

- 1) In Point 1 of the Regulation, replace the words "and maintenance" with the words ", maintenance and closing";
- 2) In the title of Chapter 3 of the Regulation, after the word "OPENING", supplement with the words "AND CLOSING";
- 3) In Point 8 of the Regulation:
 - a. after the word "opening", supplement with the words "and closing",
 - b. after the word "accounts", supplement with the words ", by decision of the Board of the Central Bank";
- 4) In Point 9 of the Regulation, after the word "opening", supplement with the words "and closing";
- 5) To recognize as void paragraphs "a" and "b" of Sub-point 3 of Point 11 and Points 18-19.2 of the Regulation;
- 6) In paragraph "b" of Sub-point 6 of Point 11 of the Regulation, after the word "currency", supplement with the words ", as well as unallocated metal accounts (hereinafter: metal account)";
- 7) Redraft Points 19.3-19.4 of the Regulation in the following edition:

"19.3. The minimum ratio between the highly liquid assets of the bank and the net cash outflow is defined as follows:

- 1) in all currencies: 100% (Prudential N2³)
- 2) in RA AMD: 100% (Prudential N2³¹),
- 3) in case of existence of significant foreign currency of the first group: in significant foreign currencies of the first group: 100% (Prudential N2³²),
- 4) in case of existence of significant foreign currency of the second group: in significant foreign currencies of the second and first groups (in case of existence): 100% (Prudential N2³³).

"19.4. The minimum ratio between the available stable funding and the required stable funding of the bank is defined as follows:

- 1) in all currencies: 100% (Prudential N2⁴),
- 2) in RA AMD: 100% (Prudential N2⁴¹),
- 3) in case of existence of significant foreign currency of the first group: in significant foreign currencies of the first group: 100% (Prudential N2⁴²),
- 4) in case of existence of significant foreign currency of the second group: in significant foreign currencies of the second and first groups (in case of existence): 100% (Prudential N2⁴³):"
- 8) From Point 24 of the Regulation, remove the words ", except for the cases defined by Point 24.1.1 of this Regulation";
- 9) In Point 24.1 of the Regulation, replace the words "in the amount of 18 percent" with the words "in the amount of 15 percent";
- 10) To recognize as void Point 24.1.1 of the Regulation;
- 11) In Point 25 of the Regulation:
 - a. in Sub-point 1, replace the words "N2¹, N2¹¹, N2¹², N2², N2²¹, N2²¹, N2⁴, N2⁴ (FX)," with the words "N2⁴, N2⁴¹, N2⁴², N2⁴³,"
 - b. in Sub-point 2, replace the words "N2³, N2³ (FX)" with the words "N2³, N2³¹, N2³², N2³³",

- c. in Sub-point 3, replace the words "as a rule, in the cross-section of 28 or 35 days according to the reservation calendar defined by the Central Bank" with the words "according to the calendar published on the website of the Central Bank";
- 12) In Point 28.3 of the Regulation, after Sub-point 1, supplement with Sub-point 1.1 of the following content:
- "1.1) in the amount of the book value of perpetual subordinated loans provided by the bank and funds provided through perpetual bonds. For the purposes of this sub-point, a subordinated loan shall be considered a subordinated loan defined by the Civil Code of the Republic of Armenia.";
- 13) Redraft Point 28.5 of the Regulation in the following edition: "28.5. The following financial instruments satisfying all the requirements of Annex 9 of this Regulation shall be included in the composition of Additional Tier 1 capital:
- 1) preferred shares at the following value: the sum of the nominal value of the share and the share premium from preferred shares, less the discount,
 - 2) funds attracted through bonds, in the amount of the nominal value,
 - 3) funds attracted through subordinated loans (credits), in the amount of the contractual principal amount.";
- 14) To recognize as void Points 33-36 of the Regulation;
- 15) Redraft Point 36.2 of the Regulation in the following edition:
- "36.2. Prudentials N2³¹, N2³², and N2³³ shall be calculated using the formula defined by Point 36.1 of this Regulation, respectively in RA AMD; in case of existence of significant foreign currency of the first group, in significant foreign currencies of the first group; and in case of existence of significant foreign currency of the second group, in significant foreign currencies of the second and first groups (in case of existence).";
- 16) Redraft Point 36.4 of the Regulation in the following edition:
- "36.4. Prudentials N2⁴¹, N2⁴², and N2⁴³ shall be calculated using the formula defined by Point 36.3 of this Regulation, respectively in RA AMD; in case of existence of significant foreign currency of the first group, in significant foreign currencies of the first group; and in case of existence of significant foreign currency of the second group, in significant foreign currencies of the second and first groups (in case of existence).";
- 17) In Point 36.5 of the Regulation, replace the words "N2³(FX) and N2⁴(FX)" with the words "N2³², N2³³, N2⁴² and N2⁴³";
- 18) From Point 38 of the Regulation, remove the last sentence;
- 19) In Point 38.1 of the Regulation, replace the word "point" with the words "and 44.5 points";
- 20) In Points 40.1 and 44 of the Regulation, replace the words "'Procedure for the compilation of consolidated reports submitted to the Central Bank of the Republic of Armenia by banks operating in the territory of the Republic of Armenia' approved by Resolution No. 87 of the Board of the Central Bank dated 2 April 2002" with the words "Regulation 20/03 'On reports submitted to the Central Bank of the Republic of Armenia by financial groups and the frequency

of their submission' approved by Resolution No. 159-N dated 27 September 2016 of the Board of the Central Bank of the Republic of Armenia 'On approving Regulation 20/03 "On reports submitted to the Central Bank of the Republic of Armenia by financial groups and the frequency of their submission"'';

21) After Point 44.1 of the Regulation, supplement with Points 44.2-44.5 of the following content:

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44.2. In the event that the value of the bank's investment in an investment fund share does not exceed 0.25% of the bank's Tier 1 capital, then Prudentials N3¹, N3², N4¹, and N4² shall be calculated toward the investment fund.

44.3. In the event that the value of the bank's investment in an investment fund share exceeds 0.25% of the bank's Tier 1 capital, then the bank shall calculate Prudentials N3¹, N3², N4¹, and N4² toward those persons against whom the investment fund has claims (including off-balance sheet assets containing credit risk); moreover:

- 1) in the case of acquisition (including an increase) of an investment fund share, when calculating Prudentials N3¹, N3², N4¹, and N4², the bank shall base the calculation on the information regarding assets as of the given day,
- 2) when calculating Prudentials N3¹, N3², N4¹, and N4² as of the last day of the month, the bank shall base the calculation on information regarding the investment fund's assets as of the last day of the given month,
- 3) each asset shall participate in the calculation proportionally to the size of the bank's participation in the investment fund,
- 4) in the event of each change in the magnitude of elements included in the risk calculation of Prudentials N3¹, N3², N4¹, and N4² on the bank's balance sheet, the investment fund's assets shall be included in the calculation of the prudentials at their magnitude as of the last day of the previous month.

44.4. The bank shall calculate the threshold of 0.25% of Tier 1 capital defined by Points 44.2 and 44.3 of this Regulation:

- 1) in the case of acquisition (including an increase) of an investment fund share; moreover, in the calculation of the threshold, the investment fund share and the bank's Tier 1 capital shall be included as of the given day,
- 2) with monthly frequency; moreover, in the calculation of the threshold, the magnitude of the investment fund share as of the last day of the month and the average daily magnitude of the bank's Tier 1 capital for the given month shall be used as a basis.

44.5. In the event that the bank cannot disclose the persons mentioned in Point 44.3 of this Regulation, then all assets of the investment fund shall be viewed as claims against an "unknown" person.”

22) Redraft Point 50 of the Regulation in the following edition:

"50. Funds attracted in RA AMD, foreign currency, as well as through metal accounts by a bank and a branch of a foreign bank operating in the territory of the Republic of Armenia, shall be subject to reservation in the Central Bank. Reservation against funds attracted in RA AMD shall be performed in RA AMD; against funds attracted in Euro, in Euro; and against funds attracted in US Dollars and all other currencies, as well as through metal accounts, in US Dollars. In the event of the

impossibility of opening a foreign currency correspondent account in the Central Bank or its further maintenance due to circumstances beyond the bank's control, reservation against funds attracted in foreign currency and through metal accounts shall be performed entirely in RA AMD.

The mandatory reserving against attracted funds shall be performed within the time periods established by point "52" of this Regulation. The risk associated with the change in the foreign exchange rate shall be borne by the bank."

23) Redraft Point 51 of the Regulation in the following edition:

"51. The adjustment of the magnitude of the amount subject to reservation in the Central Bank shall be performed in the following manner:

- 1) in the case of the amount subject to reservation in RA AMD: as a daily average, according to Point 51.1 of this Regulation,
- 2) in the case of the amount subject to reservation in foreign currency, including through metal accounts: as of a point in time, according to Point 51.2 of this Regulation.";

24) After Point 51 of the Regulation, supplement with Points 51.1-51.2 of the following content:

"51.1. The daily average adjustment of the magnitude of the amount subject to reservation against attracted funds shall be performed by comparing the daily average amounts of actually reserved and subject-to-reservation funds, such that the daily average amount actually reserved is equal to or greater than the daily average amount of funds subject to reservation during the reporting period.

51.2. The adjustment of the magnitude of the amount subject to reservation against attracted funds as of a point in time shall be performed on a daily basis, such that at any point in time on each day during the actual reservation period, the amount actually reserved is equal to or greater than the daily average amount of funds subject to reservation during the reporting period.";

25) Redraft Point 52 of the Regulation in the following edition:

"52. The duration of the reporting period starting for the calculation of the size of funds subject to reservation against attracted funds and the subsequent reporting periods, as well as the period for the calculation of the actual reservation of funds, shall be defined according to the reservation calendar published on the website of the Central Bank. Moreover, the end of the operational day of the Central Bank on the last day of actual reservation defined by the reservation calendar shall be considered the deadline for actual reservation.";

26) From Point 52.2 of the Regulation, remove the last sentence;

27) In Point 53 of the Regulation:

- a. in Sub-point 1, after the word "bank", supplement with the words "within the framework of ensuring monetary policy and financial stability",
- b. in Sub-point 7, replace the words "long-term subordinated loans" with the words "funds attracted by elements",
- c. To recognize as void Sub-points 2-4 and 9;

28) To recognize as void Points 53.1 and 53.4 of the Regulation;

- 29) In Point 56 of the Regulation: a. after the word "account", supplement with the words "(which does not include the funds available on the given bank's payment account in the Central Bank)", b. after the word "funds", supplement with the words ", except for the funds held as of a point in time according to Sub-point 2 of Point 51 of this Regulation";
- 30) In Annex 3 of the Regulation: a. redraft Point 6.35 of Table 1 of Point 6 in the following edition:

6.35. Short-term claims against investment funds:	/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	/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 Without a rating 100
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- b. In Table 1 of Point 6, after Point 6.35, supplement with Point 6.35.1 of the following content:

6.35.1 Long-term claims against investment funds, except for investments in investment funds:	/From AAA/Aaa to AA-/Aa3/ 20 /From A+/A1 to A-/A3/ 50 /From BBB+/Baa1 to BBB-/Baa3/ 100 /Below BB+/- according to Points 6.36- 6.38/	/From AAA/Aaa to AA-/Aa3/ 20 /From A+/A1 to A-/A3/ 50 /From BBB+/Baa1 to BBB-/Baa3/ 100 /Below BB+/- according to Points 6.36- 6.38/
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- c. Redraft Points 6.36-6.38 of Table 1 of Point 6 in the following edition:

6.36.	Claims (including investments) against investment funds, if the bank has information regarding the investment fund's assets in accordance with Point 9.1 of this Annex	According to Point 9.1 of this Annex
6.37.	Claims (including investments) against investment funds, if the bank does not have information regarding the investment fund's assets in accordance with Point 9.1 of this Annex, but has information regarding the investment fund's rules or charter	According to Point 9.2 of this Annex
6.38.	Claims (including investments) against investment funds, if the information defined by Points 6.36 and 6.37 of this Table is not available	909.09%

d. Redraft Points 9.1-9.2 in the following edition: «9.1. In the event that the investment fund manager has disclosed to the bank the information regarding the investment fund's assets as of the last day of the month preceding the calculation of the capital adequacy prudential, grouped according to the risk weights defined by this Appendix, the risk weight of the claim against investment funds shall be calculated using the following formula:

$$RW = \frac{\sum_{i=1}^n A_i * R_i}{A} \times \frac{A}{NAV}$$

RW – is the risk weight applied to the claim against the investment fund, which cannot exceed 909.09%;

A_i – is the total sum of the investment fund's assets, off-balance sheet contingent liabilities containing credit risk, and off-balance sheet incomplete term operations at the book (off-balance sheet) value recorded in the investment fund's balance sheet, applying the requirements defined by this Annex (including CRM requirements);

R_i – are the risk weights of the corresponding assets. Risk weights are applied taking into account the class of claims into which they would be classified if they were accounted for on the bank's balance sheet; moreover, those assets of the investment fund which, if accounted for on the bank's balance sheet, would be classified as non-performing assets, receive a risk weight of 909.09%;

A – is the book value of the investment fund's assets;

NAV – is the net asset value of the investment fund.

9.2. In the event that the information regarding the fund's assets defined by Point 9.1 of this Annex is not disclosed to the bank by the investment fund manager, the risk weight of the claim against the investment fund shall be determined based on the assumption that the bank has invested in the permissible assets provided for by the investment fund's rules or charter up to the maximum limit; moreover, it is assumed that the assets with the highest risk weight are invested in up to the maximum limit, and

the remaining assets are invested in each subsequent asset with the highest risk weight up to the maximum limit, using the following formula:

$$Rw = \frac{\sum_{i=1}^n A \times S_i \times R_i}{A} \times \frac{A}{NAV}$$

RW – is the risk weight applied to the claim against the investment fund, which cannot exceed 909.09%;

S_i – is the maximum limit for investment in the i – th permissible asset for the investment of the fund's assets provided for by the investment fund's rules or charter; moreover:

$$\sum_{i=1}^n S_i = 100\%,$$

R_i – are the risk weights of the corresponding assets. Risk weights are applied taking into account the class of claims into which they would be classified if they were accounted for on the bank's balance sheet; moreover, those assets of the investment fund which, if accounted for on the bank's balance sheet, would be classified as non-performing assets, receive a risk weight of 909.09%;

A – is the book value of the investment fund's assets;

NAV – is the net asset value of the investment fund.";

e. To recognize as void Point 9.3;

f. Redraft Paragraph "c" of Point 16 in the following edition:"c. in the event that the term remaining until maturity of the collateral, or the term of provision of a guarantee/surety or insurance (hereinafter: security) is less than the term remaining until maturity of the claim (hereinafter: negative maturity mismatch), the contractual term of the security must be greater than or equal to one year, and the residual term of the security must be greater than or equal to three months. In the case defined by this paragraph, the value of the security shall be adjusted by the security maturity adjustment coefficient defined by Point 21 of this Annex;"

g. Redraft Point 21 in the following edition:

"21. Within the framework of CRM, the bank shall adjust the value of the security in the event that the claim subject to CRM and the security are in different currencies, there is a negative maturity mismatch, value volatility coefficients are defined by Point 25 of this Annex, or in the presence of insurance as security as defined by this Chapter. The calculation shall be performed according to the following formula:

$$V_A = V * (1 - C_c - C_{fx} - C_i - C_u) * C_m,$$

Where:

V_A – is the adjusted value of the security;

V – is the value of the security;

C_c – is the value volatility coefficient defined by Point 25;

C_{fx} – is the foreign exchange volatility coefficient, which is defined as: 8%, if the claim subject to CRM and the security are in different currencies, 0%, if the claim subject to CRM and the security are in the same currency;

C_i – is the insurance contract adjustment coefficient, which is defined as:

20%, if insurance as defined by this Chapter is present,

0%, if insurance as defined by this Chapter is not present;

C_u – is the portion of the claim secured by a guarantee or surety satisfying the conditions of Point 28.1 of this Annex which is not compensated by the development finance organization;

C_m – is the security maturity adjustment coefficient, which is calculated using the following formula:

$$C_m = \frac{T_a - 0.25}{T_c - 0.25},$$

Where:

T_a = min (T_c , residual maturity of the security expressed in years),

T_c = min (five years, residual maturity of the claim expressed in years).";

h. From Point 22, remove the third sentence;

31) Supplement Annex 3 of the Regulation after Point 28 with Point 28.1 of the following content:

"28.1. Within the meaning of this Chapter, a guarantee or surety provided by a state/government shall also include a guarantee or surety which simultaneously satisfies the following conditions:

- 1) it has been provided by a development finance organization and satisfies the conditions defined by Paragraphs "b" through "e" of Point 16 of this Annex,
- 2) the development finance organization defined in Sub-point 1 of this Point has a guarantee or surety provided by the given state/government for the performance of all its obligations, which satisfies the conditions defined by Paragraphs "b" through "h" of Point 16 of this Annex.";

32) To recognize as void Annex 7 and Annex 11 of the Regulation;

33) Redraft Annex 9 of the Regulation in a new edition according to Annex 1 of this Decision;

34) In Annex 10 of the Regulation:

a. in Sub-point 3 of Point 1, after the word "after", supplement with the words ", except for the claims of owners of Tier 1 capital instruments",

b. redraft Sub-point 7 of Point 1 in the following edition:

"7) The loan (principal and interest) is not subject to early repayment, except for:

a. cases provided for by the legislation of the Republic of Armenia, or

- b. if in the event of early repayment, the entire amount of the loan is directed to the replenishment of the bank's charter capital (in the form of common shares included in the composition of Common Equity Tier 1 capital of this Regulation), or
- c. if the loan is repaid early at the initiative of the bank, and if all the following conditions have been simultaneously maintained:
 - c1. the bank has received the preliminary consent of the Central Bank for the purpose of early repayment of the loan,
 - c2. the difference between the date of early repayment of the loan and the date of receipt of the loan is at least 5 calendar years, except for cases where such changes in tax legislation or regulation have occurred under which the loan might not have been attracted or might not have satisfied the conditions for inclusion in the calculation of Tier 2 capital, and in the justified opinion of the Central Bank, the bank could not have predicted the change at the moment of attracting the loan,
 - c3. the bank has not formed expectations for making early repayments.";
- c. In Paragraph "a" of Sub-point 8 of Point 1, replace the words "with preferred shares" with the words "with financial instruments";
- d. Redraft Sub-point 9 of Point 1 in the following edition:

9) According to the contract, the loan (principal or interest) is not subject to repayment by the bank if, as of the payment date, the repayment of the loan amount or the interest thereon would result in a violation of any of the bank's economic prudentials or the consolidated threshold established in accordance with the "Procedure for defining and calculating thresholds higher than the capital adequacy prudential limit for commercial banks operating in the territory of the Republic of Armenia" approved by the Decision of the Board of the Central Bank of the Republic of Armenia No. 16-N dated 4 February 2019. Moreover, no legal document between the bank and the lender may provide for any restriction for the bank in the event of full or partial non-payment of the loan amount or interest thereon, nor provide the lender with the right to provide for such restrictions, except if the restriction refers to the payment of dividends on shares issued by the bank or the implementation of payments on other elements included in the calculation of the bank's Additional Tier 1 or Tier 2 capital. Moreover, the restriction specified in this paragraph regarding the payment of dividends on shares or other elements included in the calculation of Additional Tier 1 or Tier 2 capital may only refer to the period during which the payments due under the given subordinated loan have not been paid in full or in part.";
- e. In Sub-point 17 of Point 1, after the words "the loan", supplement with the words "is written off or";
- f. Redraft Sub-point 19 of Point 1 in the following edition: "19) The loan contract shall define that in the event of a change to the loan contract, the preliminary consent of the Central Bank is necessary, without which any change to the contract shall not have mandatory legal force and shall not create legal consequences for the parties.";
- g. In Point 2, replace the word "Regulation" with the words "Sub-point 17 of Point 1 of this Annex";

h. In Sub-point 3 of Point 2, after the words "investment companies," supplement with the words "persons providing services with crypto-assets,";

i. In Point 3, after the word "cases.", supplement from a new line with the following sentence: "If the loan is attracted in foreign currency funds included in the first group, then in the calculation of this Point, the principal amount of the loan is converted into Armenian drams based on the average exchange rate of the Armenian dram against the given foreign currency formed in the currency markets as announced by the Central Bank for the date of attraction."

j. Redraft Point 5 in the following edition: "5. In the case defined by Point 2 of this Annex, subordinated loans included in the bank's Tier 2 capital shall be written off or converted into shares included in Tier 1 capital or directed to the account of share premium or profit (in the case defined by Point 4 of this Annex) in the following amount, in accordance with Sub-point 17 of Point 1 of this Annex:

$$D_i = \frac{P_i}{\sum_{i=1}^n P_i} * S,$$

Where:

D_i – is the amount of the necessary write-off or conversion into capital for the i^{th} subordinated loan,

P_i – is the original principal amount of the i^{th} subordinated loan included in the bank's Tier 2 capital,

n – is the number of subordinated loans included in the bank's Tier 2 capital,

S – is the amount necessary to eliminate (mitigate) the grounds for the deterioration of the bank's financial condition in accordance with Sub-point 17 of Point 1 of this Annex."

35) In Point 25 of Annex 12 of the Regulation, after the word "weights", supplement with the words ", except for the bank's foreign currency balance sheet and off-balance sheet liabilities, which participate in the calculation according to the outflow weights defined by Point 25.1 of this Annex";

36) In Table 4 defined by Point 25 of Annex 12 of the Regulation:

a. in Point 1, replace the words "Physical [persons] not related to the bank" with the word "Physical",

b. from Points 2 and 23, remove the words "Not related to the bank",

c. redraft Point 3 in the following edition:

3. Funds attracted by bank accounts, deposits, loans, and borrowings from non-financial organizations not included in Point 2 of this Table (except for the bank's	40%
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liabilities under repo agreements and securities borrowing contracts)	
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d. In Point 6, replace the words "Financial [persons] not related to the bank" with the word "Financial",

e. To recognize as void Points 7 and 29,

f. From Point 24, remove the words "not related to the bank and",

g. From Point 25, remove the words "not related to the bank",

h. In Points 27-28, replace the words "Resident [persons] not related to the bank" with the word "Resident",

37) Supplement Table 4 defined by Point 25 of Annex 12 of the Regulation after Point 3 with Point 3.1 of the following content:

3.1. Funds attracted by bank accounts, deposits, loans, and borrowings from the Government of the Republic of Armenia, local self-government bodies of the Republic of Armenia, the Central Bank of the Republic of Armenia, foreign governments and central banks having a rating of A- (or A3) and higher provided by Standard & Poor's or Fitch or Moody's rating organizations, foreign local self-government bodies having a rating of AA- (or Aa3) and higher provided by Standard & Poor's or Fitch or Moody's rating organizations, organizations defined by Point 6.6 of Table 1 of Annex 3 of this Regulation, and multilateral development banks (except for the bank's liabilities under repo agreements and securities borrowing contracts)	40%
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38) Supplement Annex 12 of the Regulation after Point 25 with Points 25.1-25.2 of the following content:

"25.1. The bank's foreign currency balance sheet and off-balance sheet liabilities participate in the calculation of cash outflows with the outflow weights defined by Table 4 of Point 25 of this Annex, except for the funds specified in Points 1-3 of Table 4 of Point 25 of this Annex, for which the outflow weights defined by Table 4.1 of this Point are applied.

Table 4.1

Balance sheet or off-balance sheet liabilities generating cash outflows	Liability Weight (LW)	Outflow Weight (Resident)	Outflow Weight (Non-resident)
1. Funds attracted from physical persons via bank deposits, bank accounts, borrowings, and other instruments (except for the bank's liabilities under repo agreements and securities borrowing contracts)	LW < 0.01%	10%	20%
	0.01% ≤ LW < 0.1%	15%	30%
	0.1% ≤ LW < 1%	20%	40%
	LW ≥ 1%	40%	60%
2. Funds attracted from entities classified as micro, small, and medium-sized and individual entrepreneurs—according to Annex 5 of the "Procedure for receiving comprehensive data from banks" approved by Resolution No. 377-N of the Board of the Central Bank of the Republic of Armenia dated 30 December 2014—via bank deposits, bank accounts, borrowings, and other instruments (except for the bank's liabilities under repo agreements and securities borrowing contracts)	LW < 0.01%	10%	20%
	0.01% ≤ LW < 0.1%	15%	30%
	0.1% ≤ LW < 1%	20%	40%
	LW ≥ 1%	40%	60%
3. Funds attracted via bank accounts, deposits, loans, and borrowings from non-financial organizations not included in Point 2 of this Table (except for the bank's liabilities under repo agreements and securities borrowing contracts)	LW < 0.01%	40%	50%
	0.01% ≤ LW < 0.1%	40%	50%
	0.1% ≤ LW < 1%	40%	60%
	LW ≥ 1%	60%	80%

25.2. In Table 4.1 of this Annex, the liability weight is calculated using the following formula:

$$LW = \frac{Lc}{TL} * 100\%$$

Where:

Lc – are all the bank's liabilities toward the creditor and persons affiliated with them, as of the first day of the reporting period;

TL – are the bank's total liabilities, as of the first day of the reporting period.";

39) Supplement Table 1 defined by Point 5 of Annex 13 of the Regulation after Point 3 with Point 3.1 of the following content:

3.1. Bonds issued by the bank	Residual maturity exceeds 1 year	95%
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40) In Point 5 of Annex 13 of the Regulation, after the word "weights", supplement with the words ", except for the foreign currency liabilities specified in Points 4-6 of Table 1 of this Point, which are included in the calculation according to the weights defined by Table 1.1 of Point 5.1 of this Annex";

41) In Table 1 of Point 5 of Annex 13 of the Regulation:

a. in Point 3, replace the words "Legal [entities] not related to the bank" with the words "Legal [entities]",

b. in Point 4, replace the words "Physical [persons] not related to the bank" with the word "Physical",

c. from Point 5, remove the words "Not related to the bank,"

d. from Point 6, remove the words "not related to the bank",

e. To recognize as void Point 10,

f. in Point 14, replace the words "by Paragraph "d" of Point 28.2" with the words "by Sub-point 1 of Point 28.7",

g. in Point 17, after the word "funds", supplement with the words "(including bonds issued by the bank)";

42) Supplement Annex 13 of the Regulation after Point 5 with Points 5.1-5.4 of the following content:

"5.1. The bank's foreign currency balance sheet and off-balance sheet liabilities participate in the calculation of the bank's available stable funding with the weights defined by Table 1 of this Annex, except for the foreign currency liabilities specified in Points 4-6 of Table 1 of this Annex, which are included in the composition of the bank's available stable funding according to the weights defined by Table 1.1 of this Point:";

Table 1.1

Available Stable Funding	Liability Weight (LW)	Weight (Resident)	Weight (Non-resident)
1. Funds attracted from physical persons and individual entrepreneurs	LW < 0.01%	90%	80%

	0.01% ≤ LW < 0.1%	85%	70%
	0.1% ≤ LW < 1%	80%	60%
	LW ≥ 1%	60%	40%
2. Funds attracted from entities classified as micro, small, and medium—according to Annex 5 of the "Procedure for receiving comprehensive data from banks" approved by Resolution No. 377-N of the Board of the Central Bank of the Republic of Armenia dated 30 December 2014	LW < 0.01%	90%	80%
	0.01% ≤ LW < 0.1%	85%	70%
	0.1% ≤ LW < 1%	80%	60%
	LW ≥ 1%	60%	40%
3. Funds attracted from non-financial organizations not included in Point 2 of this Table	LW < 0.01%	60%	50%
	0.01% ≤ LW < 0.1%	60%	50%
	0.1% ≤ LW < 1%	60%	40%
	LW ≥ 1%	40%	20%

5.2. In **Table 1.1** of this **Annex**, the liability weight is calculated using the following formula:

$$LW = \frac{L_c}{TL} * 100\%$$

Where:

" L_c " – are all the bank's liabilities toward the creditor and persons affiliated with them, as of the first day of the reporting period;

TL – are the bank's total liabilities, as of the first day of the reporting period.

5.3. In the event that the bank discloses all bondholders as of the first day of the reporting period, the bonds issued by the bank may participate in the calculation of available stable funding according to the weight of the funds attracted from the given subject. In the event of applying such an approach, banks shall choose the approach specified in this Point to be guided by once a year and shall inform the Central Bank thereof by 31 December of the year preceding each year.

5.4. In the event that the bank chooses the approach defined by Point 5.3 of this Annex, it shall apply that approach for all bonds, and in the event of a change in the approach, it shall inform the Central Bank, submitting the justification for the latter to the Central Bank."

43) To recognize as void Point 6 of Annex 13 of the Regulation.

ANNEX 1
To Resolution No. 168-N of the Board of
the Central Bank of the Republic of Armenia
dated 23 September 2025,

Annex 9
To Regulation 2 “On Regulation of Banking,
Essential Economic Prudentials for Banking”
approved by Resolution No. 39-N
of the Board of the Central Bank
of the Republic of Armenia dated
9 February 2007

**MINIMUM REQUIREMENTS FOR FINANCIAL INSTRUMENTS INCLUDED IN
THE CALCULATION OF ADDITIONAL TIER 1 CAPITAL**

1. A financial instrument defined by Point 28.5 of this Regulation shall be included in the calculation of the bank's Additional Tier 1 capital if it simultaneously satisfies the following conditions:
 - 1) it is issued and fully paid up;
 - 2) it has not been provided for the purpose of securing the performance of certain obligations toward the bank;
 - 3) it is attracted in Armenian drams or in a foreign currency included in the first group, except for the financial instrument defined by Sub-point 1 of Point 28.5 of this Regulation, which is attracted only in Armenian drams;
 - 4) the instrument is perpetual;
 - 5) in the event of the bank's liquidation, the claims of the instrument owner (including those regarding dividends and interest) are subject to satisfaction after satisfying the claims of all other creditors of the bank, with the exception of the claims of common shareholders;
 - 6) it is not secured by a guarantee or suretyship of persons affiliated with the bank, or the owner of the instrument does not end up in an economically or legally more favorable status as a result of their claim being subject to satisfaction—according to the charter or otherwise—earlier than the order of satisfaction defined by law for the given claim in the event of the bank's liquidation. Moreover, the claim of the instrument owner cannot be offset (netted) against other obligations the instrument owner has toward the bank;

- 7) the instrument does not belong to a legal entity in which the bank is a significant participant, or the bank has not directly or indirectly financed the acquisition of that instrument;
- 8) the contract does not contain such provisions (incentives) that could economically or otherwise force (incentivize) the bank to fully or partially repay the amount early. The conversion of the instrument defined by Sub-point 15 of this Annex into shares is not considered an incentive within the meaning of this Sub-point;
- 9) the instrument may be repaid only:

a. in cases provided for by the legislation of the Republic of Armenia, or

b. if, in the case of repayment, the entire amount is directed toward the replenishment of the bank's charter capital in the form of common shares included in the bank's Common Equity Tier 1 capital, or

c. if the instrument is repaid or repurchased at the initiative of the bank, and all of the following conditions have been simultaneously maintained:

c1. the bank has received the preliminary consent of the Central Bank for the purpose of repaying the instrument,

c2. the difference between the date of repayment of the instrument and the date of the contract for attracting the funds is at least 5 calendar years, except for cases where such changes in tax legislation or regulation have occurred under which the funds might not have been attracted or might not have satisfied the conditions for inclusion in the calculation of Additional Tier 1 capital, and in the justified opinion of the Central Bank, the bank could not have predicted the change at the moment of attracting the funds,

c3. the bank has not created expectations of implementing early redemptions;

- 10) for the purpose of obtaining the preliminary consent mentioned in Sub-point 9 of Point 1 of this Annex, the bank shall submit to the Central Bank information or documents justifying the expediency of early redemption of the instrument and the absence of undesirable consequences as a result thereof. The Central Bank, within a 30-day period from the moment of receiving the documents, shall make a decision regarding the granting or refusal of the preliminary consent, about which it shall notify the bank within two business days after the end of the 30-day period. In the event of a necessity to clarify certain facts required by the Central Bank or to make changes or adjustments to the documents submitted by the bank, the 30-day period may be suspended by a decision of the Central Bank. The Central Bank shall grant the preliminary consent mentioned in Sub-point 9 of Point 1 of this Annex if:

a. the bank replaces the instrument with another instrument satisfying the requirements of this Annex, and such replacement will not negatively affect the bank's financial condition, or

b. the bank justifies that its capital adequacy prudentials are sufficiently higher than the minimum limits defined by this Regulation without the instrument mentioned in this Point, and there is no necessity for replacement with a new capital instrument.

Moreover, the bank shall not create expectations that the Central Bank will grant the consent;

- 11) dividends and other payments on the instruments, in full or in part, are not subject to payment if such payment would lead to a violation of any of the bank's economic prudentials or the consolidated threshold defined in accordance with the "Procedure for defining and calculating thresholds higher than the capital adequacy prudential limit for commercial banks operating in the territory of the Republic of Armenia" approved by Resolution No. 16-N of the Board of the Central Bank of the Republic of Armenia dated 4 February 2019, or to the improper performance of liabilities not included in the bank's capital; moreover:
- a. the full or partial non-payment of dividends and other payments is not subject to accumulation and payment in the future;
 - b. the partial or full non-payment of payments on the instrument does not constitute non-performance or improper performance of liabilities by the bank;
 - c. no legal document between the bank and the owner of the instrument may provide for any restriction for the bank in the event of full or partial non-payment of dividends and other payments, nor can any legal document provide for granting the right to provide for such restrictions to the owner of the instrument, except where the restriction relates to the payment of dividends on shares issued by the bank or the implementation of payments on other instruments included in the calculation of the bank's Additional Tier 1 capital. Moreover, the restriction mentioned in this Paragraph regarding the payment of dividends on shares or payments on instruments included in the calculation of Additional Tier 1 capital may relate only to the period during which the dividend or other payments due on the given instrument were not paid in full or in part.
- 12) dividends on preferred shares are subject to payment only from the bank's net profit or from funds formed at its expense; moreover, dividends are paid only in cash;
- 13) the amount of payments on the given instruments cannot be made dependent on the bank's rating, any indicator characterizing the financial condition, or the actual size of payments previously made on the instruments;
- 14) there is no agreement (decision, contract, accord) by which the owner of the instrument will have the right to provide for any restriction or obstacle to the further issuance or attraction by the bank of additional common or preferred shares or other instruments included in the composition of capital;
- 15) it is provided by a legal document that in the event of deterioration of the bank's financial condition, the liability is written off or repaid by the bank in the amount of the corresponding sum, and the owner of the instrument undertakes to immediately direct the repaid sum toward the replenishment of the bank's charter capital (hereinafter: conversion) in the form of common shares included in the composition of the bank's Common Equity Tier 1 capital. Moreover, within the meaning of this Sub-point, a corresponding sum is considered the amount which, in the opinion of the Central Bank, is necessary to eliminate (mitigate) the grounds for the deterioration of the bank's financial condition, but not more than the nominal value or the principal amount of the instrument. If the instrument is attracted in foreign currency funds included in the first group, then the sum directed toward the replenishment of the bank's charter capital is converted into Armenian drams based on the average exchange rate of the Armenian dram against the given foreign currency formed in the currency markets and announced by the Central Bank for the day of conversion;
- 16) the legal document clearly defines the ratio according to which the instrument must be converted into common shares included in the composition of Common Equity Tier 1 capital for the purpose of implementing the conversion defined by Sub-point 15 of this Annex;

- 17) any legal document (except for the bank's charter) regulating the relations between the bank and the owner of the instrument in connection with the instrument shall define that in the event of any requirements (conditions) being changed, the preliminary consent of the Central Bank is necessary, without which the changes shall not have binding legal force and shall not create legal consequences for the parties.
2. Within the meaning of Sub-point 15 of Point 1 of this Annex, a deterioration of financial condition is considered the emergence of any of the following situations:
 - 1) the bank's Common Equity Tier 1 capital adequacy does not exceed the limit of 7.061%;
 - 2) the Central Bank notifies the bank in writing that the assessment calculated by the Central Bank has deteriorated or may deteriorate beyond the defined extent;
 - 3) the Central Bank notifies the bank in writing that without the assistance of the Central Bank or other state assistance, any of the grounds defined by the Law "On Bankruptcy of Banks, Credit Organizations, Investment Companies, Persons Providing Crypto-asset Services, Investment Fund Managers, and Insurance Companies" will arise (or are likely to arise).
3. Irrespective of the conversion procedure defined by Sub-point 16 of Point 1 of this Annex, before including the amount (or a part thereof) of the instrument specified in Sub-points 2 and 3 of Point 28.5 of this Regulation in the calculation of the bank's total capital, the person (affiliated persons) providing the funds must obtain the preliminary consent of the Central Bank regarding the acquisition of a significant participation in the bank—in accordance with Regulation 1 'On Procedures for Licensing, Registration, Granting Consent and Permission, Professional Adequacy Testing and Qualification in the Sphere of Banking' approved by Resolution No. 145-N of the Board of the Central Bank of the Republic of Armenia dated 12 April 2005 (except for the case defined by Point 4 of this Annex)—if, as a result of the attraction, the following indicator (I) exceeds 10, 20, 50, or 75 percent:

$$I = \frac{FI + SV_{instr}}{SV + FI} * 100\%$$

Where:

FI – is the nominal value or principal amount of the funds attracted by the given instruments from the person (affiliated persons) providing funds through the instruments specified in Sub-points 2 and 3 of Point 28.5 of this Regulation;"

SV_{instr} – is the nominal value of the voting participation (if any) held by the instrument owner (affiliated persons) in the bank's charter capital;

SV – is the nominal value of the bank's voting shares. Moreover, preferred shares that grant voting rights only in certain cases defined by law are not included in the calculation of voting shares defined by this Point. If the instrument is attracted in foreign currency funds included in the first group, then in the calculation of this Point, the nominal value or principal amount of the financial instrument is converted into Armenian drams based on the average exchange rate of the Armenian dram against the given foreign currency formed in the currency markets and announced by the Central Bank for the day of attraction.

4. The preliminary consent of the Central Bank is not required in the event that, as a result of attraction through the instrument, the indicator calculated by Point 3 of this

Annex exceeds a certain limit defined by the given Point, but the contract has defined that:

- 1) the owner of the instrument shall not acquire voting shares exceeding the given limit;
 - 2) the owner of the instrument realizes that in the event of conversion of the instrument, the part exceeding the defined limit is directed to the bank's share premium or profit for the purpose of supplementing the amount necessary to eliminate (mitigate) the grounds for the deterioration of the financial condition in accordance with Sub-point 15 of Point 1 of this Annex.
5. In the case defined by Point 2 of this Annex, the instruments included in the composition of the bank's Additional Tier 1 capital—in accordance with Sub-point 15 of Point 1 of this Annex—are written off or converted into shares included in the composition of Tier 1 capital, or are directed to the share premium or profit (in the case defined by Point 4 of this Annex) in the following amount:

$$A_i = \frac{P_i}{\sum_{i=1}^n P_i} * S,$$

Where:

"A_i" – is the amount of the required sum for write-off or conversion into capital for the i-th financial instrument;

"P_i" – is the initial principal amount or nominal value of the i-th financial instrument included in the composition of the bank's Additional Tier 1 capital;

"n" – is the number of financial instruments included in the composition of the bank's Additional Tier 1 capital;

"S" – is the amount of the sum necessary to eliminate (mitigate) the grounds for the deterioration of the bank's financial condition in accordance with Sub-point 15 of Point 1 of this Annex.