower is an entity, on which the risk (calculated using the risk calculation for the prudential S3¹ methodology specified in this Regulation) exceeds 5% of the total capital of the bank.

38.2 If borrower (person) and other legal entity are linked on the grounds that the state, International Financial Corporation, European Reconstruction and Development Bank and/or Asian Development Bank possess 20% or more of borrower (person) and legal entities shares with voting rights or is(are) entitled to predetermine in the manner not prohibited by law, within the meaning of Standards S31 and S32 borrower (person) and other legal entity are not considered as linked persons.

(point 38.2 addition by 19.03.10 N 54-N, revised by 23.07.13 N 179-N)

39. Standards S3¹ and S3² shall not apply to the Central Bank and the Government of the Republic of Armenia.

(point 39 addition by 19.03.10 N 54-N)

40. The calculation of S3¹ and S3² shall not include the claims on a subsidiary operating in the Republic of Armenia. When calculating S3¹ and S3² for claims on a subsidiary operating in the Republic of Armenia and the related parties, the calculation of risks shall include only:

- a. claims on the subsidiary’s related parties, and
- b. sureties and guarantees of the subsidiary issued to other parties (not related to the subsidiary) for their liabilities to the same bank, as well as any other cover funds (at the amount not exceeding the secured total liability).

40.1. The provisions on subsidiaries specified herein shall apply to the bank’s subsidiaries, operating in the Republic of Armenia (banks, credit organizations, other organizations, which carry out activities, specified in the Law of the Republic of Armenia “On Banks and Banking”, Article 34, Rule 1), if the bank consolidates the balance sheet of the subsidiary and its balance sheet in accordance with “The procedure for consolidated reporting to the Central Bank by banks operating in the Republic of Armenia”, approved by the Central Bank Board Resolution No. 87 as of April 2, 2002.

41. If the bank has a foreign subsidiary, the calculation of S3¹ and S3² risk for consolidated reports shall not include government bonds of the subsidiary’s country of incorporation, claims on the central bank of the subsidiary’s country of incorporation.

42. The maximum risk on a bank related party (S4¹) shall be determined using the following formula:

$$S4^1 = \frac{\text{Risk}}{C_{tot}}$$

where:

Risk = the amount of loans to a bank related party, including lending to a bank account, all other borrowings, factoring and leasing operations, advances, prepayments, installments for bank service or products, letters of credit, investments in securities issued by the party or related parties, (including bills), correspondent accounts and deposits of the bank, receivables, repo agreements, claims on currency swaps (according to Rule 48 of this Regulation), as well as any other liabilities to the bank, including sureties and guarantees issued to another party for liabilities to the same bank, any other cover funds (by the amount not exceeding the secured total liability), sureties and guarantees for the liabilities of the bank related party, borrowings and guarantees to the same party provided by other banks on account of, and secured by, monetary assets of the bank (provided that the bank assumed the risk to collect such borrowings), off-balance sheet contingent liabilities, containing credit risk.

These components shall not be weighted after they are decreased by the amount of their respective reserves, other than “nostro” correspondent accounts, interbank deposits, interbank loans, other requirements applicable to the banks, claims on foreign governments and central banks, which shall be weighted by respective risk weights of defined assets (but for no more than 100%) pursuant to Rule 6 of Appendix 3 of this Regulation after they are decreased by the amount of their respective reserves.

C_{tot} = the average total capital of the bank.

(point 42 amended by 30.11.11 N 323-N, 27.11.12 N 325-N, 23.11.2018 N 196-N)

43. The maximum risk on all bank related parties ($S4^2$) shall be determined using the following formula:

$$S4^2 = \frac{\text{Risk}}{C_{tot}}$$

where:

Risk = the amount of loans to bank related parties, including lending to a bank account, all other borrowings, factoring and leasing operations, advances, prepayments, installments for a service rendered or a product provided by the bank, letters of credit, investments in securities issued by the party or related parties, (including bills), correspondent accounts and deposits of the bank, receivables, repo agreements, claims on currency swaps (according to Rule 48 of this Regulation), as well as any other liabilities to the bank, including sureties and guarantees issued to another party (not related to the bank) for liabilities to the same bank, as well as any other cover funds (by the amount not exceeding the secured total liability), sureties and guarantees issued to bank parties, borrowings and/or guarantees to the same parties provided by other banks on account of, and secured by, monetary assets of the bank (provided that the bank assumed the risk to collect such borrowings), off-balance sheet contingent liabilities, containing credit risk.

These components shall not be weighted after they are decreased by the amount of their respective reserves, other than “nostro” correspondent accounts, interbank deposits, interbank loans, other requirements applicable to the banks, claims on foreign governments and central banks, which shall be weighted by respective risk weights of defined assets (but for no more than 100%) pursuant to Rule 6 of Appendix 3 of this Regulation after they are decreased by the amount of their respective reserves.

C_{tot} = average total capital of the bank.

(point 43 amended by 30.11.11 N 323-N, 27.11.12 N 325-N, 23.11.2018 N 196-N)

44. Standards S4¹ and S4² shall not apply to bank subsidiaries operating in the Republic of Armenia (banks, credit organizations, other organizations, which carry out the activities specified in the Law of the Republic of Armenia “On Banks and Banking”, Article 34, Rule 1), if the bank consolidates the balance sheets of the subsidiary and its balance sheet in accordance with “The procedure for consolidated reporting to the Central Bank by banks operating in the Republic of Armenia”, approved by the Central Bank Board Resolution No. 87 as of April 2, 2002.

44.1. If the bank and the entity are linked only on the grounds that the state, International Financial corporation, European Reconstruction and Development Bank and/or Asian development Bank are qualified holders of the bank and at the same time possess more than 20% of that entity’s shares with voting rights or is (are) entitled to predetermine in the manner not prohibited by law decisions of that entity, within the meaning of Standards S4¹ and S4² bank and that person are not considered as linked.

(point 43 amended by 30.11.11 N 323-N, 27.11.12 N 325-N)

45. Standards S3¹, S3², S4¹ and S4² shall be calculated as of the last day of the month, as well as in the event of emergence and each change in the value of components included in the calculation of risks of these standards. When calculating standards S3¹, S3², S4¹ and S4² as of the last day of the month, the “Risk” component (numerator) shall be calculated as of the last day of the reporting month, whereas the total capital shall be calculated based on average daily calculations for the month. When calculating standards S3¹, S3², S4¹ and S4² on the last day of the month the calculation of risk shall include average daily value of “nostro” correspondent accounts for the month.

45.1. Upon the emergence of components included in the calculation of S3¹, S3², S4¹ and S4² risks, as well as in the event of each change in their value, the standards shall be calculated with respect to the total capital as of the given day. Standards S3¹, S3², S4¹ and S4² shall not be calculated in the event of the emergence and each change in “nostro” correspondent accounts.

46. The calculation of S3¹, S3², S4¹ and S4² risks shall not include Government bonds of the Republic of Armenia and components deductible from the core capital under Rule 28.1(b) of this Regulation.

(Point revised by 14.11.2017 N 257-N)

47. Repo agreements backed by securities issued by the Central bank, Government bonds of the Republic of Armenia shall be included in the calculation of S3¹, S3², S4¹ and S4² risks at 0% risk weight, if the current (market) value of securities purchased as a result of such operations equals or exceeds the grand total of funds provided as a result of the repo operation and the accrued interest to be received on these funds. The portion not secured by bonds shall be risk-weighted at 100% risk weight.

(point 47 revised by 27.11.12 N 325-N)

48. Claims on derivative instruments specified in points 37, 38, 42 and 43 of this Regulation shall be included in the calculation of S3¹, S3², S4¹ and S4² only in the amount expressed in the “active” part of the balance of derivative instruments, except for the case when the bank has received Group II currency in the result of swap transaction in which case the swap is included in the calculation of S3¹, S3², S4¹ and S4² in the amount of money expressed in the balance of the bank and subject to receipt.

(point 48 revised by 30.11.11 N 323-N, 27.11.12 N 325-N)

48.1. The currency swaps, as a result of which the bank will receive Armenian drams or Group I foreign currency shall be included in the calculation of prudential standards S31, S32, S41 and S42 at 0% risk weight, if as a result of these operations the purchase and sale of the currency takes place within the same banking day, which may be different from the day of signing the agreement.

(point 48.1 addition by 18.11.08 N 325-N)

48.2. In the calculation of standards S3¹, S3², S4¹ and S4² securities sold under repo agreement and securities extended as a borrowing are considered as claim:

1) against issuer of that securities at an amount of book value of securities, and
2) against counterparty of repo agreement (borrower) at an amount of unsecured part specified in point 22.2 of Appendix 3. Meanwhile, if the bank has purchased by repo agreement Group II currency (except Russian ruble), the later shall not be considered as security for repo agreement with regard to calculation of standards S3¹, S3², S4¹ and S4²

(point 48.2 addition by 27.11.12 N325-N)

49. The calculation of prudential standards S3¹, S3², S4¹ and S4² shall not include the claims which are fully secured by:

- a. securities issued by the Central Bank, Treasury bills of the Republic of Armenia,
- b. sureties or guarantees provided by the Central Bank and the Government of the Republic of Armenia,
- c. securities issued by organizations specified in Rule 6.6, Table 1, Appendix 3 of this Regulation (hereinafter referred to as Appendix 3)
- d. sureties or guarantees provided by the organizations specified in Appendix 3, Table 1, Rule 6.6,
- e. securities issued by foreign governments and central banks rated at least AA-(Aa3) by Standard & Poor's or Fitch (Moody's),
- f. sureties or guarantees provided by foreign governments and central banks rated AA-(Aa3) and higher by Standard & Poor's or Fitch (Moody's),
- g. deposits with the given bank, the right of claim arising from loans or borrowings extended to the given bank.

Meanwhile, claims and their collaterals shall meet all following conditions:

- a. collateral denominated in any currency shall be denominated in Armenian drams Group I foreign currency, banking gold and (or) ruble, and collateral denominated in Group II foreign currency may be denominated in the currency of the claim except for currencies defined by this subpoint, and
- b. the maturity period of claims shall not exceed the periods prior to the redemption of collateralized securities and the deposits of the given bank, periods of rights of claims arising from loans or borrowings extended to that bank, as well as periods for providing surety/guarantee.
- c. if the borrower does not perform his/her liabilities, there shall be no limitations, provided for in the agreement or based on a mutual arrangement, concerning the factual sale of the collateral or the terms for fulfilling the surety/guarantee.

The claims and their collaterals shall be denominated in the same currency the maturity of claims shall not exceed the maturity of securities backing the agreement and that of deposits with the given bank; terms of exercising the right of claims arising from loans or borrowings to the bank, the terms of sureties and guarantees provided. Besides, if the borrower does not perform his/her liabilities, there shall be no limitations, provided for in the agreement or based on a mutual arrangement, concerning the factual sale of the collateral or the terms for fulfilling the surety/guarantee.

The claims, which are partly secured by the types of collateral specified in points “a”-“g” herein, shall be included in the calculation of prudential standards S3¹, S3², S4¹ and S4² at the amount of the unsecured portion, whereas the secured portion shall not be included in this calculation. The unsecured parts of claims included in the calculation of prudential standards S3¹, S3², S4¹ and S4², shall not be weighted after being reduced by the amount of their respective reserves, except for “nostro” correspondent accounts, interbank deposits, interbank loans, claims on foreign governments and central banks, which shall be weighted by respective risk weights *of defined assets (but for no more than 100%)* in accordance with Rule 6 of Appendix 3 of this Regulation after being reduced by the amount of their respective reserves.

(point 49-pp revision by 02.10.07 N 317-N, 23.05.08 N 163-N, addition by 18.11.08 N 325-N, 19.03.10 N 54-N, 27.11.12 N 325-N, amended by 10.05.2016 N 79-N, 23.11.2018 N 196-N)

50. Resources attracted by bank and branch of foreign bank in Armenian drams, foreign currency, as well as metal accounts operating in the territory of the Republic of Armenia are subject to reserve requirement with the Central Bank. Required reserve on resources attracted in Armenian dram shall be paid in Armenian drams, 14% of required reserve on resources attracted in foreign currency shall be paid in Armenian drams, and 4% in US dollars. 14% of required reserve on resources attracted in Euro shall be paid in Armenian drams, and 4% in euro. For resources attracted in other foreign currency, as well as metal accounts, 14% of required reserve shall be paid in Armenian drams and 4% in US dollars. Meanwhile, required reserve as specified in points 24.1.3 and 24.1.4 shall be fully paid in Armenian drams. Reserve requirement on attracted resources shall be paid according to timetable set in point 52 of this Regulation. The bank shall bear the exchange rate risk.

The first required reserve period for resources attracted in foreign currency in accordance with this point shall be the period between June 12, 2019 and July 9, 2019.

(point 50 revision by 16.03.10 N 46-N, 27.07.10 N 171-N, 01.02.11 N 21-N, addition by 08.02.11 N 26-N, revision by 22.11.11 N 305-N, revision by 07.06.2019 N 75-N, 19.07.2019 N 94-N)

51. The value of required reserve amount on Armenian drams and foreign currency denominated deposits shall be adjusted through matching the average daily amounts of the resources actually reserved against the resources to be reserved (settlement) to make sure that the actual average daily reservation is equal to, or in excess of, the average daily reservation to be made (settlement) for the reporting period.

Amount of required reserve for reporting period against deposits attracted in foreign currency (including metal accounts) shall be defined on a daily bases based on daily dram equivalent of resources attracted in foreign currency. Daily equivalent shall be defined on each day based on AMD market based average exchange rate against relevant foreign currency published by the Central Bank. Daily dram equivalent of metal accounts is defined based on gold base price announced by the Central Bank.

The adjustment of the amount of required reserve against resources attracted in foreign currency (including metal accounts) shall be done on a daily basis so that within the period of required reserve the amount reserved on each day is equal to or more than the amount of required reserve for the reporting period.

The amount of resources subject to required reservation in AMD against foreign currency (including metal accounts) for the reporting period shall be defined for each day based on AMD daily equivalent of attracted resources. AMD daily equivalent shall be defined on each day based on AMD market based average exchange rate against relevant foreign currency published by the Central Bank. Daily dram equivalent of metal accounts is defined based on gold base price announced by the Central Bank.

Calculation of required reserve in foreign currency against resources attracted in foreign currency other than US dollar and Euro shall be done in cross exchange rate based on AMD market based average exchange rate against relevant foreign currency published by the Central Bank.

Calculation of required reserve in foreign currency against resources attracted in metal accounts shall be done based on gold base price announced by the Central Bank for the current day, as well as based on AMD market based average exchange rate against relevant foreign currency published by the Central Bank for the current day.

(point 51 amended by 18.11.08 N 325-N, addition by 27.07.10 N 171-N, revised by 22.11.11 N 305-N, 17.12.14 N 365-N, 23.12.14 N 369-N, 10.12.14 N 339-N, 30.06.2015 N 152-N, 11.08.2015 N 183-N, revised by 20.09.16 N 146-N, 07.06.2019 N 75-N)

52. For calculation of attracted resources subject to reservation, the reporting period starting at and following February 1, 2015 shall be one calendar year, and the period for calculation of actual reservation shall include, as a rule, 28 and 35 days provided by the schedule set by the Central Bank (hereinafter reservation schedule) starting from the second month following the reporting period. Meanwhile, the deadline of actual reservation shall be considered the end of Central Bank's operational day of the last day of reservation.

(point 52 revised by 25.12.07 N 422-N, 18.11.08 N 325-N, addition by 27.07.10 N 171-N, amended by 22.11.11 N 305-N, revised by 10.12.14 N 339-N)

52.1 *(Repealed according to Resolution No305-N, 22.11.11)*

52.1.1 *(Repealed according to Resolution No305-N, 22.11.11)*

52.1.2 *(Repealed according to Resolution No 21-N, 01.02.2011)*

52.2 The reserve requirement calendar, approved by the Central Bank Board, i.e. information on the reporting and actual periods for the required reserves of the current year, shall, as a rule, be allocated at the Central Bank webpage prior to November 30 of the preceding year. Appendix 7 of this Regulation shall serve as a template for the reserve requirement calendar.

(point 52.2 addition by 18.11.08 N 325-N, amended by 27.07.10 N 171-N)

53. The reserve requirement applies to financial resources attracted in Armenian drams and foreign currencies, except for

- 1) Resources attracted from the Central Bank,
- 2) financial resources, included in Component-1 of the Economy stabilization crediting program, approved by the Government of the Republic of Armenia Resolution N 717 as of June 26, 2009,
- 3) Resources attracted from National Mortgage Company CJSC credit organization conducting refinancing,

- 4) Resources attracted from “Housing for Youth” CJSC credit organization conducting refinancing,
- 5) Correspondent accounts between banks operating in the Republic of Armenia; other resources attracted from one another,
- 6) Resources attracted for the replenishment of statutory funds on accounts with the Central Bank,
- 7) Long term subordinated debts included in the calculation of bank’s total capital,
- 8) *(repealed by 24.02.15 N 44-N)*
(point 53 rev. 11.03.08 N 56-N, addition 07.10.08 N 285-N, 30.06.09 N 195-N, 30.11.11 N 323-N, amend. 20.12.11 N354-N, amend., addition 27.11.12 N 325-N, rev. 10.12.14 N339-N)
(Provisions defined by sub point 8 of point 53 shall apply to the resources attracted after December 1, 2014 and shall concern to the reporting periods of mandatory reservation starting on and following December 10, 2014. See point 5, 10.12.2014 N 399-N)

53.1 If early repayment or buyback is made with regard to attracted resources included in the calculation of required reserve provided in points 24.1.1- 24.1.4 at a deducted rate are, the bank shall make the required reservation on attracted resources according to this rules, except if the whole amount of early repayment or buyback of borrowing is used for replenishment of statutory capital of the bank (as a stock included in the core capital in accordance with point 28.1. of this Regulation).

- 1) reservation is made for the period at which the attracted resource is included in the calculation of required reserve at a deducted rate,
- 2) the amount of required reserve shall be defined according to the following formula:

$$\text{Amount subject to reservation} = \frac{\sum_{i=1}^n A_i * r_i}{n}$$

where.

n – is the time period specified in sub point 1 of this point expressed in days,

A_i – is dram equivalent of attracted resource at i-day,

r_i – is the rate for i-day defined for resources attracted in foreign currency and Armenian dram respectively according to point 24 and 24.1 of this Regulation, and the attracted resource is included in the calculation of reserve requirement at 0% is the 1.25-fold of rates defined in point 24 and 24.1,

3) Required reservation of the amount specified in sub point 2 of this point shall be done starting from the first day of required reserve period corresponding to the period including early payment or repurchase within the period specified in sub point 1 of this point by adding the amount specified in sub point 2 of this point to the ratio of required reserve with the Central Bank.

Reservation defined by this point shall be made in cases when the early repayment is made before the end of the period for which attracted resource is included in the calculation of required reserve at a deducted rate.

(point 53.1 addition by 14.10.09 N 297-N, revised by 10.12.14 N 339-N, 21.01.15 N 6-N, 24.02.15 N 44-N, 30.06.15 N 152-N, revised by 10.11.2015 N 236-N, 03.02.2017 N 31-N, 26.12.2017 N 293-N, 23.11.2018 N 196-N)

(Provisions of point 53.1 shall apply to the resources attracted from December 1, 2014 and shall concern to the reporting periods of mandatory reservation starting on and following December 10, 2014. See point 5, 10.12.2014 N 399-N)

53.1 (Annulled according to Resolution No 285-N, 07.10.2008)

53.2 (Annulled according to Resolution No 285-N, 07.10.2008)

53.3 (Annulled according to Resolution No 285-N, 07.10.2008)

53.4 The bank may apply rates defined by first paragraphs of points 24 and 24.1 to the resources attracted pursuant to points 24.1.1-24.1.4 of this Regulation, in which case the requirements defined by point 53.1 of this Regulation shall not apply to the bank in case of full or partial early repayment of attracted resources.

(point 53.4 addition by 21.01.15 N 6-N, revised by 24.02.15 N 44-N, revised by 10.11.2015 N 236-N, 03.02.2017 N 31-N)

54. Interest can be accrued and paid on the balance of the cumulative account of the banks with the Central Bank, established for paying the required reserves and replenishing the statutory fund, in accordance with the procedure, terms and amount set by the Central Bank.

55. The foreign branches of the Armenian banks shall independently deposit the attracted resources with the central (national) bank of the host country under the standards and terms of such bank.

56. The paid required reserves on financial resources attracted by the bank in Armenian drams and foreign currencies shall be recorded on the correspondent (required reserves) accounts of the banks with the Central Bank in Armenian drams and foreign currencies on the basis of actual balances indicated in abstracts of these accounts as of the given day provided by the Central Bank. The banks shall independently manage, own and use the resources of the required reserves.

56.1 For the purpose of calculating the foreign currency disposition standard the foreign currency position shall mean the difference between foreign currency assets and liabilities, as well as assets and liabilities in Armenian drams carrying foreign currency risk, calculated according to Rule 56.2 of this Regulation. Assets or liabilities in Armenian drams carry foreign currency risk, when the amounts to be received or paid against them are calculated using foreign currency and/or foreign currency group to Armenian dram exchange rate, which may cause fluctuations in their values as a result of changes in exchange rates. For the meaning of calculating the foreign currency disposition standard a foreign currency asset or liability shall also mean banking or standardized bullions of precious metals, metal accounts, as well as claims and liabilities backed by banking or standardized bullions of precious metals. For the purpose of calculating the foreign currency disposition standard, banking gold, standardized gold bullions with at least 999 purity, claims and liabilities backed by them, metal accounts shall be deemed as a single foreign currency.

Closed foreign currency position shall be the square position of assets and liabilities in a particular foreign currency.

Open foreign currency position shall be the difference between assets and liabilities in a particular foreign currency.

Gross foreign currency position shall be calculated as a grand total of absolute values of foreign currency different positions.

Long foreign currency position shall mean excess of foreign currency assets over foreign currency liabilities.

Short foreign currency position shall mean excess of foreign currency liabilities over foreign currency assets.

If the asset or the liability is attached to a currency group (except for SDR), foreign currencies comprised in the group shall be included in the calculation of relevant foreign currency positions at their risk weight in the structure of the given currency group.

Foreign currency assets shall be included in the calculation of foreign currency position regardless of the size of possible loss reserve established for that assets except for nonstandard and foreign currency assets classified as suspicious assets which shall participate in the calculation having regarded the size of possible loss reserve (at balance sheet value). In accordance with this point, foreign currency assets (including unredeemable assets) classified on subjective criteria exclusively based on bank's judgments and professional opinion shall be included in the calculation of foreign currency position at the amount as if it would be included in case of classification on objective criteria. Foreign currency assets shall be included in the calculation of foreign currency position regardless of additional allocations to the possible loss reserves made by bank according to point 4.4 of "Procedure of Classification of loans and receivables of the banks, operating in the Republic of Armenia and loss provisioning", approved by the Central Bank Board Resolution N63 as of March 23, 1999, as well as regardless allocations to the supplementary reserve without classification of assets.

(point 56.1 addition by 14.10.09 N 297-N, amendment by 19.03.10 N 54-N, revised by 08.02.11 N26-N, addition by 23.07.13 N 179-N)

56.2 The position in particular foreign currencies shall be calculated by types of foreign currencies both including and excluding (except for currency swap) the financial derivatives (swap, futures, forward, option) denominated in the currency in question and reviewed by two foreign currency groups. Starting from August 1, 2010 the calculation of foreign currency position excluding financial derivatives shall include:

1. transactions in financial derivatives performed with organizations specified in Rule 6.6, Table 1, Appendix 3.

2. transactions in financial derivatives performed with foreign governments and central (national) banks rated at least A+(A1) for long-term deposits by Standard and Poor's or Fitch (Moody's).

3. transactions in financial derivatives performed with foreign banks financial companies with A+(A1) and A+(A1) rating for long-term deposits by Standard and Poor's or Fitch (Moody's).

4. Currency and foreign currency swaps. Derivatives shall be included in the calculation of foreign currency position standard in the amount of values reflected in the off balance sheet (including interests on derivatives reflected in off balance sheet) and fines and charges reflected in the balance sheet (if available).

5. Closed position (back to back) derivatives, particularly reverse agreements of foreign currency purchase and sale simultaneously entered into, which meet the following requirements simultaneously:

- a. agreements are entered into for the same term, in the same volume, with the same currency pairs, meanwhile one of the currencies is the Armenian dram,
- b. at least one of the agreements is entered into with foreign governments, central (national) banks or other financial organizations rated A+(A1) and higher than A+(A1) for attraction of long term deposits by Standard and Poor's or Fitch (Moody's),
- c. in case of option agreements the right to implement at least one option belongs to the bank (bank is the option purchaser).

In the calculation of foreign currency disposition standard derivatives shall be included in the amount included in the off balance sheet (including interests) and in the amount of fines and penalties included in the balance sheet.

(point 56.2 addition by 14.10.09 N 297-N, revised by 27.07.10 N 171-N, addition by 30.11.11 N 323-N, amendment, addition by 27.11.12 N 325-N, addition by 23.07.13 N179-N)

56.3 The banks shall update the ratings issued by credit agencies based on the ratings of the agencies, specified in Rule 56.2 of this Regulation, for the given day. If the organization, specified in Rule 56.2 (points 2, 3 and 5), has been rated by at least 2 rating agencies, the bank shall consider the lowest rating. The ratings for the organizations specified in Rule 56.2 shall be considered depending on the currency of financial derivatives.

(point 56.3 addition by 27.07.10 N 171-N, amended by 23.07.13 N 179-N)

56.4 The foreign currency position in the foreign currency disposition standard shall be calculated with regard to the gross foreign currency position both including and excluding (except for currency swap) financial derivatives; meanwhile in the calculation of foreign currency position excluding derivatives shall be included derivatives provided by sub-point 1-5 of point 56.2 of this Regulation. The calculation of foreign currency position excluding financial derivatives shall include the financial derivatives specified in Rule 56.2 (points 1-5) of this Regulation in accordance with the requirements set in Rule 56.3 of this Regulation. Open foreign currency position shall be calculated as of every day and denominated in the Armenian drams. The passive balance shall be a negative value, indicating the short foreign currency position and the active balance shall be a positive value indicating the long foreign currency position.

(point 56.4 addition by 27.07.10 N 171-N, 30.11.11 N 323-N, amended by 27.11.12 N 325-N, 23.07.13 N 179-N)

57. Foreign currency Group I includes SDR, the SDR basket currencies, Swiss franc, Canadian dollar, Swedish krona, Danish krone, Australian dollar and banking gold. Foreign currency Group II includes the other foreign currencies.

58. The SDR basket includes US dollar, Euro, Japanese yen and British pound.

59. For the meaning of this Regulation “banking gold” shall have the same meaning as defined in the Law of the Republic of Armenia “On currency regulation and currency control”, and “standardized bullions of precious metals” shall have the same meaning as defined in the Law of the Republic of Armenia “On precious metals”.

(point 59 addition by 08.02.11 N 26-N)

60. For the purpose of this Regulation, collateral shall qualify for primary collateral when the pledgee bank has the right of preference for the full compensation of the value of the collateral over other pledgees of the collateral in question.

61. For the purpose of this Regulation all legal entities except for banks shall be considered non-bank organizations.

61.1. For the purpose of this Regulation balance sheet surplus of asset and liability is the amount accrued in the balance sheet including interests, fines, deducted by reserves established thereon, accumulated amortization and inflation, if available.

(point 61.1 addition by 27.11.12 N 325-N)

61.2 For the purpose of this Regulation currency swap is an agreement which provides for exchange of two currencies with an exchange rate fixed by the agreement (purchase sale) under the condition of exchange of those currencies within the time limits and rate (forward currency) fixed by the contract (sale/purchase), as well as under the condition of exchange of interests prefixed by the agreement.

(point 61.2 addition by 27.11.12 N 325-N)

61.3. For the purpose of this Regulation currency swap is a simple type of securities swap which is an exchange(purchase/sale) of two currencies the exchange rate fixed by the agreement (swap currency) under the condition of reverse exchange within the time limits and currency (forward currency) fixed by the agreement.

(point 61.3 addition by 27.11.12 N 325-N)

CHAPTER 6. RESPONSIBILITY

62. In the event of failure to meet the requirements defined in this Regulation, banks and foreign bank branches, operating in the Republic of Armenia, as well as their managers will be held liable under the Laws of the Republic of Armenia “On banks and banking” and “On the Central Bank of the Republic of Armenia”.

CHAPTER 7. TRANSITIONAL PROVISIONS

63. *(Repealed according to Resolution No 21-N, 01.02.2011)*

64. *(Repealed according to Resolution No 21-N, 01.02.2011)*

(Chapter VII addition by 25.12.07 N 422-N, revised by 18.11.08 N 325-N)

APPENDIX 2

*Approved by
the CBA Board Resolution No. 39-N
February 9, 2007*

MANAGER'S RESUME

(Appendix repealed according to 20.12.11 No. 354-N)

APPENDIX 3

Approved by

the CBA Board Resolution No. 39-N

February 9, 2007

CALCULATION OF CREDIT RISK

CHAPTER 1. CALCULATION OF CREDIT RISK

1. The credit risk shall be calculated according to the principles specified in this Appendix.
2. In order to be included in the calculation of the capital adequacy standard, the credit risk shall be determined using the following formula:

$$CR = \frac{(CR_1 + CR_2 + \dots + CR_n)}{N}$$

where:

CR = credit risk by average daily calculations for a month

CR₁, CR₂, ... CR_n = credit risk by days,

N = number of days in the reporting month.

3. The calculation of credit risk shall include the assets of the bank, off-balance sheet contingent liabilities and off-balance sheet term operations in process pursuant to the principles set in this Appendix. The calculation of credit risk shall not include assets deductible from the core capital specified in Rule 28.1. of this Regulation.
4. To determine the credit risk, the assets of the bank, off-balance sheet contingent liabilities and off-balance sheet term operations in process shall be weighted using the respective risk weights of assets, specified in Rule 6 of this Appendix, after they are decreased by the amounts of their respective reserves paid from expenses. The credit risk shall be determined using the following formula:

$$CR = (A1 - R1) * Rw1 + (A2 - R2) * Rw2 + \dots + A10 - R10) * Rw10$$

where

A1, A2, ..., A10 = total amount of assets of the bank (other than assets deductible from the core capital), off-balance sheet contingent liabilities and off-balance sheet term operations in process, grouped by similar risk-weights;

R1, R2 ..., R10 = a grand total of loss reserves on the respective assets of the bank, off-balance sheet contingent liabilities and off-balance sheet term operations in process, grouped by similar risk-weights;

Rw1, Rw2, ..., Rw10 = risk weights of respective assets.

The (A-R) calculation on off-balance sheet contingent liabilities and off-balance sheet term operations in process shall be done pursuant to Rule 12 of this Appendix.

(point 4 revised by 27.07.10 N 171-N, 27.11.12 N 325-N)

5. To determine the credit risk, banks shall apply credit risk mitigation techniques (hereinafter the CRMT) specified in Chapter 3 of this Appendix.

CHAPTER 2. RISK WEIGHTS USED FOR THE CALCULATION OF CREDIT RISK

6. The calculation of credit risk shall include the balances of the following assets at specified risk weights:

Table 1

TABLE OF RISK WEIGHTS USED FOR THE CALCULATION OF THE CREDIT RISK		
Types of assets	Risk weights %	
	Assets in AMD	Assets in foreign currency
6.1. Cash (in Armenian drams and Group I foreign currencies, ruble), and cash-equivalent payment documents (in Armenian drams and Group I foreign currencies, ruble), if agreed with the Board of the Central Bank	0	0
6.1.1. Cash (Group II foreign currencies, except for ruble), as well as cash-equivalent payment documents (in Group II foreign currencies, except for ruble) with the Central Bank Board agreement	-	100
6.2. Banking gold in the bank's vault	0	-
6.3. Correspondent accounts, deposits, the balance of the cumulative account established for the replenishment of the bank's statutory capital and the accrued interest, other claims on the Central Bank.	0	0
6.4. Securities issued by the Central bank in Armenian drams, RA Government bonds (including securities sold through repo agreements) and the accrued interest.	0	-
6.5. Claims on the RA Government on advance payments for tax liabilities computed as required by tax legislation	0	-

6.6. Claims on the International Monetary Fund, International Bank for Reconstruction and Development and International Financial Corporation of the World Bank, the European Central Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank, the Inter-American development Bank, the European Investment Bank, the European Investment Fund, the Scandinavian Investment Bank, the Caribbean Development Bank, the Islamic Development Bank, the European Development Bank Council, and Black Sea Trade and Development Bank.	0	0
6.7. Repealed by Resolution No 179 N of 23.07.13.	0	0
6.8. Repealed by Resolution No 325 N of 27.11.12.	0	0
6.9. Repealed by Resolution No 325 N of 27.11.12.	0	0
6.10. Securities issued by the Central bank in foreign currency, RA Government bonds including securities sold through repo agreements and the calculated interest.	-	10
6.11. Claims on the Government of the Republic of Armenia or claims secured by the Government of the Republic of Armenia, which are considered monetary obligations subject to charge without acceptance under “Procedure for Central Bank Accounting and Fulfilling Monetary Obligations subject to Charge without Acceptance from Bank Accounts Opened with the Central Bank of the Republic of Armenia” approved by the Central Bank Chairman Decision No. 1/202L as of 28.03.2006, as well as T-bills issued by the Ministry of Finance of the Republic of Armenia with maturity up to 1 year, which are subject to be paid by the Central Bank from the funds of the consolidated treasury account of the Government of the Republic of Armenia.	10	10
6.11.1. Bonds issued by refinancing credit organizations	0	10
6.12. T-bills and the calculated interest (including securities sold through repo agreements) against resources subject to	20	20

confiscation from the State budget of the Republic of Armenia on the basis of judicial acts.		
6.13. Cash in transit (in Armenian drams and Group I foreign currencies), banking gold, cash-equivalent payment documents in transit (in Armenian drams and Group I foreign currencies), if agreed with the Board of the Central Bank.	20	20
6.14. Correspondent accounts (including those in non-cash gold) with banks and foreign bank branches operating in Armenia, claims with the contractual maturity of 3 years with banks and foreign bank branches operating in Armenia and the calculated interests.	20	30
6.15. Claims on foreign governments and central banks	<p>From /AAA/Aaa/ to /AA-/Aa3/ 0</p> <p>From /A+/A1/ to /A-/A3/ 20</p> <p>From /BBB+/Baa1/ to /BBB-/Baa3/ 50</p> <p>From /BB+/Ba1/ to /B-/B3/ 100</p> <p>Below /B-/ below B3/ 150</p> <p>No rating 100</p>	<p>From /AAA/Aaa/ to /AA-/Aa3/ 0</p> <p>From /A+/A1/ to /A-/A3/ 20</p> <p>From /BBB+/Baa1/ to /BBB-/Baa3/ 50</p> <p>From /BB+/Ba1/ to /B-/B3/ 100</p> <p>Below /B-/ below B3/ 150</p> <p>No rating 100</p>
6.16. Claims on foreign local governments.	<p>From /AAA/Aaa/ to /AA-/Aa3/ 20</p> <p>From /A+/A1/ to /BBB-/Baa3/ 50</p> <p>From /BB+/Ba1/ to /B-/B3/ 100</p> <p>Below /B-/ below B3/ 150</p>	<p>From /AAA/Aaa/ to /AA-/Aa3/ 20</p> <p>From /A+/A1/ to /BBB-/Baa3/ 50</p> <p>From /BB+/Ba1/ to /B-/B3/ 100</p>

	No rating 100	Below /B-/ below B3/ 150 No rating 100
6.17. Short-term claims on foreign banks.	/A-1+, A-1/F1+,F1/P-1/ 20 /A-2/F2/P-2/ 50 /A-3/F3/P-3/ 100 Below /A-3/ below F3/NP 150 No rating 100	From /A-1+,A-1/F1+,F1/P-1/ 20 /A-2/F2/P-2/ 50 /A-3/F3/P-3/ 100 Below /A-3/ below F3/ NP/ 150 No rating 100
6.18. Long-term claims on foreign banks	From /AAA/Aaa/ to /AA-/Aa3/ 20 From /A+/A1/ to /BBB-/Baa3/ 50 From /BB+/Ba1/ to /B-/B3/ 100 Below /B-/ below B3/ 150 No rating 100	From /AAA/Aaa/ to /AA-/Aa3/ 20 From /A+/A1/ to /BBB-/Baa3/ 50 From /BB+/Ba1/ to /B-/B3/ 100 Below /B-/ below B3/ 150 No rating 100
6.19. Repealed		
6.20. Short-term claims on foreign non-banks.	/A-1+,A-1/F1+,F1/P-1/ 20 /A-2/F2/P-2/ 50 /A-3/F3/P-3/ 100 Below /A-3/F3/NP/ 150 Not rated 100 /	/A-1+,A-1/F1+,F1/P-1/ 20 /A-2/F2/P-2/ 50 /A-3/F3/P-3/ 100 Below /A-3/F3/NP/ 150 Not rated 150
6.21. Long-term claims on foreign non-banks.	From /AAA/Aaa/ to /AA-/Aa3/ 20 From /A+/A1/ to /A-/A3/ 50	From /AAA/Aaa/ to /AA-/Aa3/ 20 From /A+/A1/ to /A-/A3/ 50

	From /BBB+/Baa1/ to /BB-/Ba3/ 100 Below /BB-/Ba3/ 150 Not rated 100	From /BBB+/Baa1/ to /BB-/Ba3/ 100 Below /BB- /Ba3/ 150 Not rated 100
6.21.1 Repealed		
6.21.2 Repealed		
6.21.3 Claims against Armenian resident non-financial entities rated at a rating higher from rating granted to the Republic of Armenia by rating agencies (Standard and Poor's or Fitch (Moody's))	0%	0%
6.21.4. Claims against Armenian resident non-financial entities rated at a rating corresponding to the rating granted to the Republic of Armenia by rating agencies (Standard and Poor's or Fitch (Moody's))	0%	10%
6.21.5. Claims against Armenian resident non-financial entities rated at one rating lower from rating granted to the Republic of Armenia by rating agencies (Standard and Poor's or Fitch (Moody's));	20%	30%
6.21.6. Claims against Armenian resident non-financial entities rated at two rating lower from rating granted to the Republic of Armenia by rating agencies (Standard and Poor's or Fitch (Moody's));	50%	75%
6.22. Mortgage loans with the accrued interest, which meet the "Minimum requirements for providing mortgage loans with 35/75% risk weight" specified in Appendix 6 of this Regulation.	35	75
6.22.1 Mortgage loans extended to individuals which do not meet requirements of point 6.22 but which comply with all of the following requirements: a. the sum of claims against mortgage loan borrower and related persons and off balance sheet conditional obligations (except for mortgage loans which meet the requirements of point 6.22) does not exceed 35 million Armenian drams, and b. the sum of claims against mortgage loan borrower and related persons meeting the requirement of subpoint "a" of this point and off balance sheet conditional obligations (except for mortgage loans which meet the requirements of point 6.22) does not exceed 0.3% of the sum of variables specified in subpoint "a".	75	150
6.22.2 mortgage loans extended to individuals which do not meet the requirements of point 6.22 and 6.22.1.	100	200
6.23. Other claims on banks and foreign bank branches operating in Armenia	50	75

6.24. Claims on individuals and legal entities, off-balance sheet contingent liabilities (except for claims on all types of mortgage loans, loans secured by precious metals and stones), which satisfy each of the following conditions: a. total sum of claims on the borrower and related parties (except for claims on all mortgage loans, loans secured by precious metals and stones) and off-balance sheet contingent liabilities does not exceed 5 million Armenian drams, b. the total sum of claims, which satisfy the conditions of point “a” hereinabove, on the borrower and related parties and off-balance sheet contingent liabilities (other than all types of mortgage loans, loans secured by precious metals and stones) does not exceed 0.2% of the total sum specified in point “a”.	75	110
6.25. Claims on communities of the Republic of Armenia	100	150
6.26. Assets frozen or arrested under court decision and the calculated interest.	100	150
6.27. Claims on amounts of taxes, state duties and other mandatory charges according to the tax legislation, on amounts of surplus of prepayments made according to tax legislation.	100	-
6.28. Claims on the Government of the Republic of Armenia or claims secured by the Government of the Republic of Armenia, which are not considered monetary obligations subject to charge without acceptance under “Procedure for Central Bank Accounting and Fulfilling Monetary Obligations subject to Charge without Acceptance from Bank Accounts Opened with the Central Bank of the Republic of Armenia” approved by the Central Bank Chairman Decision No. 1/202L as of 28.03.2006.	100	150
6.29. Fixed assets and intangible assets at balance-sheet value	100	-
6.30. Loans and receivables, classified as non-standard and doubtful, securities, classified as average and high risk.	100	150
6.31 The portion of investments specified in Rule 28.1 of Regulation 2 (point “h”), which is not deducted from the core capital.	150	225
6.31.1 <i>(Repealed by 27.11.12 N 325-N)</i>		
6.31.2. <i>(Repealed by 27.11.12 N 325-N)</i>		

6.32 <i>(Repealed by 27.11.12 N 325-N)</i>		
6.32 Standardized gold bullions (of at least 999 purity)	-	50
6.33 Standardized gold bullions on the way (of at least 999 purity)	-	75
6.34. Assets different from assets included in point 6.1.1 in Group II foreign currency(except Russian ruble)	-	150
6.35 Claims against investment funds (if rating is available)	<p>From /AAA/Aaa/ to /AA-/Aa3/20</p> <p>From /A+/A1/ to /A-/A3/ 50</p> <p>From /BBB+/Baa1/ to /BBB-/Baa3/ 100</p> <p>From BB+/Ba1/ to BB-/Ba3/100</p> <p>Less than /B+/B1/ 150</p> <p>/F1+, F1/P-1/A-1+,A-1/ 20</p> <p>/F2/P-2/A-2/ 50</p> <p>/F3 u Less from /P-3/A-3- / 100</p>	<p>From AAA/Aaa/ to AA-/Aa3/20</p> <p>From /A+/A1 to A-/A3 50</p> <p>From BBB+/Baa1/- to /BBB-/Baa3/100</p> <p>From /BB+/Ba1/to /BB-/Ba3/100</p> <p>Less from B+/B1 150</p> <p>F1+, F1/P-1/A-1+,A-1/ 20</p> <p>/F2/P-2/A-2/ 50</p> <p>F1+, F1/P-1/A-1+,A-1/ 20</p> <p>/F2/P-2/A-2/ 50</p> <p>/F3 u Less from/P-3/A-3/ 100</p>
6.36 Claims against non-high risky non foreign funds (in case the rating is not available)	Pursuant to point 9.2 of this Appendix	Pursuant to point 9.2 of this Appendix
6.37. Claims against high risk non foreign funds (in case the rating is not available)	150	150
6.38. Claims against foreign funds (in case the rating is not available)	Pursuant to point 9.3 of this Appendix	Pursuant to point 9.3 of this Appendix
6.39. All balance sheet assets not included in the other point of this Table, except for point 9.4 of this Appendix	100	150

(Table revised by 23.05.08 N 163-N, 18.11.08 N 325-N, addition by 30.12.08 N 375-N, revised by 19.03.10 N 54-N, addition, revised by 08.02.11 N 26-N, addition by 30.08.11 N 224-

N, amended by 30.11.11 N 323-N, addition by 20.12.11 N 354-N, amended, addition by 27.11.12 N 325-N, revised, amended by 23.07.13 N 179-N, 10.12.14 N 339-N, amended by 21.01.15 N 6-N, revised, addition by 24.02.15 N 44-N, addition by 25.10.2016 N177-N)
(points 6.20 and 6.21 of the Table will enter into force on 24.08.2015 according to the point 3 of Resolution N 44-N of 24.02.2015, 29.12.15 N 299-N, amended, addition by 10.05.16 N 79-N, 23.11.2018 N 196-N)

7. The requirements specified in Rule 6 of this Appendix include balance sheet claims and the calculated interest.

(point 7 revised by 27.11.12 N 325-N)

7.1. In cases where the bank's claim against debtor meets all the requirements specified in sub points 1, 2 and 3 risk weights for assets denominated in drams shall apply to the foreign currency assets extended to the debtor:

1) Debtor is legal entity or entrepreneur,

2) Debtor's cash flow specified in sub point 3 of this point derives from export of goods and(or)services,

3) Debtor's cash flows denominated in currency of credit, except for received credits, during last one year exceed cash outflows denominated in the same foreign currency, including credit repayments. Meanwhile, if the exporter makes price quotation of exported goods and services in foreign currency but receives the payment in AMD denominated in currency rate at the day of the payment, those resources may be included in the calculation of flows as defined by this sub point.

(point 7.1 addition by 21.01.15 N 6-N, 23.11.2018 N 196-N)

7.1.1 Within the meaning of points 6.22.1 and 6.24 of this Appendix the scope of entities related to natural persons as defined by paragraph 2 of Article 8 of the Republic of Armenia law on Banks and Banking, as well as the scope of family members as defined by paragraph 3 and 4 of article 8 of the Republic of Armenia law on Banks and Banking.

(Point 7.1.1 addition by 10.05.16 N 79-N)

7.1.2. If debtor has "law-abiding taxpayer" certification with accordance with the order of the Chairman of RA State Revenue Service No 283-A of December 26, 2016, following provisions shall apply to the claims with regard to him:

1) risk weights for AMD denominated assets set forth in point 6 of Table 1 of this Appendix shall apply to foreign currency assets granted to the debtor,

2) 50% less risk weights from risk weights for AMD denominated assets set forth in point 6 of Table 1 of this Appendix shall apply to AMD denominated assets granted to the debtor, except for the following cases:

a. if pursuant to point 6 of Table 1 of this Appendix 50% risk weights for AMD denominated assets is defined, 35% risk weight shall apply to claims against debtor who has been certified as law-abiding taxpayer,

b. if pursuant to point 6 of Table 1 of this Appendix 75% risk weights for AMD denominated assets is defined, 50% risk weight shall apply to claims against debtor who has been certified as law-abiding taxpayer.

(Point 7.1.2 addition by 03.02.2017 N 31-N, 23.11.2018 N 196-N)

7.1.3. Provisions of point 7.1.2 of this Appendix shall not apply to the assets which meet the requirements set forth in line 6.30 of Table 1 of point 6 of the Appendix.

(Point 7.1.3 addition by 03.02.2017 N 31-N)

7.2. Claims against Armenian resident nonfinancial institutions may acquire risk weights equivalent to the risk weights defined by points 6.21.3-6.21.6 also in case where there is local rating provided by Standard and Poor’s, Fitch and (or) Moody’s rating agencies.

(Point 7.2 addition by 15.12.15 N 279-N)

8. Within the meaning of this Regulation the following derivatives shall be classified as term transactions in process: forward, futures, swap, options. The calculation of risk-weights of term transactions in process shall be based on their full book value in Assets.

(point 8 amended by 27.11.12 N 325-N)

9. *(repealed by 27.11.12 N 325-N)*

9.1. High risk funds specified in point 6.37 of Table of Point 6 of this Appendix shall be specialized fund provided by the Republic of Armenia law on investment funds except fund of funds, real estate funds, as well as nonpublic funds. Non-high risk funds specified in point 6.36 of Table of Point 6 of this Appendix shall be funds which are not considered as high risk funds.

(point 9.1 addition by 27.11.12 N 325-N)

9.2. For the purpose of defining risk weight of claim against non-high risk non-foreign funds without rating as specified under point 6.36 of Table of point 6 of this Appendix, the average risk weight given to the assets of that fund shall be calculated which is based on information on general volume of fund assets (categorized according to risk weights) disclosed (provided) by fund manager at the time of calculation, if such information is disclosed not earlier than within 2 months prior the month on which capital adequacy standard is calculated. If the information is disclosed earlier than within two months prior to the month on which capital adequacy standard is calculated or the information is not disclosed (provided) risk weight of claim against non-high risk non foreign funds without rating as specified under point 6.36 of Table of point 6 of this Appendix is applied at 100%.

(point 9.2 addition by 27.11.12 N 325-N)

9.3. Risk weight of claim against foreign funds specified in point 6.38 of Table of this Appendix that do not possess rating shall be defined pursuant to Table 1.1. Meanwhile, funds specified in point 1, 2 and 3 of Table 1.1 shall meet the requirements of point 9 of regulation 10/10 on Investment restriction of investment funds approved by the Central Bank Board resolution N 337-N of December 6, 2011.

9.4. Risk weight of claims against Central Depository with regard to monetary resources deposited in the accounts opened with the Central Depository in accordance with Regulation 5/09 on “Types of additional activities of the Central Depository, order and conditions of execution of such activities” approved by the Central Bank Board Resolution N 242-N of September 18, 2012 shall be equal to the risk weight of the person defined by point 18 of Regulation 5/09 with whom monetary resources are deposited.

(Addition by 25.10.2016 N177-N)

Table 1.1

	TYPE OF FUND	RISK WEIGHT
	PUBLIC STANDARD FUNDS	
I.	Money market funds	20%

2.	Standard funds (Diversified)	50%
	PUBLIC SPECIALISED FUNDS	
3.	Fund of funds, assets of which are invested only in public standard diversified funds	50%
4.	Real estate fund (diversified)	75%
5.	Other specialized Funds	150%
	FUNDS NON SPECIFIED IN POINT 1-5	
6.	Funds not specified in points 1-5	150%

(Point 9.3 addition by 27.11.12 N 325-N)

10. Banks may risk-weight the claims against nonfinancial institutions at a risk weight relevant for “not rated” assets in corresponding currency specified for each type of assets in Rule 6 of this Appendix, regardless of their individual ratings. If this approach is applied, banks shall once a year make a decision on following this approach and inform the Central Bank about it prior to December 31 of the year, preceding each year.

(point10 revised by 08.02.11 N 26-N, 15.12.15 N 279-N)

10.1. *(Repealed according to Resolution No163-N, 23.05.08).*

11. If the same claim, once risk-weighted pursuant to the table in Appendix 1, yields over one risk weights, the bank shall opt for the lowest weight, except when:

1. non-standard or doubtful assets, medium-risk and high-risk securities, assets frozen or arrested under court decision shall be risk-weighted at the highest risk-weight set for these assets.
2. in case if the claims meeting point 6.24 simultaneously meet Points 6.17-6.21.6, the risk weights relevant for ratings specified in Rules 6.17-6.21.6 shall be taken as basis when including the claim in the calculation of credit risk.
3. Assets with Group II currency (except Russian ruble) shall be risk weighted at the highest risk-weight set for these assets.
4. repo agreements, securities sold through repo agreement, borrowed securities and interests incurred shall be included in the calculation of credit risk pursuant to requirements of Chapter 3 of this Appendix.
5. assets specified in point 6.31 of Table 1 shall be risk weighted at the highest risk-weight set for these assets.

(point 11 addition by 18.09.07 N 297-N, revised by 08.02.11 N 26-N, addition by 27.11.12 N 325-N, amended by 24.02.15 N 44-N, 15.12.15 N 279-N)

12. To be included in the calculation of credit risk, credit risk conversion factors (CRCF) specified in Appendix 13 of this Appendix shall be applied to off-balance sheet contingent liabilities and off-balance sheet term transactions in process. Upon being reduced by the amount of the reserve, off-balance sheet items are converted into balance sheet credit risk equivalents through the use of CRCF and weighted at respective risk-weights specified in Rule 6 of this Appendix. Off-balance sheet contingent liabilities and off-balance sheet term transactions in process are converted into balance sheet credit risk equivalents through the use of CRCF applying the following formula:

$$BCR = (OBI - R) * CRCF$$

where:

BCR = off-balance sheet contingent liabilities and off-balance-sheet term transactions in process converted into balance sheet credit risk equivalents through the use of CRCF, which are included in credit risk calculation at respective risk-weights specified in Rule 6 of this Appendix,

OBI = off-balance sheet contingent liabilities and off-balance sheet term transactions in process,

R = off-balance contingent liabilities reserve,

CRCF = credit risk conversion factor specified in Rule 13 of this Appendix.

(point 12 addition by 27.11.12 N 325-N)

13. Credit risk conversion factors

Table 2

Off-balance sheet items	CRCF	
	AMD items	FX items
13.1. Off-balance sheet term transactions in process	1	1.5
13.2. Off-balance sheet contingent liabilities with maturity up to one year (other than guarantees (sureties))	20	30
13.3. Off-balance sheet contingent liabilities with maturity over one year (other than guarantees (sureties))	50	75
13.4. Guarantees/sureties	100	100

(point 13 addition by 18.09.07 N 297-N, revision by 19.03.10 N 54-N)

14. Off-balance sheet contingent liabilities specified herein include guaranties/sureties, letters of credit, credit lines, non-used portions of overdrafts and credit cards. If under the same contract for the off-balance sheet term transaction the bank buys and sells foreign currency, the off-balance sheet contract shall be included in the calculation of credit risk only once, at the rate of asset-formation amount.

CHAPTER 3. CREDIT RISK MITIGATION TECHNIQUES (CRMT).

14. The CRMT is used for the calculation of credit risk. The CRMT helps to adjust the bank's credit risk assessment, if credit risk adjustment factors are available. Where CRMT is applied, the secured portion of the claim will receive the risk weight of the security or the security-providing party, whereas the unsecured portion will receive the risk weight of the borrower/instrument. If bond issued by the given bank and authorized to trade in regulated market is considered as collateral, secured portion of the claim shall receive 0% risk weight. Secured portion of shall be calculated based on the market price of the bond for that day.

(Addition by 14.11.2017 N 257-N)

16. Claims, off-balance sheet contingent liabilities, off-balance sheet term transactions in process, the calculated interest (hereinafter the claim subject to CRMT) may become a CRMT object, if each of the following conditions is satisfied:

- a. the claim subject to CRMT has a primary financial collateral specified in Rule 26 of this Appendix, which is revalued at least once in six months, or has a surety/guarantee issued by another party rated by Standard and Poor's/Fitch/Moody's, as well as a surety/guarantee issued by the Government or the Central Bank of the Republic of Armenia;
- b. documents verifying the security are available;
- c. the maturity of the collateral, surety/guarantee (hereinafter security) is equal or longer than the maturity of the claim subject to CRMT (there are no negative maturity mismatches);
- d. there is no positive correlation between the borrower's creditworthiness and the provider of the collateral, surety/guarantee (e.g. the guarantor is not affiliated with the borrower, or no securities issued by the borrower are pledged as collateral, etc.);
- e. if the borrower fails to fulfill the terms of the agreement, the bank has the right to sell the pledge extra-judicially (in case of pledge only);
- f. if the borrower fails to fulfill the terms of the agreement, there are no term limitations as to the sale of the collateral or performing the surety/guarantee under the agreement and/or other mutually agreed limitations.
- g. the risk weight of the security or the security provider is less than the risk weight of the claim subject to CRMT.

(POINT 16 ADDITION AND AMENDMENT BY 18.09.07 N 297-N, REVISION BY 23.05.08 N163-N, 14.10.09 N 297-N, 19.03.10 N 54-N, ADDITION BY 27.11.12 N 325-N)

17. CRMT shall not apply to claims subject to CRMT, which are classified as non-standard and doubtful loans and receivables, average and not high risk securities.

(POINT 17 REVISED BY 23.05.08 N 163-N, AMENDED BY 30.11.11 N 323-N, REVISED BY 27.11.12 N 325-N, REVISED BY 10.12.14 N 339-N)

18. To provide the application of CRMT, the amount of the claim subject to CRMT and the amount of the security should be adjusted using the value fluctuation ratios specified in Rule 25 of this Appendix, if Rule 25 of this Appendix specifies value fluctuation ratios for them or if the claim subject to CRMT and the respective security are denominated in different currencies.

(POINT 18 REVISED BY 23.05.08 N 163-N)

19. If the value fluctuation ratios are applied:

- a. the adjusted value of the claim subject to CRMT will be higher than the value of the claim subject to CRMT pursuant to Rule 20 of this Appendix;
- b. the adjusted value of the security will be lower than the value of the security pursuant to Rule 21 of this Appendix.

20. If the value fluctuation ratios are applied within CRMT, banks shall adjust only those claims subject to CRMT, for which value fluctuation ratios are specified under Rule 25 of this Appendix. The calculation shall be done using the following formula:

$$CR^a = (CR - R) (1+F)$$

where

CR^a = the adjusted amount of the claim subject to CRMT with the value fluctuation ratio considered,

CR = the amount of the claim subject to CRMT after deducting the amount of loss reserves and before adjusting the value,
R = loss reserve for the claim subject to CRMT,
F = value fluctuation ratio specified in Rule 25.

21. If the value fluctuation ratios are applied within CRMT as well as in case the claim subject to CRMT and the security are denominated in different currencies, banks shall adjust the value of the security if Rule 25 of this Appendix specifies value fluctuation ratios for them. The calculation shall be done using the following formula:

$$S^a = S(1 - R_{vf} - R_{exr})$$

where

S^a = the adjusted value of the security with the value fluctuation ratio considered,
S = the value of the security,
R_{vf} = the value fluctuation ratio specified in Rule 25,
R_{exr} = exchange rate fluctuation ratio.

If the claim subject to CRMT and the security are denominated in different currencies, the exchange rate fluctuation ratio (hereinafter referred to as *R_{exr}*) will be set at 8%. If they are denominated in the same currency, *R_{exr}* will be set at 0%.

22. If no value fluctuation ratios are set for the claim, the value of the claim subject to CMRT shall equal to the difference of the claim and loss reserves. If there is a value fluctuation ratio set, the adjusted value of the claim subject to the CMRT shall be determined pursuant to Rule 20 of this Appendix. For off-balance sheet contingent liabilities, the value of the claim subject to CRMT shall be determined under Rule 12 herein. The adjusted value of the security shall be calculated pursuant to Rule 21 of this Appendix.

(POINT 22 AMENDED BY 23.05.08 N 163-N)

22.1. Repo agreements and interest thereon shall be included in the credit risk calculation according to the following formula:

RAM=Maximum [MFXMR;PH] where

RAM – is the amount of repo agreement and interests thereon to be included in the credit risk calculation

MF- is the price of monetary funds provided under repo agreement

MR – is the risk weight of monetary funds provided under repo agreement in accordance with table of point 6 of this Appendix.

PH – is the amount to be included in the calculation of credit risk of repo agreement calculated in the result of application of CRMT in cases and order provided by this Chapter, if CRMT is not applied, is the product of balance sheet value of repo agreement and weight of credit risk of party of repo agreement (partner)(taking into account the currency of monetary funds provided by repo agreement according to Table of 6 of this Appendix).

22.2. Securities sold upon repo agreement shall be included in the calculation of credit risk according to the following formula:

SSR=Maximum [NBSXPR;] where

SSR – the amount of securities sold upon repo agreement to be included in credit risk calculation,

US – unsecured part of repo agreement which is defined as positive difference between

- a. adjusted balance sheet value of securities sold upon repo agreement (using fluctuation ratio of value defined by this chapter) and
- b. sum of received monetary funds and amounts thereon subject to payment

TR- is the risk weight of monetary funds provided under repo agreement in accordance with Table of point 6 of this Appendix, taking into account currency of securities sold under repo agreement
BV – balance sheet value of securities sold upon repo agreement,

RI – credit risk weight of issuer of securities sold upon repo agreement (instrument), in accordance with point 6 of this Appendix, taking into account currency of securities sold under repo agreement. Securities provided through borrowing shall be included in calculation of credit risk in accordance with this point.

(POINT 22.1 AMENDED BY 27.11.12 N 325-N, AMENDED BY 23.07.13 N 179-N)

22.2. Securities sold by repo agreement shall be included in the calculation of credit risk according to the following formula

$$ASR = \text{MAXIMUM} [US \times CR; BV \times IR], \text{ WHERE}$$

ASR – amount included in the credit risk calculation of securities sold by repo agreement,
US – unsecured part of securities sold by repo agreement, which is defined as difference of sum of

- A. adjusted book value of securities sold by repo agreement (using coefficient of price fluctuation defined by this Chapter), and
- B. received monetary funds and payments incurred on them.

CR – credit risk weight of repo agreement counterparty pursuant to Table of point 6 of this Appendix taking into account the currency of securities sold by repo agreement,

BV – Book value of securities sold by repo agreement

IR – credit risk weight of issuer of securities sold by repo agreement pursuant to Table of point 6 of this Appendix.

Securities extended through borrowing shall be included in the credit risk calculation pursuant to this point.

(POINT 22.2 ADDITION BY 27.11.12 N 325-N)

23. Within CMRT the secured portion of the claim subject to CRMT will receive at least 20% risk-weight, except for the cases described in Rules 23.1, 23.2 and 23.3 of this Appendix.

23.1. The claim subject to CRMT and secured by financial collateral, shall be included in credit risk calculation at 0% risk weight, if

- 1) the financial collateral is bank gold, the Republic of Armenia dram, Group I foreign currency or ruble kept in that bank (including in deposit accounts of that bank) or
- 2) all the following conditions are met simultaneously
 - a. the collateral is a security issued by the Central Bank in Armenian drams, a Government treasury bond of the Republic of Armenia or a security issued by central banks or governments of foreign countries, which is included in credit risk calculation at 0% risk weight pursuant to Rule 6 of this Appendix;
 - b. the collateral is revalued every day;
 - c. the borrower/debtor is in the list of a core market participant under Rule 27 of this Appendix.

(POINT 23.1 REVISED BY 23.07.13 N 179-N)

23.2. The claim secured by surety/guarantee shall be included in credit risk calculation at 0% risk weight, if the surety/guarantee provider:

- a. is the Government or the Central Bank of the Republic of Armenia,
- b. complies with the definition of a core market participant under Rule 27 of this Appendix and the claims on them are included in credit risk calculations at 0% risk weight pursuant to Rule 6 of this Appendix.

(POINT 23.2 REVISED BY 23.05.08 N163-N, ADDITION BY 27.11.12 N 325-N)

23.3. The secured portion of the claim shall be included in credit risk calculation at 10% risk weight, if:

- a. the collateral is a security issued by the Central Bank in foreign currency, a Government bond of the Republic of Armenia, which is included in the calculation of credit risk at 10% risk weight pursuant to Rule 6 herein, and the conditions specified in Rule 23.1 (except for point “a”) are satisfied as well, or
- b. the transaction satisfies the conditions set in Rule 23.1 (except for point “c”).

24. If the claim subject to CRMT has more than one type of security with different risk weights and their total amount exceeding the amount of the claim, the risk weight of the secured portion of the claim subject to CRMT shall be calculated on the basis of all risk weights of the collaterals in ascending order (starting with the risk weight of the collateral with the lowest risk weight, then taking the risk weights of subsequent collaterals).

25. Value fluctuation ratios

Table 3

Types of securities and ratings	Term to maturity	Value fluctuation ratios	
		Central banks/ Government/Local governments	Other issuers
25.1. Armenian dram denominated securities issued by the Central Bank, RA Government bonds.	< 1 year	1	-
	≥ 1 year, < 5 years	2	-
25.2. Bonds issued by foreign central banks, governments, local governments rated from /AAA/Aaa/ to /AA-/Aa3/	≥5 years	4	-
	< 1 year	-	1

25.3. Bonds issued by foreign banks and non-banks rated from /AAA/Aaa/ to /AA-/Aa3/	≥ 1 year, < 5 years	-	4
25.4. Bonds issued by foreign banks and non-banks rated /A-1+, A-1/F1+, F1/P-1/	≥ 5 years	-	8
25.5. FX denominated securities issued by the Central Bank, RA Government bonds.	< 1 year	2	-
	≥ 1 year, < 5 years	3	-
	≥ 5 years	6	-
25.6. Bonds issued by foreign central banks, governments, local governments rated from /A+/A1/ to /BBB-/Baa3/.	≥ 5 years	6	-
25.7. Bonds issued by banks, credit organizations and foreign bank branches operating in Armenia.	< 1 year	-	2
	≥ 1 year, < 5 years	-	6
25.8. Bonds of foreign banks and non-banks rated from /A+/A1/ to /BBB-/Baa3/.	≥ 5 years	-	12
25.9. Bonds issued by foreign banks and non-banks rated /A-2/F2/P-2/.			
25.10. Bonds issued by foreign central banks, governments, local governments rated from /BB+/Ba1/ to /BB-/Ba3/.			
25.11. Bonds issued by foreign banks and non-banks rated from /BB+/Ba1/ to /BB-/Ba3/.			
25.12. Bonds issued by foreign banks and non-banks rated /A-3/F3/P-3/.			
25.13. Shares of banks and credit organizations operating in Armenia.			
25.14. Bonds issued by non-banks rated at least “G-” by the Central Bank.			
25.15. bonds issued by Armenian resident nonfinancial institutions whose rating is equal or high from rating which is one point lower from rating provided to the Republic of Armenia by rating agencies (Standard and Poor’s or Moody’s or Fitch).			

25.16. Shares of Armenian resident nonfinancial institutions whose rating is equal or high from rating which is one point lower from rating provided to the Republic of Armenia by rating agencies (Standard and Poor's or Moody's or Fitch).

25.17. Shares of banks and non-banks rated from /A+/A1/ to /BBB-/Baa3/.

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26. The following items are financial collaterals, which may be used in CRMT:

26.1. securities issued by the Central Bank;

26.1.1. Bank gold, the Republic of Armenia dram, Group I foreign currency or ruble, as well as other foreign currency funds (if they act as collateral for assets denominated in the same foreign currency) kept in that bank (including in deposit accounts of that bank).

(POINT 26.1.1 ADDITION BY 23.07.13 N 179-N, 15.12.15 N 279-N)

26.2. Republic of Armenia Government bonds, T-bills issued by the Ministry of Finance of the Republic of Armenia with maturity up to 1 year, which are subject to be paid by the Central Bank from the funds of the consolidated treasury account of the Government of the Republic of Armenia, Republic of Armenia T-bills against amounts to be confiscated from the Armenian State budget under judicial acts;

(POINT 26.2 ADDITION BY 30.12.08 N 375-N)

26.3. Securities issued by banks, credit organizations and foreign bank branches operating in Armenia;

26.4. bonds issued by Armenian resident nonfinancial institutions whose rating is equal or high from rating which is one point lower from rating provided to the Republic of Armenia by rating agencies (Standard and Poor's or Moody's or Fitch).

(Point 26.4 revised by 15.12.15 N 279-N)

26.5. Bonds issued by foreign central banks, governments and local governments rated at least /BBB-/Baa3/;

26.6. Bonds rated at least /BBB-/Baa3 and issued by foreign banks;

26.7. Bonds rated at least /A-/A3/ and issued by foreign non-banks;

26.8. Bonds rated at least /A-2/F2/P-2/ and issued by foreign bank and non-banks;

26.9. Shares of Armenian resident nonfinancial institutions whose rating is equal or high from rating which is one point lower of rating provided to the Republic of Armenia by rating agencies (Standard and Poor's or Moody's or Fitch);

(Point 26.9 revised by 15.12.15 N 279-N)

26.10. Shares of banks and credit organizations operating in Armenia;

26.11. Shares of foreign banks rated at least /BBB-/Baa3/ and included in stock indices, defined in Rule 28 of this Appendix;

26.12. Shares of foreign non-banks rated at least /A-/A3/ and included in stock indices, specified in Rule 28 of this Appendix.

26.13. Bonds issued by refinancing credit organizations.

(POINT 26.13 ADDITION BY 30.08.11 N 224-N)

27. Core market participants. For the purpose of this Regulation core market participants shall be:

27.1. States/governments, central banks and local governments;

27.2. Banks, credit organizations and foreign bank branches operating in Armenia;

27.3. Foreign banks;

27.4. Other financial organizations (including investment and insurance companies), the claims on which shall be included in credit risk calculation at 20% risk weight pursuant to Rule 6 of this Appendix.

28. **Stock indices.** For the purpose of this Regulation stock indices shall be indices specified in Table 4 of this Appendix.

Table 4

Stock Indices	Country
All Ords	Australia
ATX	Austria
BEL20	Belgium
Euronext 100	International
CAC 40	France
IBEX 35	Spain
AEX	Netherlands
Hand Seng	Hong Kong
Nikkei225	Japan
DAX	Germany
SMI	Switzerland
OMX	Sweden
S&P500	USA
Dow Jones	USA
NASDAQ	USA
FTSE100	United Kingdom
FTSE mid-250	United Kingdom

CHAPTER 4. PRINCIPLES OF APPLYING RATINGS FOR CREDIT RISK CALCULATION

29. Repealed by CBA Resolution 15.12.15 N 279-N

30. To risk-weight claims on foreign central banks, governments, local governments, foreign banks and non-banks, ratings issued by Standard & Poor's / Fitch / Moody's only shall be used. The grades of long-term ratings by Standard&Poor's and Fitch coincide.

31. The banks shall update the ratings of rating agencies based on the ratings as of the given day set by the rating agencies specified in Rule 30 of this Appendix.

32. If the claim has been rated by only one rating agency, the risk-weight of such claim is determined on the basis of this one rating. If there are two different ratings for the same claim issued by different rating agencies, the bank shall use the lowest one. If there are three or more ratings issued for the same claim, the bank shall use the lower rating of the two highest ones.

33. To include the claims on foreign central banks, governments, local governments in credit risk calculation, the ratings shall be applied with a consideration of the type and the currency of the instruments. For the claims on foreign banks and non-banks the ratings shall be applied with a consideration of maturity and foreign currency of the claim and the type of instruments.

(POINT 33 ADDITION BY 23.05.08 N 163-N)

34. For the purpose of this Appendix, short-term claims shall be demand claims and claims with maturity up to 90 days (including), and long-term claims shall be claims with maturity over 90 days and claims with unfixed maturity.

35. When applying CRMT in risk-weighting of claims secured by sureties/guarantees of foreign governments, central banks, foreign commercial banks, banks shall apply long-term deposit ratings issued by rating agencies, and if the claims are secured by sureties/guarantees of rated foreign non-banks, the "issuer rating" ratings shall be applied.

36. If a short-term rating is not available, the risk weight of short-term claims on foreign banks and non-banks may be determined based on the risk weights, which are one category more favorable than the respective risk weights for long-term ratings specified in Rules 6.18 and 6.21 of this Appendix. For the purpose of applying this Rule, the exceptions shall be 20% and 150% risk weights (i.e. the short-term claims shall be risk-weighted at 20% and 150%, respectively).

(POINT 36 AMENDED BY 23.05.08 N 163-N)

37. The risk-weighting of both short-term and long-term claims on foreign governments and central banks, local governments, as well as the application of ratings, specified in this Regulation, to the above parties shall be based exclusively on long-term ratings.

37.1 If resident non-financial entity has obtained NP short-term rating from Moody's rating agency long-term rating shall be considered for short term risk weighting against that entity, and if long-term rating is not available 150% risk weight shall be applied.

(point 37.1 addition by 24.02.15 N 44-N)

38. If the risk weight of the short-term claim on a party/instrument is 150%, any unrated claims (short-term or long-term) on this party shall be included in credit risk calculation at 150% risk weight.

39. *(Annulled according to the Resolution No 163-N, 23.05.08).*

40. The rating of any party, included in a financial group, shall not apply to the financial group or other parties in the group.

41. The rating of the financial group shall not apply to parties included in the group.

APPENDIX 4

Approved by

the CBA Board Resolution No. 39-N

February 9, 2007

CALCULATION OF MARKET RISK

CHAPTER 1. CALCULATION OF MARKET RISK

1. The market risk is calculated according to principles, specified in this Appendix
2. The market risk is a grand total of foreign exchange, interest rate and capital instruments price risks and shall be determined using the following formula:

$$\mathbf{MR = FXR + IRR +EPR,}$$

where

MR = market risk,

FXR = foreign exchange risk,

IRR = interest rate risk by average daily calculations for a month,

CIPR = capital instruments price risk by average daily calculations for a month.

3. In calculating the market risk the interest rate and capital instruments price risks shall be calculated only if by average daily calculations for the previous or the reporting month:
 - a. The total amount of assets at real value measured by other comprehensive financial result and accounted by real value re-measured by profit/loss exceeds 3% of total balance sheet assets, or
 - b. the total amount of assets at real value measured by other comprehensive financial result and accounted by real value re-measured by profit/loss exceeds 20% of the bank's regulatory total capital.

(point 3 amended by 30.11.11 N 323-N, 26 12 2017 N 293-N)

CHAPTER 2. FOREIGN EXCHANGE RISK CALCULATION

4. For the purpose of calculating the capital adequacy standard, the foreign exchange risk shall be calculated using Standard or VaR methodology.
5. The banks shall choose the methodology for foreign exchange risk calculation once a year and inform the Central Bank about it prior to December 31 of the year preceding each year.
6. Foreign exchange risk calculation using Standard methodology.
 - 6.1. Both assets and liabilities contain foreign exchange risk when their values in Armenian drams, as well as payables and receivables in Armenian drams incur changes as a result of fluctuations in foreign currency/Armenian dram exchange rate. For the meaning of foreign exchange risk calculation, banking or standardized bullions of precious metals, meal accounts, as well as assets and liabilities denominated in banking or standardized bullions of precious metals also contain foreign exchange risk.

(POINT 6.1 REVISED BY 08.02.11 N 26-N)

6.2. When calculating foreign currency positions, it shall also include off-balance sheet non-terminated term transactions only at the amount fixed in the off-balance sheet (including interests) and fines (if available) accrued in the balance sheet.

(POINT 6.2 ADDITION BY 30.11.11 N 323-N, REVISED BY 27.11.12 N 325-N)

6.3. Foreign currency position is the difference between assets and liabilities containing foreign exchange risk. Foreign currency assets shall be included in calculation of foreign currency position regardless of size of possible loss reserves established for those assets except for non-standard assets and assets classified as suspicious which shall participate in calculation having regarded size of possible loss reserve (at balance sheet value). In accordance with this point, foreign currency assets classified on subjective criteria exclusively based on bank's judgments and professional opinion shall be included in the calculation of foreign currency position at the amount as if it would be included in case of classification on objective criteria. Foreign currency assets shall be included in the calculation of foreign currency position regardless of additional allocations to the possible loss reserves made by bank according to point 4.4 of "Procedure of Classification of loans and receivables of the banks, operating in the Republic of Armenia and loss provisioning", approved by the Central Bank Board Resolution N63 as of March 23, 1999, as well as regardless allocations to the supplementary reserve without classification of assets. Foreign currency positions are defined as follows:

- a. long position, if the difference is bigger than zero;
- b. short position, if the difference is less than zero;
- c. closed position, if the difference is equal to zero;
- d. open position, if the difference is bigger or less than zero.

(POINT 6.3 ADDITION BY 23.07.13 N 179-N)

6.4. The maximum foreign currency position is the total amount of the magnitudes below:

- a. the maximum value out of absolute values of total amounts of foreign currency long positions and foreign currency short positions;
- b. a grand total of absolute values of open positions in banking or standardized bullions of precious metals and metal accounts.

(POINT 6.4 AMENDED BY 08.02.11 N 26-N)

6.5. The foreign currency position shall be calculated by types of foreign currencies. For the purpose of calculating foreign exchange risk, banking gold, standardized bullions of gold of at least 999 purity, claims and liabilities denominated in the latters, as well metal accounts shall be considered a single type of foreign currency. When calculating the foreign currency position, assets, containing FX risk, which are deducted from the core capital calculation, shall not be included.

(POINT 6.5 ADDITION BY 08.02.11 N 26-N)

6.6. Foreign currency positions shall calculated as of each day and be denominated in Armenian drams.

6.7. Under the Standard methodology, to be included in the calculation of the capital adequacy standard, the foreign exchange risk shall be determined using the following formula:

$$\mathbf{FXR = \max (FXMP_1, FXMP_2, \dots, FXMP_n),}$$

where

FXR = FX risk, calculated using Standard methodology,

$FXMP_1, FXMP_2, \dots, FXMP_n = 12\%$ of maximum FX position by days of the reporting period,

$n =$ number of days in the reporting period.

6.8. For the days (including non-business days) when the bank's balance sheet incurred no changes, the daily data calculation shall include the data as of the previous day.

7. To calculate the foreign exchange risk using VaR methodology, banks shall calculate the values described in Rules 7.1. to 7.8. on a daily basis.

7.1. The banks shall calculate their foreign currency positions in Armenian drams pursuant to Rules 6.1, 6.2 and 6.3 of this Appendix. On the basis of the calculated positions they shall build a uniform-sized "1xA" matrix of FX positions:

$$P = (P_1, P_2, \dots, P_t),$$

where

$(P_1, P_2, \dots, P_t) =$ values of FX positions by types of foreign currencies,

$t =$ types of foreign currencies.

(POINT 7.1 AMENDED BY 23.05.08 N 163-N)

7.2. Banks shall develop time series of daily foreign currency to Armenian drams exchange rates, announced by the Central Bank, containing open positions during the reporting period. The time series shall include data as of the given day and data for 250 preceding business days. Exchange rates shall be calculated based on foreign currency to Armenian drams exchange rates, announced by the Central Bank. Banking and standardized bullions of precious metals, as well as metal accounts shall be calculated based on the settlement price of precious metals announced by the Central Bank.

(POINT 7.2 REVISED BY 23.05.08 N 163-N, 08.02.11 N 26-N)

7.3. For each type of the foreign currency banks shall calculate a natural logarithm of fluctuations of the average foreign currency to Armenian dram exchange rate, shaped in the foreign currency market and announced by the Central Bank by days:

$$\ln(F_0/F_{0-1}),$$

where

$F_0 =$ average exchange rate of the given foreign currency to Armenian dram, shaped in the foreign currency market and announced by the Central Bank "0" days before the given day

"0" = the day of calculating foreign exchange risk or one of the 250 preceding business days.

(POINT 7.3 REVISED BY 23.05.08 N 163-N)

7.4. For each type of foreign currency banks shall calculate the mathematical expectation of natural logarithmic values of fluctuations in the given currency to Armenian dram exchange rate, announced by the Central Bank (the length of series shall be 250 business days). The mathematical expectation shall be calculated using the following formula:

$$E^i = \frac{1}{250} \sum_{0=1}^{250} L_n(F^i_0 / F^i_{0-1}),$$

where

E^i = the mathematical expectation of natural logarithmic values of the i -th foreign currency fluctuation,

$L_n(F^i_0 / F^i_{0-1})$ = the natural logarithmic value of the i -th foreign currency fluctuation by days.

7.5. Banks shall calculate all possible covariance ratios between foreign currencies. A foreign exchange “AXA”-sized covariance matrix shall be built based on covariance ratios, where “A” denotes the number of foreign currency types. The covariance ratio shall be calculated using the following formula:

$$Cov_{ik} = \frac{1}{250} \sum_{0=1}^{250} (L_n(F^i_0 / F^i_{0-1}) - E^i) (L_n(F^k_0 / F^k_{0-1}) - E^k),$$

where

Cov_{ik} = covariance ratio between the i -th and k -th currencies,

E^i, E^k = mathematical expectations of the i -th and k -th foreign currencies, respectively, calculated pursuant to Rule 7.4 of this Appendix.

7.6. The calculation of foreign exchange risk using VaR methodology shall be based on 99% level of confidence.

7.7. The foreign currency VaR for the given day (hereinafter FX daily VaR) shall be calculated using the following formula:

$$VaR = 2.33 \sqrt{M * Cov * M^t},$$

where

M = matrix of the foreign currency positions of the bank,

Cov = covariance matrix of foreign currency positions of the bank,

M^t = transposed matrix of foreign currency positions of the bank.

7.8. To calculate the capital adequacy standard using VaR methodology, the foreign exchange risk shall be calculated using the following formula:

$$\text{Foreign exchange risk} = 3 * (\text{maximum } (VaR_{-10}; E \text{ ---- } \sum_{I=1}^N VaR_I)),$$

where

VaR_{-10} = VaR for ten days as of the last day of the reporting period, which is calculated

using the formula: $VaR_{-10} = \sqrt{10} * VaR_N$,

N = number of days in the reporting period,

I = days in the reporting period,

E = will have the following values depending on the number of days within 250 preceding business days, when as a result of the exchange rate fluctuations the net daily loss of the bank exceeded foreign exchange VaR for the given day:

Table 1

Number of exceeding days	E
4 days and less	3
5	3.4
6	3.5
7	3.65
8	3.75
9	3.85
10 and more	4

(POINT 7.8 ADDITION BY 23.05.08 N 163-N)

CHAPTER 3. CALCULATION OF INTEREST RATE RISK

8. The interest rate risk shall be calculated as a grand total of the interest rate special risk and general risk using the following formula:

$$IR = ISR + GIR,$$

where

IR = interest rate risk (by average daily calculations for a month),

ISR = interest rate special risk (by average daily calculations for a month),

GIR = interest rate general risk (by average daily calculations for a month).

9. The special and general risks of the interest rate shall be calculated for securities and at real value measured by other comprehensive financial result and accounted by real value re measured

by profit/loss. Debt securities shall be included in the calculation of foreign currency positions at current market value.

(POINT 9 AMENDED BY 30.11.11 N 323-N, 26 12 2017 N 293-N)

10. For the purpose of this Regulation debt securities are as follows:

- a. government bonds and bills,
- b. other bonds and bills (other than convertible bonds and other securities),
- c. certificates of deposit,
- d. non-convertible preferred shares,
- e. non-equity shares containing interest rate risk.

11. The calculation of positions in debt securities shall also include securities sold through repo agreements, liabilities on securities acquired through repo agreements, pledged debt securities, as well as off-balance sheet derivatives backed by debt securities. The calculation of positions in debt securities shall not include debt securities purchased through repo agreements and borrowed securities, securities received as pledge, as well as securities managed under securities portfolio management agreement, as well as securities managed within brokerage services.

(POINT 11 REVISED BY 23.05.08 N 163-N, 30.11.11 N 323-N, AMENDED BY 27.11.12 N 325-N)

12. The position in debt securities is the difference between the value of debt securities (including the debt securities backing off-balance sheet derivatives) and debt securities as liabilities (including debt securities backing off-balance sheet derivatives). The positions in debt securities shall be defined as follows:

- a. long position, if the difference is bigger than zero;
- b. short position, if the difference is less than zero;
- c. closed position, if the difference equals to zero.

The gross position in debt securities shall be calculated as a grand total of absolute values of long and short positions in debt securities.

13. To determine the interest rate risk, the positions in debt securities shall be calculated with regard to the debt securities grouped on the principles below. Debt securities included in the calculation of the same positions shall:

- 13.1. be issued by the same issuer,
- 13.2. be denominated in the same currency,
- 13.3. have the same yield, or the difference between the yield on them shall not exceed 0.2 percentage points, and
- 13.4. the maturity of the debt securities shall be:
 - a. the same, if the maturity is one month or less, or
 - b. the difference between maturities shall not exceed 7 days, if their maturity is 1 to 12 months, or
 - c. the difference between maturities shall not exceed 30 days, if the maturities exceed one year.

14. When calculating interest rate risk, the maturities of debt securities shall be calculated as follows:

- 14.1. for debt securities with fixed interest rate – based on the number of days left to maturity (for debt securities with partial redemption - based on the number of days left to each partial redemption);

- 14.2. for debt securities with changing interest rate – based on the number of days left to the forthcoming interest rate revision;
- 14.3. for debt securities sold through repos – based on maturity;
(POINT 14.3 REVISED BY 23.05.08 N 163-N)
- 14.4. for debt securities backing off-balance sheet derivatives – based on the maturity of the derivative transaction.

15. Calculation of interest rate special risk:

- 15.1. To calculate the interest rate special risk, the positions in debt securities shall be calculated for debt securities grouped pursuant to the principles specified in Rule 13 of this Appendix.
- 15.2. The calculation of positions shall be followed by a calculation of the gross position in debt securities.
- 15.3. To be included in the calculation of the gross position at differentiated weights, the debt securities shall be classified as follows:
- a. government debt securities, i.e. debt securities of countries/governments, central banks and local governments, reliable debt securities, i.e. debt securities issued by international financial organizations specified in Rule 6.6. of Appendix 3, debt securities issued by banks, credit organizations and foreign bank branches, operating in the Republic of Armenia, debt securities issued by foreign banks and rated at least /BBB-/Baa/, debt securities issued by foreign non-banks and rated at least /A-/A3/, as well as debt securities of Armenian resident nonfinancial institutions whose rating is equal or high from rating provided to the Republic of Armenia by rating agencies (Standard and Poor’s, or Fitch or Moody’s).
 - b. issued by non-banks rated at least “B-“ by the Central Bank,
 - c. other debt securities, which are neither government, nor reliable debt securities.
(Point amended by 15.12.15 N 279-N)
- 15.4. The positions in debt securities shall be included in the calculation of the gross position at weights specified in Table 2 below (column 4):

Table 2.

Types of debt securities	Issuer/rating	Maturity	Weight (%)
(1)	(2)	(3)	(4)
1. Government debt securities	1.1. Securities issued by the Central Bank in Armenian drams, RA government bonds,	< 1 year	1
		≥ 1 year,	2
	1.2. Debt securities issued by foreign central banks, governments, local governments rated /AAA/Aaa/ to /AA-/Aa3/	< 5 years	
		≥ 5 years	4
	1.3. Securities issued by the Central Bank in FX, RA government bonds,	< 1 year	2
		≥ 1 year,	3
1.4. Debt securities issued by foreign central banks, governments, local governments rated /A+/A1/ to /BBB-/Baa3/	< 5 years		
		≥ 5 years	6

1.5. Debt securities issued by foreign central banks, governments, local governments rated /BB+/Ba1/ to /B-/B3/	-	8
1.6. Debt securities issued by foreign central banks, governments, local governments rated below /B-/B3/	-	12
1.6. Unrated	-	8
2. Reliable debt securities	< 1 year	2
	≥ 1 year, < 5 years	6
	≥ 5 years	12
3. Other debt securities	-	20

15.5. The interest rate special risk shall be calculated as of each day and be denominated in Armenian drams.

15.6. The interest rate special risk shall be calculated using the following formula:

$$ISR = (ISR_1 + ISR_2 + \dots + ISR_N)/N,$$

where

ISR = interest rate special risk by average daily calculations for a month,

ISR₁, ISR₂, ... , ISR_N = gross position in debt securities by days. When calculating the gross position, the positions in debt securities shall be included at weights determined in Rule 15.4

N = number of days in the reporting month.

15.7. For the days (including non-business days) when the bank's balance sheet incurred no changes, the daily data calculation shall include the data as of the previous day.

16. Calculation of interest rate general risk.

16.1. To calculate the interest rate general risk, the positions in debt securities shall be calculated for debt securities grouped pursuant to the principles specified in Rule 13 of this Appendix. The gross net position in debt securities shall be calculated as the difference between the total amount of long positions and total amount of short positions (at absolute value) in debt securities.

16.2. After calculating the positions in debt securities, the long or short positions in debt securities shall be classified into time-bands by respective weights under Table 3 below:

Table 3.

Time-band	N	Maturity of debt securities	Risk weight (%)
(1)	(2)	(3)	(4)
first band	1	up to one month	0
	2	from 1 to 3 months	0.5
	3	from 3 to 6 months	1
	4	from 6 to 12 months	2
second band	5	from 1 to 2 years	3
	6	from 2 to 3 years	4

	7	from 3 to 4 years	6
	8	from 4 to 5 years	7
	9	from 5 to 7 years	8
third band	10	from 7 to 10 years	10
	11	from 10 to 15 years	11
	12	from 15 to 20 years	13
	13	20 years and more	15

TABLE REVISED BY 20.12.11 N 354-N)
(POINT 16.2 AMENDED BY 18.09.07 N 297-N)

16.3. After determining the risk weights of positions in debt securities pursuant to Rule 16.2. of this Appendix, the values defined in Rules 16.4-16.10 shall be calculated.

16.4. The minimum position in debt securities for each term to maturity defined in Table 3 shall be the minimum value of the total amount of all long positions and short positions (at their absolute value).

16.5. The net position (long or short) in debt securities for each maturity defined in Table 3 shall be the difference between the total amount of all long and short positions (at absolute values).

(POINT 16.5 REVISED BY 23.05.08 N 163-N)

16.6. The minimum position in debt securities for each time-band defined in Table 3 shall be the minimum value of the total amount (at absolute value) of net long positions in debt securities and net short positions in debt securities of the given time-band.

16.7. The net position (long or short) in debt securities for each time-band defined in Table 3 shall be the difference between a grand total of net long positions in debt securities and a grand total of net short positions in debt securities in the given time-band.

(POINT 16.7 AMENDED BY 23.05.08 N 163-N)

16.8. The lowest position between the first and the second time-bands defined in table 3 shall be calculated as the lowest value of net long (or short) position in the first time-band (at absolute value) and net short (or long) position (at absolute value) in the second time-band.

(POINT 16.8 AMENDED BY 23.05.08 N 163-N)

16.9. The minimum position between the second and the third time-bands defined in table 3 shall be the lowest of the values below:

- a. (net position in the second time-band (at absolute value)) – (the lowest position between the first and the second time-bands),
- b. (net position in the third time-band (at absolute value)).

16.10. The minimum position between the first and the third time-bands defined in table 3 shall be the lowest of the values below:

- a. (net position in the first zone (at absolute value)) – (the lowest position between the first and the second time-bands),
- b. (net position in the third zone (at absolute value)) – (the lowest position between the second and the third time-bands).

16.11. The interest rate general risk shall be calculated using the following formula:

$$\text{GIR} = (\text{GIR}_1 + \text{GIR}_2 + \dots + \text{GIR}_N) / N,$$

where

GIR = interest rate general risk by average daily calculations for a month,

GIR₁, GIR₂, ... , GIR_N = general risks of interest rates by days,

N = number of days in the reporting month.

16.12. The interest rate general risk for the given day shall be a grand total of the values below:

- a. 10% of the minimum position in maturity;
- b. 40% of the minimum position in the first time-band;
- c. 30% of the minimum position in the second time-band;
- d. 30% of the minimum position in the third time-band;
- e. 40% of the minimum position between the first and the second time-bands;
- f. 40% of the minimum position between the second and the third time-bands;
- g. 150% of the minimum position between the first and the third time-bands;
- h. 100% of net gross position in debt securities.

16.13. For the days (including non-business days) when the bank's balance sheet incurred no changes, the daily data calculation shall include the data as of the previous day.

CHAPTER 4. CALCULATION OF CAPITAL INSTRUMENTS PRICE RISK.

17. The definition of "share securities" (hereinafter referred to capital instruments) shall be based on the definition of "own capital instruments" specified in IAS 39. The price risk of capital instruments shall be calculated for securities at real value measured by other comprehensive financial result and accounted by real value re measured by profit/loss.

(POINT 17 ADDITION BY 23.05.08 N 163-N, AMENDED BY 19.03.10 N 54-N, 30.11.11 N 323-N, 26□ 12□ 2017 N 293-N)

18. For the purpose of this Appendix the capital instruments shall be as follows:

- 18.1. shares (other than non-convertible preferred shares);
- 18.2. other securities as equity, membership or other shares with similar right of participation in the statutory capital of a legal entity;
- 18.3. bonds and other securities convertible into securities defined in Rules 18.1 and 18.2,
- 18.4. options and other agreements (right) to subscribe or buy securities defined in Rules 18.1 and 18.2,
- 18.5. other financial instruments, which can be qualified as capital instruments.

19. The calculation of positions in capital instruments shall also include capital instruments sold through repo agreements, liabilities on securities acquired through repo agreements, pledged capital instruments, as well as off-balance sheet derivatives backed by capital instruments specified in Rule 18 herein. The calculation of positions in capital instruments shall not comprise capital instruments purchased through repo agreements and borrowed capital instruments, capital instruments as a pledge, as well as capital instruments managed under securities portfolio management agreement, as well as capital instruments managed within brokerage services.

(POINT 19 REVISED BY 23.05.08 N 163-N, 30.11.11 N 323-N, AMENDED BY 27.11.12 N 325-N)

20. To calculate the price risk of capital instruments, the positions in capital instruments shall be calculated for capital instruments grouped pursuant to the principles below. Capital instruments included in the calculation of the same positions shall be:

- 20.1. issued by the same issuer,

20.2. issued in the same currency.

21. The position in capital instruments shall be the difference between the value of capital instruments as assets (including the capital instruments backing off-balance sheet derivatives) and capital instruments as liabilities (including capital instruments backing off-balance sheet derivatives). The positions in capital instruments shall be defined as follows:

- a. long position, if the difference is bigger than zero;
- b. short position, if the difference is less than zero;
- c. closed position, if the difference equals to zero.

(POINT 21 ADDITION BY 23.05.08 N163-N)

22. The gross position in capital instruments shall be determined as a grand total of absolute values of different positions (long and short) in capital instruments.

23. The gross net position in capital instruments shall be calculated as a difference between a grand total of long positions and a grand total of short positions in capital instruments (at absolute value).

24. The capital instruments shall be included in the calculation of positions at their current market values.

25. The positions in capital instruments shall be calculated as of each day and be denominated in Armenian drams.

26. The capital instruments deducted when calculating the core capital shall not be included in the calculation of positions in capital instruments.

27. The positions in capital instruments shall be calculated for capital instruments grouped pursuant to the principles specified in Rule 20 of this Appendix.

28. The price risk of capital instruments shall be a grand total of the general price risk and the special price risk of capital instruments and shall be calculated using the following formula:

$$\text{CIPR} = (\text{GPR}_1 + \text{GPR}_2 + \dots + \text{GPR}_N)/N + (\text{SPR}_1 + \text{SPR}_2 + \dots + \text{SPR}_N)/N,$$

where

CIPR = the price risk of capital instruments by average daily calculations for a month,

GPR₁, GPR₂, ..., GPR_N = general price risk of capital instruments by days,

SPR₁, SPR₂, ..., SPR_N = special price risk of capital instruments by days,

N = number of days in the reporting month.

29. The general price risk of capital instruments for the given day equals to the absolute value of 8% of the gross net position in capital instruments as of the given day.

30. The special price risk of capital instruments for the given day equals to the gross position in capital instruments, calculated at weights specified in Rule 33 of this Appendix.

31. To be included in the calculation of the gross position at differentiated weights, the capital instruments shall be classified as follows:

- a. liquid and diversified capital instruments,
- b. other capital instruments.

32. Capital instruments shall be classified as liquid and diversified if they meet all the following requirements:

- a. the capital instrument is an instrument of a bank or a credit organization, operating in the Republic of Armenia, or a capital instrument of a bank rated /BBB-/Baa3/ or higher and is included in one of the stock indices specified in Appendix 3; or is an instrument of Armenian

resident nonfinancial institution whose rating is equal or high from rating which is one point lower of rating provided to the Republic of Armenia by rating agencies (Standard and Poor's or Moody's or Fitch), or is a capital instrument of a foreign non-bank rated /A-/A3/ or higher which is included in one of the stock indices specified in Appendix 3, and

b. the position (short or long) in any capital instrument, defined in Rule 32 (point "a") of this Appendix, does not exceed 10% of the gross position in capital instruments.

(POINT 32 AMENDED BY 18.09.07 N 297-N, REVISED BY 15.12.15 N 279-N)

33. When calculating the special price risk of capital instruments, the positions in capital instruments (at absolute values) shall be included in the calculation of the gross position at the following weights:

- a. 4% weight - for positions in capital instruments classified as a capital instrument under Rule 31 (point "a"),
- b. 8% weight – for positions in capital instruments classified as a capital instrument under Rule 31 (point "b").

34. For the days (including non-business days) when the bank's balance sheet incurred no changes, the daily data calculation shall include the data as of the previous day.

APPENDIX 5

Approved by

the CBA Board Resolution No. 39-N

February 9, 2007

CALCULATION OF OPERATIONAL RISK

1. CHAPTER 1. CALCULATION OF OPERATIONAL RISK

1. The operational risk shall be calculated using Basic Indicator Approach or Standardized Approach.
2. Once a year the banks shall decide which approach to apply (either Basic Indicator or Standardized) and inform the Central Bank about it prior to December 31 of the year preceding each year. If the bank has once applied standardized approach of operational risk calculation it is not permitted to apply basic indicator approach for operational risk calculation for subsequent years without Central Bank's approval.

(POINT 2 ADDITION BY 20.12.11 N 354-N)

CHAPTER 2. BASIC INDICATOR APPROACH

3. According to the Basic Indicator Approach the operational risk shall be calculated using the following formula:

$$OR = (NI_Y * \alpha + NI_{Y-1} * \alpha + NI_{Y-2} * \alpha) / N,$$

where

OR = operational risk calculated using Basic Indicator Approach,

NI_Y = annual net income for the year from January to December (hereinafter referred to as reporting year) preceding the year of calculating the capital adequacy standard,

NI_{Y-1} = annual net income for the second reporting year preceding the year of calculating the capital adequacy standard,

NI_{Y-2} = annual net income for the third reporting year preceding the year of calculating the capital adequacy standard,

α = 15%,

N = number of years in the last three years, which yielded net positive income.

4. If annual net income for any of the years is negative, the net income for the given year shall be excluded when calculating the operational risk.

5. If each of the three years preceding the reporting month yielded negative or 0 net income, the operational risk shall not be calculated for the given year.

6. The net income for the given year shall be calculated as a grand total of net interest income and net non-interest income. The calculation of the net income for the given year excludes profit/losses from the sale of securities, as well as income derived from insurance as compensation.

(POINT 6 AMENDED BY 27.11.12 N 325-N)

CHAPTER 3. STANDARDISED APPROACH

7. To calculate the operational risk under Standardized Approach the net income defined in Rule 6 of this Appendix shall be divided into groups as follows:

7.1. **Corporate finance (CF).** This group includes income/losses resulting from the following operations/instruments: capital instruments, assets securitization, secured and unsecured allocation of securities, financial and investment advisory.

(POINT 7.1 AMENDED BY 27.11.12 N 325-N)

7.2. **Trading & sales (TS).** This group includes income/losses resulting from assets and liabilities held for trade.

7.3. **Payment & settlement services (PSS).** This group includes income/losses resulting from payment and settlement services (including money transfers).

7.4. **Investment and non-principal services (INPS). Trust management, brokerage and custody (TBC).** This group includes income/losses resulting from investment and non-principal services as provided by the Republic of Armenia Law on Securities Market, with the exception of income/losses incurred from secured and non-secured allocation of securities and financial and investment advisory services.

(POINT 7.4 REVISED BY 27.11.12 N 325-N)

7.5. **Banking (B).** This group includes income/losses resulting from operations, which are not included in Rules 7.1-7.4.

8. Net income groups and respective factors (denoted beta) assigned under Standardized Approach.

Table 1

G	Net income groups	β	
I	Corporate finance (CF)	β ₁	18%
II	Trading & sales (TS)	β ₂	18%
III	Payment & settlement services (PS)	β ₃	18%
IV	Investment and non-principal services	β ₄	18%
V	Banking	β ₅	14%

(POINT 8 AMENDED BY 27.11.12 N 325-N)

9. Under Standardized Approach the operational risk shall be calculated using the following formula:

N 5

$$OR = (\sum \sum (NI^Y_G * \beta_G)) / N,$$

$$Y=1 \quad G=1$$

where

OR = operational risk calculated using Standardized Approach,

G = net income groups as defined in Rule 7 of this Appendix,

NI^Y_G = net positive income of "G"-th group calculated in the "Y" reporting year preceding the calculation of the standard,

β_G = beta factor for "G"-th group defined in Rule 8 of this Appendix,

Y = reporting years preceding the calculation of the standard,

N = number of years in the last three years, which yielded net positive income.

10. If the net income of a group in any of the reporting years is a negative value, the net income of the given year shall be excluded from operational risk calculation.

11. Net income of the groups defined in Rule 7 of this Appendix shall be calculated as net interest income of the given group plus its net non-interest income. The calculation of net income of the given year excludes profits/losses resulting from the sale of securities, as well as income resulting from insurance.

(POINT 11 AMENDED BY 27.11.12 N 325-N)

(APPENDIX ADDITION BY 20.12.11 N 354-N, AMENDMENT, REVISED BY 27.11.12 N 325-N)

APPENDIX 6

Approved by

the CBA Board Resolution No. 39-N

February 7, 2007

**MINIMUM REQUIREMENTS FOR EXTENDING MORTGAGE LOANS WITH 35/75%
RISK WEIGHT**

(TITLE ADDITION BY 19.03.10 N 54-N)

A loan extended by a bank shall qualify for a mortgage loan (hereinafter referred to as a loan) satisfying the “Minimum requirements for extending mortgage loans with 35/75% risk weight” if it meets all the following requirements:

1. The loan is extended to an individual (hereinafter referred to as borrower) for acquisition or renovation or construction of a house or an apartment in the Republic of Armenia (hereinafter referred to as residential property) and is secured by the primary pledge of the same property.
2. The loan is provided for at least 10 years, except for loans for renovation.
3. The borrower (co-borrower) has the right of ownership to the property and the certificate of state registration of property right from the moment of the loan extension up to the end of the loan agreement.

(POINT 3 REVISED BY 23.05.08 N 163-N, ADDITION BY 19.03.10 N 54-N)

4. *(Annulled according to Resolution No 163-N, 23.05.08).*
5. Maximum 2 months before the loan extension the property was valued pursuant to the Law of the Republic of Armenia “On Real Estate Valuation Activities”.

(POINT 5 REVISED BY 23.05.08 N 163-N)

6. The amount of the loan at the moment of extension does not exceed 70% of the lower value of market price of the property or of its acquisition price.
7. Monthly loan repayments (principal, interest, insurance premium) do not exceed 40% of the borrower’s (co-borrower’s) monthly income (gross income less all tax and social insurance payments).

(POINT 7 REVISED BY 23.05.08 N 163-N)

8. The total amount of the borrower’s monthly loan repayments (principal, interest rate, insurance premium) and other regular payments on loan obligations does not exceed 35% of the borrower’s monthly income (gross income less all tax and social insurance payments).

(POINT 8 REVISED BY 23.05.08 N 163-N)

9. According to the loan agreement the property is insured against destruction, damage and spoiling as of any moment of the period, starting from the loan extension up to the complete fulfillment of obligations under the loan agreement, minimum at the value of the loan balance.

(POINT 9 REVISED BY 23.05.08 N 163-N)

10. Within the meaning of points 3, 5, 6 and 9 of this Appendix, the moment of extension of loan for the construction of property, as well as for acquisition of property in the apartment building shall be the initial moment of application of 35/75 risk weight.

(POINT 10 ADDED BY 10.05.2016 N 79-N)

APPENDIX 7

to Central Bank Board Resolution No 305-N of November 22, 2011

RESERVE REQUIREMENTS CALENDAR

sample

Reserve requirement calendar for _____ year.

N	Reporting period	Actual period	Number of actual days		
1.	2.	3.	8.	5.	6.
yy-1	dd1.mm1.yy1- dd2.mm2.yy2	dd1.mm1.yy1- dd2.mm2.yy2	...	dd1.mm1.yy1- dd2.mm2.yy2	...
yy-2
...
yy-11
yy-12

(APPENDIX ADDITION BY 18.11.08 N 325-N, REVISED BY 27.07.10 N 171-N)

Of “Regulation of banking, prudential standards for banking” regulation 2 approved by
the Central Bank of the Republic of
Armenia Board Resolution N39 as of February 9, 2007

**ADDITIONAL REQUIREMENTS FOR ATTRACTION OF DEPOSITS IN THE
TERRITORY OF THE REPUBLIC OF ARMENIA BY BRANCHES OF FOREIGN
BANKS**

CHAPTER 1. DEFINITIONS

1. For the purpose of this Appendix persons related to the branch of foreign bank (hereinafter referred to as branch) shall be:

- 1) Managers of the branch,
- 2) Managers of the parent bank of the branch and significant participants and their related persons
- 3) Related persons of parent bank of the branch.

CHAPTER 2. REQUIREMENTS APPLIED TO THE BRANCHES

2. Branches operating in the territory of the Republic of Armenia shall meet the following requirements:

1) ratio of investment with limited conditions and the sum of non-distributed profit/loss (profit reserve) (hereinafter operational capital) and minimum ratio of risk weighted assets (C¹ condition) in the Central bank or in any commercial bank operating in the territory of the Republic of Armenia, by the Central Bank approval, according to paragraph “b” of sub point 5 of point 33 of Regulation 1 on the order of licensing, registration, approval and authorization, fit and proper testing and qualification in banking, approved by the Central Bank Board Resolution N145 of April 12, 2005 shall be equal to 12%.

2) Minimum average ratio of the sum of highly liquid assets of the branch denominated in all currencies and total assets denominated in all currencies shall be (Condition P2¹):

a) 15% for those branches, which, according to their bylaws, attract deposits at the amount of minimum 30 million Armenian drams or in foreign currency equivalent to it per person

b) 60% for those branches which also attract deposit at the amount not exceeding 30 million Armenian drams or foreign currency equivalent to it per person

3) The average ratio of the sum of highly liquid assets denominated in Group I currencies and total assets denominated in Group I currencies shall be (Condition P2¹¹):

a) 4% for those branches which, according to their bylaws, attract deposits at the amount of minimum 30 million Armenian drams or in foreign currency equivalent to it per person,

b) 16% for those branches which also attract deposit at the amount not exceeding 30 million Armenian drams or foreign currency equivalent to it per person.

4) In case where liabilities denominated in Group II currencies exceed, on average daily basis within the month, 5% of total liabilities of the branch, Condition P2¹² shall be calculated for each Group II currency for the period of the month following the current month which is a minimum ratio of the sum of highly liquid assets denominated in US dollar, Euro and in that currency and total assets denominated in US dollar, Euro and in that currency. The minimum size of Condition P2¹² shall be:

a) 4% for those branches which, according to their bylaws, attract deposits at the amount of minimum 30 million Armenian drams or in foreign currency equivalent to it per person,

b) 16% for those branches which also attract deposit at the amount not exceeding 30 million Armenian drams or foreign currency equivalent to it per person.

5) Minimum ratio of branches' highly liquid assets denominated in all currencies and demand liabilities denominated in all currencies (Condition P2²) shall be:

a) 60% for those branches which, according to their bylaws, attract deposits at the amount of minimum 30 million Armenian drams or in foreign currency equivalent to it per person,

b) 100% for those branches which also attract deposit at the amount not exceeding 30 million Armenian drams or foreign currency equivalent to it per person.

6) Minimum ratio of branches' highly liquid assets denominated in all currencies and demand liabilities denominated in all currencies (P2²¹) shall be:

a) 10% for those branches which, according to their bylaws, attract deposits at the amount of minimum 30 million Armenian drams or in foreign currency equivalent to it per person

b) 100% for those branches which also attract deposit at the amount not exceeding 30 million Armenian drams or foreign currency equivalent to it per person

7) In case where liabilities denominated in Group II currencies exceed on average daily basis within the month 5% of total liabilities of the branch, Condition P2²² shall be calculated for each Group II currency for the period of the month following the current month which is a minimum ratio of the sum of highly liquid assets denominated in US dollar, Euro and in that currency and total assets denominated in US dollar, Euro and in that currency. The minimum size of Condition P2²² shall be:

a) 10% for those branches which, according to their bylaws, attract deposits at the amount of minimum 30 million Armenian drams or in foreign currency equivalent to it per person,

b) 100% for those branches which also attract deposit at the amount not exceeding 30 million Armenian drams or foreign currency equivalent to it per person

8) Maximum risk of one borrower of the branch (Condition P3¹) shall not exceed 20% of operational capital.

9) Maximum risk of major borrowers of the branch (Condition P3²) shall not exceed 500% of operational capital of the branch.

10) Maximum risk of one branch related party (Condition P4¹) shall not exceed 5% of operational capital of the branch.

11) Maximum risk of all branch related party (Condition P4²) shall not exceed 20% of operational capital of the branch.

12) Condition on limitation of foreign currency disposal shall compose of two parts: gross currency position and each separate currency position. Meanwhile,

a. maximum ratio of gross currency position and operational capital of the bank shall be 10%,

b. maximum ratio of open position of each currency and operational capital of the bank shall be 7%,

13) The claim of the branch to parent bank shall not exceed the difference between assets of the branch and funds attracted from residents of the Republic of Armenia (Condition on limitation of flow of deposits attracted from the residents of the Republic of Armenia).

14) The branch shall meet the minimum reserve requirement with the Central Bank in accordance with points 24 and 24.1 of this Regulation. Meanwhile, if the funds invested with certain limitations by the bank establishing branch are invested with the Central Bank those funds shall be added to the amount of factual reserved funds.

(point 2 amended by 24.02.15 N 44-N)

CHAPTER 3. ORDER OF CALCULATION OF CONDITIONS AND COMPONENTS INCLUDED IN CALCULATION

3. Conditions C1, C2¹, C2¹¹, C2¹², C2², C2²¹, C3¹, C3², C4¹, C4² of the branch and the condition on restriction of flows of deposits attracted from the residents of the Republic of Armenia shall be calculated on a monthly basis and the condition on restriction of disposal of foreign currency on a daily basis.

4. Condition on restriction of flows of deposits attracted from the residents of the Republic of Armenia shall be calculated on an average daily basis.

5. Credits and receivables reserves, as well as reserves of possible loss of investments in investment securities shall be included in the calculation of conditions and undistributed profit in the amount calculated in accordance with the “Procedure of classification of loans and receivables and establishment of possible loss reserves for banks operating in the territory of the Republic of Armenia” approved by the Central Bank Board Resolution N63 of April 23, 1999 and “Procedure

of establishment and disposal of reserve of possible investment loss from investment securities for the banks operating in the territory of the Republic of Armenia” approved by the Central Bank Board Resolution N188 of September 15, 1998.

6. Minimum ratio between the sum of operational capital and risk weighted assets shall be defined by the following formula:

$$C1 = \frac{C_{op}}{RWA}$$

where.

C_{op} – Operational capital of the branch on average daily basis,

RWA – sum of credit risk, market risk and operational risk which shall be calculated by the following formula:

$$RWA = CR + (25/3)*(MR + OR),$$

CR – Credit risk of the branch calculated according to Appendix 3 of the this Regulation,

MR – Market risk of the branch calculated according to Appendix 4 of this Regulation,

OR – Operational risk of the branch calculated according to the Appendix 5 of this Regulation.

7. On the days when the balance of the branch has not changed (including non-working days), data from the day before shall not be included in the average daily calculation of data.

8. Minimum average ratio of the sum of the branch’s highly liquid assets denominated in all foreign currencies shall be calculated by the following formula:

$$P2^1 = \frac{A_{hl}}{A_{tot}},$$

where.

A_{hl} – highly liquid assets available during the month calculated on average daily basis, which is defined by the following formula:

$$A_{hl} = \frac{(A_{hl1} + A_{hl2} + \dots + A_{hln})}{N},$$

where $A_{hl1} + A_{hl2} + \dots + A_{hln}$ – Highly liquid assets of the branch according to each day, and N is the number of days of reporting month.

A_{tot} – total assets of the month calculated on average daily basis, which is defined by the following formula:

$$A_{tot} = \frac{(A_{tot1} + A_{tot2} + \dots + A_{totn})}{N},$$

N

where $A_{tot1}, A_{tot2}, \dots, A_{totn}$ – Total assets of the branch according to each day, and N is number of days of reporting month.

9. Condition C2¹¹ shall be calculated by the formula defined for condition C2¹. Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation denominated in Group I foreign currency and total assets shall include sum of all accounts denominated in Group I foreign currency of category “Assets” of the “Account chart of banks, credit organizations, investment funds and investment fund managers operating in the territory of the Republic of Armenia” taking into account deductions specified in point 34.10. of this Regulation.

10. Condition C2¹² shall be calculated by the formula defined for the condition C2¹. Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation denominated in US dollar, Euro and accordingly Group II currency and total assets shall include the total of all accounts denominated in US dollars, Euro and relevant Group II currency of category “Assets” of the “Account chart of banks, credit organizations, investment funds and investment fund managers operating in the territory of the Republic of Armenia” taking into account deductions specified in point 34.10. of this Regulation.

11. Calculation of highly liquid assets and total assets shall be done in accordance with point 34 of this Regulation.

12. Ratio of the branch’s highly liquid assets denominated in all currencies and demand liabilities denominated in all currencies shall be calculated by the following formula:

$$C2^2 = \frac{Ahl}{Cdl},$$

where

$$Ahl = \frac{(Ahl_1 + Ahl_2 + \dots + Ahl_n)}{N},$$

Where $Ahl_1 + Ahl_2 + \dots + Ahl_n$ – Branch’s highly liquid assets according to each day and N is number of days of the reporting month,

Cdl – demand liabilities available within month calculated on average daily basis, which is defined by the following formula:

$$Cdl = \frac{(Cdl_1 + Cdl_2 + \dots + Cdl_n)}{N},$$

where $Cdl_1 + Cdl_2 + \dots + Cdl_n$ – Branch’s demand liabilities according to each day and N is number of days of the reporting month.

13. Condition C2²¹ shall be calculated by formula defined for calculation of Condition C2². Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation denominated in Group I currency, and demand liabilities shall include demand liabilities denominated in Group I currency and specified in point 36 of this Regulation. Meanwhile, demand liabilities subject to deduction from nostro correspondent accounts (including incurred interests) according to point 34.8 of this Regulation demand liabilities shall be deducted from demand claims specified in this point.

14. Condition C2²² shall be calculated by the formula defined for calculation of Condition C2². Meanwhile, highly liquid assets shall include only highly liquid assets specified in point 34 of this Regulation denominated in US dollar, Euro and accordingly Group II currency specified in sub-point 7 of point 2 of this Appendix and demand liabilities shall include demand liabilities denominated in US dollar, euro and accordingly Group II currency specified in point 36 of this Regulation. Meanwhile, demand liabilities subject to deduction from nostro correspondent accounts (including incurred interests) according to point 34.8 of this Regulation demand liabilities shall be deducted from demand claims specified in this point.

15. Calculation of branches' demand liabilities shall be done in accordance with point 36 of this Regulation.

16. Maximum risk of one borrower (Condition C3¹) shall be defined by the following formula:

$$C3^1 = \frac{\text{Risk}}{C_{op}},$$

where Cop - Branch's operational capital.

17. Maximum risk of large borrowers (condition C3²) shall be defined by the following formula:

$$C3^2 = \frac{\text{Risk}}{C_{op}},$$

where Cop - Branch's operational capital.

18. Risk specified in points 16 and 17 of this Appendix shall be calculated in accordance with points 37 and 38 accordingly.

19. As a large borrower shall be considered the person whose risk exceeds 5% of operational capital of the branch (according to the methodology for calculation of category Risk of condition C3¹ provided by this Appendix).

20. Legal entities which are linked with borrower only for the ground that the government possesses more than 20% of shares with voting rights of that borrower and legal entity or has the

possibility to predetermine their decisions in the manner not prohibited by law shall not participate in calculation of conditions C3¹ and C3².

21. Conditions C3¹ and C3² shall not be applied for the Central Bank and the Government of the Republic of Armenia.

22. Maximum risk of one branch related party shall be defined by the following formula:

$$C4^1 = \frac{\text{Risk}}{C_{op}},$$

where C_{op} – Operational capital of the branch.

23. Maximum risk of all branch related party shall be defined by the following formula:

$$C4^1 = \frac{\text{Risk}}{C_{op}},$$

where C_{op} – Operational capital of the branch.

(point 23 amended by 24.02.15 N 44-N)

24. Risk specified in points 22 and 23 of this Appendix shall be calculated in accordance with points 42 and 43 accordingly.

25. Conditions C3¹, C3², C4¹ and C4² shall be calculated as of the last day of the month, as well as in case of each change in size and origin of components included in the risk of abovementioned conditions. In case of calculation of Conditions C3¹, C3², C4¹ and C4² as of the last day of the month Risk component of numerator shall be calculated as of the last day of reporting month and operational capital shall be calculated on a month's average daily basis. In case of calculation of conditions C3¹, C3², C4¹ and C4² on the last day of the month nostro correspondent accounts shall be included in the calculation of the risk on the basis of the average monthly value.

26. At the moment of origination of elements included in calculation of risks of conditions C3¹, C3², C4¹ and C4², as well as in case of any amendment in the size of elements, abovementioned conditions shall be calculated against operational capital of that day. Conditions C3¹, C3², C4¹ and C4² shall not be calculated in case of origination of nostro correspondent accounts and in case of any change. Calculation of risks of conditions C3¹, C3², C4¹ and C4² shall not include government bonds.

27. In the calculation of conditions C3¹, C3², C4¹ and C4² risks repo agreements shall be considered as a claim against counterparty of repo agreement in the amount of balance sheet value of repo agreement, and in case of application of CRMT specified in point 3 of Appendix 3 of this Regulation, in the amount of unsecured part of repo agreement.

28. Claims on derivatives specified in points 37, 38, 42 and 43 shall be included in the calculation of conditions C3¹, C3², C4¹ and C4² only in the amount of sum for derivatives reflected in assets part of balance sheet, except when the branch received Group II currency (with the exception of Russian ruble) as a result of transaction, in which case the swap shall be included in the calculation of conditions C3¹, C3², C4¹ and C4² in the amount of sum subject to receipt reflected in the off balance sheet of branch.

29. Foreign currency purchase spot agreements included in the risk calculation of conditions C3¹, C3², C4¹ and C4², in which cases the branch will receive Armenian dram or Group I currency, shall be included in calculation at 0% risk weight, if in the result of such activities/transactions provision and receipt of currency shall be executed within the same banking day, which may not coincide with the date of conclusion of contract.

30. In the calculation of conditions C3¹, C3², C4¹ and C4² securities sold upon repo agreement and securities provided through lending shall be considered as claim:

- 1) Against issuer of such securities in the amount of balance sheet value, and
- 2) Against counterparty (borrower) of repo agreement in the amount of unsecured part of value provided in point 22.2. of Appendix 3 of this Regulation. Meanwhile, if the branch acquired Group II foreign currency (except for Russian ruble) upon repo agreement it shall not be considered as repo agreement security for the purpose of calculating conditions C3¹, C3², C4¹ and C4².

31. Calculation of conditions C3¹, C3², C4¹ and C4² shall not include claims fully secured by:

- 1) Securities issued by the Central Bank, Republic of Armenia Treasury bonds,
- 2) Central Bank or Republic of Armenia Government guarantees and security,
- 3) Securities issued by institutions provided in point 6.6. of Table 1 of Appendix 3,
- 4) Guarantees and security from institutions provided in point 6.6. of Table 1 of Appendix 3 of this Regulation,
- 5) Securities issued by foreign governments and central banks possessing AA-(Aa3) and higher than AA-(Aa3) ranking provided by Standard and Poor's or Fitch (Moody's) ranking agencies,
- 6) Guarantees and security from foreign governments and central banks possessing AA-(Aa3) and higher than AA-(Aa3) ranking provided by Standard and Poor's or Fitch (Moody's) ranking agencies,
- 7) Deposits invested in respective branch, rights to claims deriving from loans or borrowings provided to the branch.

32. Claims provided by point 32 of this Appendix and security thereon shall be denominated in the same currency, and the deadlines before redemption shall not exceed redemption deadline of securities deposited in the branch, deadline for execution of rights on claims arising out of credits and borrowings, as well as surety and guarantee deadlines. In addition, in case of non-execution of obligations of borrower there should not be provided by contract and/or any agreement restrictions with regard to possibility of factual disposition of pledge or execution deadline of guarantees/sureties provided to the branch.

33. Claims which are not secured by any types of security provided in point 32 of this Appendix, shall be included with non-secured part in the calculation of conditions C3¹, C3², C4¹ и C4² and the secured part is not included in the calculation of conditions C3¹, C3², C4¹ и C4². Meanwhile, non-secured parts of claims included in the calculation of conditions C3¹, C3², C4¹ и C4² are not weighted after deduction in the amount of corresponding reserves, except for nostro corresponding accounts, interbank deposits, interbank loans, claims against foreign governments and central banks, which after being deducted in the amount of corresponding reserves are weighted in accordance with the weights of assets provided in point 6 of Appendix 3 of this Regulation.

34. Points 32-34 of this Regulation shall not apply to repo agreements, securities sold under repo agreement and provided through lending.

35. For the purpose of calculating condition of restriction of foreign currency disposal foreign currency position shall be the difference between monetary assets denominated in foreign currency as well as assets composed of foreign currency risk and liabilities calculated in the manner provided by point 38 of this Appendix. Monetary assets or liabilities include foreign currency risk when amounts received from or paid on them are calculated through currency and/or currency basket against Armenian drams and therefore may fluctuate based on changes. For the purpose of calculating condition of restriction of foreign currency disposal foreign currency position foreign asset or liability shall be include standardized or banking bullions of precious metals, as well as claims and liabilities denominated in standardized or banking bullions of precious metals, metal accounts. Meanwhile, for the purpose of calculating condition of restriction of foreign currency disposal banking gold, standardized bullions of gold of at least 999 purity, claims and liabilities denominated in the latters, as well metal accounts shall be considered a single type of foreign currency. If asset or liability is attached to any currency basket (with the exception of SDR), foreign currencies included in that basket shall participate in the calculation of respective foreign currency positions according to their weight in the structure of that basket.

36. According to separate currency position calculation shall be done by different types of foreign currencies, including and without derivatives on them (swap, futures, forward and option) and shall be summarized in two foreign currency groups. Meanwhile, the calculation without foreign currency position of derivatives shall include:

1) Derivatives entered into with organizations provided by point 6.6. of Table 1 of Appendix 3 of this Regulation,

2) Derivatives entered into with foreign governments and central (national banks) possessing A+(A1) and higher than A+(A1) ranking for attraction of long term deposits provided by Standard and Poor's or Fitch (Moody's) ranking agencies,

3) Derivatives entered into with foreign financial institutions possessing A+(A1) and higher than A+(A1) ranking for attraction of long term deposits provided by Standard and Poor's or Fitch (Moody's) ranking agencies.

4) Currency and exchange swaps. Derivatives shall be included in the calculation of condition of restriction of foreign currency disposal in the amount of off balance sheet sum (including interests on off balance sheet derivatives) and fines and penalties registered in the balance sheet (if such are available).

37. Branches shall update ratings provided by rating agencies based on the daily ratings of rating agencies specified in point 38 of this Appendix. If the organization specified in sub-points 2 and 3 of point 38 has rating from two or more rating agencies, the branch shall consider the lowest rating. Ratings for organizations specified in point 38 of this Appendix shall be considered depending on the currency of derivative.

38. Foreign currency position of condition on restriction of foreign currency disposal shall be calculated on gross foreign currency position of a branch including and without derivatives. Meanwhile, calculation of foreign currency position without derivatives shall include derivatives specified in sub-points 1-4 of point 38 of this appendix according to the requirements set forth in point 39. Foreign currency open position shall be calculated on a daily bases and shall be denominated in Armenian dram. Credit balance shall be noted in negative sign showing foreign currency short position and debit balance shall be noted in positive sign showing foreign currency long position.

(APPENDIX ADDITION BY 27.11.12 N 325-N, amended by 24.02.15 N 44-N)

Of “Regulation of banking, prudential standards for banking” regulation 2 approved by
the Central Bank of the Republic of
Armenia Board Resolution N39 as of February 9, 2007

**MINIMUM REQUIREMENTS OF PREFERRED SHARES INCLUDED IN THE
CALCULATION OF CORE CAPITAL**

1. Preferred share is included in the calculation of bank’s core capital if it meets all the following requirements:
 - 1) It is fully paid and accounted, in the manner provided by law, in the category “Preferred shares” of statutory capital of balance sheet.
 - 2) In case of bank liquidation, claims of preferred shareholder (including claims on dividends) shall be satisfied after satisfaction of all other creditor’s claims, except for ordinary shareholder’s claims.
 - 3) It is not secured by guarantee or surety of bank related persons and/or preferred shareholder economically and/or legally does not appear in a more favorable status as a matter of fact that his/her claim is subject to be satisfied earlier, according to the bylaws or otherwise, than the order of claim satisfaction prescribed by law in case of bank liquidation. Meanwhile, preferred shareholder’s claim shall not be set-off against other debt obligations of preferred shareholder to the bank.
 - 4) It is issued for a non-fixed term.
 - 5) Dividend on preferred share is not subject to payment, either fully or partially, if this would result in violation of any of prudential standards of the bank or lead to the deterioration of its financial situation. Meanwhile
 - a. Nonpayment of dividends, either fully or partially, is not subject to cumulating and repayment subsequently.
 - b. Any legal document between bank and preferred shareholder shall not prescribe any restriction for bank in case of nonpayment, either fully or partially, of dividend, as well as any legal document shall not prescribe the provision of right to the preferred shareholder to prescribe such restriction, unless the restrictions refer to the payment of dividends on ordinary shares. Meanwhile, the restriction on payment of dividend on ordinary share as defined by this paragraph shall refer only to the period during which dividend on preferred share has not been paid, either fully or partially.

- 6) Dividends on that share shall be paid only from the net income and/or funds established at the expense of net income of the bank. Meanwhile, dividends shall be paid only in money.
- 7) The amount of dividends paid on those shares shall not depend on the bank's rating, any index describing its financial situation or the actual size of formerly paid dividends on preferred shares.
- 8) Bank has not indirectly financed acquisition of that share.
- 9) There has been no agreement (decision, contract) according to which the owner of preferred share shall have the right to prescribe any restriction or obstacle for further issue of additional ordinary or preferred share or attraction of subordinated borrowings by bank.
- 10) Any legal document, except for bylaws of the bank, which regulates relations between the bank and preferred shareholder with regard to preferred shares, provides that in case of changes in requirements/conditions provided in this appendix, those changes shall be submitted to the prior approval of the Central bank. Without Central Bank prior approval changes have no mandatory legal force (parties shall not incur legal consequences).

(APPENDIX ADDITION BY 24.06.14 N 146-N)

Of “Regulation of banking, prudential standards for banking” regulation 2 approved by
the Central Bank of the Republic of
Armenia Board Resolution N39 as of February 9, 2007

**MINIMUM REQUIREMENTS FOR LONGTERM SUBORDINATED BORROWINGS
INCLUDED IN THE CALCULATION OF ADDITIONAL CAPITAL**

1. Long-term subordinated borrowing (hereinafter also borrowing) shall be included in the calculation of additional capital if the borrowing (loan agreement) meets all the following conditions:

- 1) The borrowing has not been provided as a security for a definite obligation to the bank.
- 2) The borrowing has been attracted in Armenian dram or Group I currency.
- 3) In the case of bank liquidation the lender’s claims (including claims on accrued interest rates) shall be satisfied after satisfaction of all other creditors’ claims.
- 4) The borrowing is not secured by guarantee or surety of bank and/or bank related persons, and/or the lender economically and/or legally does not appear in a more favorable status as a matter of fact that his/her claim is subject to be satisfied earlier, than the order of claim satisfaction prescribed by law in case of bank liquidation. Meanwhile, the lender’s claim shall not be set-off against other debt obligations of lender to the bank.
- 5) The borrowing is provided for at least 5 years. Meanwhile, according to the loan agreement, repayment of principal amount may be provided only during one calendar year preceding the deadline for full repayment of loan amount, and in case of loan agreement extension, the repayment of principal amount may be provided only during one calendar year preceding the deadline for extended full repayment (except for cases of early repayment of full amount of loan in the manner provided by point 7 of this Appendix)
- 6) Loan agreement does not include such provisions (incentives), which may economically or otherwise force (encourage) the bank to repay the loan amount ahead of schedule, either fully or partially. For the purpose of this sub point, the provision on conversion of loan to the shares prescribed by sub point 17 of this Appendix shall not be considered as an incentive.
- 7) The borrowing (principal amount and accrued interests) shall not be repaid prior to maturity term, except:
 - a. in cases provided by Armenian legislation,
 - b. if in the case of repayment prior to maturity term the whole amount of borrowing is directed to the replenishment of statutory capital of the bank (in the form of shares included in the core capital according to the point 28.1 of this Regulation),

c. if the repayment of borrowing prior to maturity term is initiated by the bank and all the following requirements are met:

c1. The bank has got the Central Bank's prior approval for early repayment of borrowing,

c2. The difference between the dates of early repayment and borrowing disbursement shall be at least 5 calendar days.

8) For the purpose of acquiring prior approval prescribed in sub point 7 of point 1 of this Appendix, the bank shall submit to the Central Bank information and/or documents justifying rationality and nonappearance of negative results of early repayment of subordinated borrowing. The Central Bank shall decide to approve or reject the approval within 30 days upon receipt of documents, on which a written notice shall be given to the bank within two business days upon end of 30 days period. For the purpose of clarifications and/or changes, adjustments in the documents submitted by the bank, the 30 days period may be suspended upon Central Bank's decision. The Central bank shall give prior approval prescribed in sub point 7 of point 1 of this Appendix, if:

a. the bank converts subordinated borrowing with another long-term subordinated borrowing which shall meet the requirements of this Appendix or with preferred shares which shall meet the requirements of Appendix 9 and the conversion would not negatively affect bank's financial situation, or

b. bank justifies that the level of regulatory capital, without subordinated borrowing defined in this point, is high enough and there is no need to convert it with another capital instrument.

9) According to the agreement, the borrowing (principal amount and accrued interests) are not subject to repayment by the bank if the repayment of principal amount and/or accrued interest on the date of the repayment would result in violation of any of prudential standards of the bank. Meanwhile, the agreement between the bank and the lender or local or individual legal act of the bank shall not prescribe any restrictions for the bank in case of nonpayment, either fully or partially, of the amount of borrowing and accrued interests, as well as provide the right to the lender to prescribe such restrictions, unless such restriction refers to the payment of dividends on shares issued by the bank and/or payments with regard to other subordinated borrowings included in the calculation of additional capital.

10) In cases prescribed by point 9 of this Appendix nonpayment, either fully or partially, of principal amount and accrued interests shall not be considered as nonperformance or improper performance of obligations by the bank.

11) The sum of accrued interests on borrowing shall not depend on bank's rating, any index describing its financial situation or level of actual payments of principal amount and/or accrued interests on borrowing. Interests on borrowing shall not decline in case when the bank makes required payments fully and in a timely manner.

- 12) There has not been any legal document providing a right for lender to require paying of loan ahead of schedule only for the reason that the bank has not duly met its liabilities with regard to other obligations.
 - 13) The borrowing is not provided by legal entity in which the bank is a qualified holder and/or the bank has not financed directly or indirectly attraction of the borrowing.
 - 14) There has not been any legal document providing that the lender can restrict or impediment attraction of new borrowings by bank from other lenders.
 - 15) The schedule of payments on borrowing is clearly prescribed by the loan agreement.
 - 16) In case, where the loan amount is provided in tranches, each tranche shall meet the conditions prescribed by this Appendix for the purpose of including in the calculation of additional capital, including that each tranche shall be provided for minimum 5 years period.
 - 17) Loan agreement provides that in case of deterioration of financial situation of the bank the borrowing shall be repaid by the bank in the amount of borrowing and the lender is obliged to immediately direct the amount of repaid borrowing to the replenishment of bank's statutory capital (hereinafter conversion) in the form of shares included in the core capital according to the point 28.1 of this Regulation. Meanwhile, for the purpose of this sub point the amount of borrowing shall be the amount, which in the Central Bank's opinion, is required to eliminate (alleviate) grounds of deterioration of financial situation but not exceeding the maximum amount at which the borrowing has been included in the calculation of total capital during 120 days preceding the situation described in point 2 of this Appendix. If the borrowing is attracted in Group I currencies, the amount directed to the replenishment of the statutory capital of the bank shall be converted into Armenian dram based on the Armenian dram's market based average exchange rates vis-a-vis foreign currency on the date of conversion.
 - 18) The loan agreement shall specify the ratio at which the borrowing shall be converted into shares included in the core capital for the purpose of conversion prescribed by sub point 17 of this Appendix.
 - 19) Loan agreement provides that amendment and/or cancelation of loan agreement requires Central Bank's approval. Without such approval any amendment and/or cancelation shall not have mandatory legal force (parties shall not incur legal consequences).
2. For the purpose of this Regulation, deterioration of financial situation shall be considered any of the following situations:
 - 1) Core capital adequacy decreases from 10.5% or the total capital adequacy decrease from 12.5%,
 - 2) The Central Bank notifies in written form that the capital instrument check-out or conversion into the shares included in the core capital is required, as without conversion grounds for insolvency or bankruptcy of bank will (possibly) appear.
 - 3) The Central Bank notifies in written form that without provision of loan in accordance with the Article 38 of the "Law on the Central Bank of Armenia" or without Central Bank's or state assistance grounds for insolvency or bankruptcy of bank will (possibly) appear.

3. In cases, where as a result of attraction of borrowing, the value of amount of subordinated borrowing attracted from that borrower will exceed 10, 20, 50 or 75 percent of the bank's shares with voting right, or the sum of participation with voting right of lender in the statutory capital and the borrowing provided to the bank will exceed 10, 20, 50 or 75 percent of the bank's shares with voting right, prior to the inclusion of the amount (or part thereof) of borrowing in the calculation of bank's core capital the lender shall acquire prior authorization for qualified holding according to the Regulation 1 on the order of licensing, registration, approval and authorization, fit and proper testing and qualification in banking, approved by the Central Bank Board Resolution N145 of April 12, 2005.

(APPENDIX ADDITION BY 24.06.14 N 146-N)

Of “Regulation of banking, prudential standards for banking” regulation 2 approved by
the Central Bank of the Republic of
Armenia Board Resolution N39 as of February 9, 2007

CONDITIONS FOR INCLUSION OF ATTRACTED RESOURCES IN THE CALCULATION
OF MANDATORY RESERVE STANDARD AT A DEDUCTED RATE

(Title revised by 24.02.15 N 44-N)

1. Conditions for inclusion of resources attracted in debt securities issued by banks and branches of foreign banks operating in the territory of the Republic of Armenia in the calculation of mandatory reserve standard at a deducted rate:

1.1 Bank has accurate and updated information on owners of debts securities, according to which at least 50% of circulated volume of debt securities belongs to entities other than shareholders of the bank and bank related persons,

1.2 Debt securities are authorized to trade in the regulated markets outside the territory of the Republic of Armenia defined by Appendix 3 of Regulation 4/04 on “Prospectus and statements of reporting issuer” approved by the Central Bank Board Resolution of March 11, 2008 N 68-N, meanwhile debt securities are issued by bank or special entity established for the purpose of issuance secured by the borrowing provided to the bank by special entity, the period between subscription and redemption of debt securities is not less than 2 years and early repayment of principal amount on bond securities are not expected within 1 year following the subscription day,

1.3 Debt securities are authorized to trade in the regulated markets outside the territory of the Republic of Armenia defined by Appendix 3 of Regulation 4/04 on “Prospectus and statements of reporting issuer” approved by the Central Bank Board Resolution of March 11, 2008 N 68-N, meanwhile debt securities are issued by bank or special entity established for the purpose of issuance secured by the borrowing provided to the bank by special entity, the period between subscription and redemption of debt securities is not less than 4 years and early repayment of principal amount on bond securities are not expected.

1.4 Debt securities are authorized to trade in regulated market operating in the territory of the Republic of Armenia and meet all the following requirements:

- a. period between subscription and repayment is not less than 2 years,
- b. Debt security is discount or coupon debt security with fixed or floating rate and does not provide for partial redemption or option for redemption before maturity,
- c. Redemption and repayment dates of debt securities, as well as redemption and repayment dates of coupon (per period) are not different,
- d. Coupon rate is a nominal interest rate and it is not a negative value,
- e. Periods of coupons’ repayment are regular; coupon is repaid on annual, semiannual, quarterly or monthly periodicity,
- f. For calculation of dates one of the following options is used: factual/365, factual/factual, factual/360 or 30/360.,
- g. In case of floating rate, the reset rate meets the following conditions: transparent, published, sustainable, reliable and accessible for market participants,

h. Conditionality for calculation of dates for floating rate debt security and coupon reset rate is the same, i. For the purpose of defining coupon of floating coupon debt security the reset margin is a fixed nominal value.

1.5. Debt securities are authorized to trade in regulated market operating in the territory of the Republic of Armenia and meet all the following requirements:

a. period between subscription and repayment is not less than 4 years,

b. Debt security is discount or coupon debt security with fixed or floating rate and does not provide for partial redemption or option for redemption before maturity,

c. Redemption and repayment dates of debt securities, as well as redemption and repayment dates of coupon (per period) are not different,

d. Coupon rate is a nominal interest rate and it is not a negative value,

e. Periods of coupons repayment are regular; coupon is repaid on annual, semiannual, quarterly or monthly periodicity,

f. For calculation of dates one of the following options is used: factual/365, factual/factual, factual/360 or 30/360,

g. In case of floating rate, the reset rate meets the following conditions: transparent, published, sustainable, reliable and accessible for market participants,

h. Conditionality for calculation of dates for floating rate debt security and coupon reset rate is the same,

i. For the purpose of defining coupon of floating coupon debt security the reset margin is a fixed nominal value.

2. Resources attracted by banks and branches of foreign banks operating in the territory of the Republic of Armenia, by banks with A-(A3) or higher rating granted by Standard and Poor's or Fitch (Moody's) rating agencies, in Armenian drams or Group I foreign currencies from parent bank with 50% or more participation in the statutory capital of the bank, in Armenian drams or Group I foreign currencies from holding company of banking group or other member bank of the group with 50% or more participation in the statutory capital of the bank, from organizations specified in point 6.6 of Table 1 of Appendix 3 of this regulation, German Armenian Fund, Eurasian development bank, OPEC Fund for International Development, European Fund for Southeast Europe, Overseas Private Investment Corporation, Green for Growth Fund, member financial institutions of Association of European Development Finance Institutions, Responsibility Investments AG, Microfinance Enhancement Facility S.A., Triodos Bank VN, ACTIAM, Dual Return Fund S.I.C.A.V., Finethic S.C.A., SICAV-SIF, Sub-Fund – Finethic-Microfinance, Symbiotics Sicav (Lux.), EMF Microfinance Fund AGmvK, Capital Gestion, The Small Enterprise Impact Investing Fund (SEIIF) S.A., SICAV-SIF, Micro-, Small & Medium Enterprises Bonds SA, Blue Orchard Microfinance Fund, International Organization For Migration, Cargill Financial Services International Inc, Frankfurt School Financial Services GmbH, Atlantic Forfaiting AG, Global Climate Partnership fund S.A., SICAV-SIF, (Black Sea Trade and Development Bank, GLS Alternative Investments -Mikrofinanzfonds, IIV Mikrofinanzfonds, DKM A and DKM B funds, Incofin CVBA company and Development Bank shall be included in the calculation of mandatory reserve standard at a deducted rate, if the period prior to repayment of attracted resource is not less than 2 years. If the rating for the bank specified in this point is not available, the rating of a person controlling the bank's activity shall be considered.

3. Resources attracted by banks and branches of foreign banks operating in the territory of the Republic of Armenia, by banks with A-(A3) or higher rating granted by Standard and Poor's or

Fitch (Moody's) rating agencies, in Armenian drams or Group I foreign currencies from parent bank with 50% or more participation in the statutory capital of the bank, in Armenian drams or Group I foreign currencies from holding company of banking group or other member bank of the group with 50% or more participation in the statutory capital of the bank, from organizations specified in point 6.6 of Table 1 of Appendix 3 of this regulation, German Armenian Fund, Eurasian development bank, OPEC Fund for International Development, European Fund for Southeast Europe, Overseas Private Investment Corporation, Green for Growth Fund, member financial institutions of Association of European Development Finance Institutions, Responsibility Investments AG, Microfinance Enhancement Facility S.A., Triodos Bank VN, ACTIAM, Dual Return Fund S.I.C.A.V., Finethic S.C.A., SICAV-SIF, Sub-Fund – Finethic-Microfinance, Symbiotics Sicav (Lux.), EMF Microfinance Fund AGmvK, Capital Gestion, The Small Enterprise Impact Investing Fund (SEIIF) S.A., SICAV-SIF, Micro-, Small & Medium Enterprises Bonds SA, Blue Orchard Microfinance Fund, International Organization For Migration, Cargill Financial Services International Inc, Frankfurt School Financial Services GmbH, Atlantic Forfaiting AG, Global Climate Partnership fund S.A., SICAV-SIF, (Black Sea Trade and Development Bank, GLS Alternative Investments -Mikrofinanzfonds, IIV Mikrofinanzfonds, DKM A and DKM B funds, Incofin CVBA company and Development Bank shall be included in the calculation of mandatory reserve standard at a deducted rate, if the period prior to repayment of attracted resource is not less than 4 years. If the rating for the bank specified in this point is not available, the rating of a person controlling the bank's activity shall be considered. **(APPENDIX ADDED BY 10.12.14 N339-N, REVISED BY 24.02.15 N 44-N, ADDITION BY 12.03.2015 N 50-N, 15.04.2015 N81-N, 30.06.15 N 152-N, ADDITION BY 15.12.15 N 279-N, 10.05.16 N 79-N, 20.09.16 N146-N, 03.02.2017 N 31-N, 14.11.2017 N 257-N, ADDITION BY 19.01.2018 N 2-N)**

(PROVISIONS DEFINED BY THIS APPENDIX SHALL APPLY TO THE FUNDS ATTRACTED AFTER DECEMBER 1, 2014 AND SHALL REFER TO THE PERIODS STARTING FROM DECEMBER 10, 2014 AND FOLLOWING IT. SEE 10.12.14N339-N, POINT 5)

(RESOURCES ATTRACTED FROM BANKS SPECIFIED BY POINT 2 OF APPENDIX 11 AMENDED BY 12.03.2015, N50-N MAY BE INCLUDED IN THE CALCULATION OF MANDATORY RESERVE STANDARD AT A DEDUCTED RATE IF PROVISIONS DEFINED BY SENTENCE 2 AND 3 OF POINT 2 OF CENTRAL BANK RESOLUTION 21.01.2015 N 6-N ARE MET)

(PROVISIONS DEFINED BY POINT SUBPOINT 1 OF POINT 1 OF RESOLUTION 15.04.2015 N 81-N SHALL APPLY TO RESOURCES ATTRACTED AFTER APRIL 1, 2015 AND SHALL REFER TO THE MANDATORY RESERVE REPORTING PERIOD STARTING AT AND FOLLOWING APRIL 1, 2015. MEANWHILE, THE BANK SHALL NOT APPLY DEDUCTED RATES OF MANDATORY RESERVE REQUIREMENT TO THE RESOURCES ATTRACTED BEFORE APRIL 1, 2015 WHICH WERE EARLY REDEEMED AND RECONCLUDED AFTER APRIL 1 2015.)

(ADDITION MADE BY 19.01.2018 N 2-N DECISION SHALL APPLY TO THE MANDATORY RESERVE REQUIREMENTS PERIODS STARTING FROM FEBRUARY 14 AND FOLLOWING IT.)