

Procedure for calculating the annual percentage yield of child deposit

According to RA law “On attracting bank deposits” the procedure for calculating the annual percentage yield of Child deposits accepted by individuals by “ARMECONOMBANK” OJSC is as follows:

The annual percentage yield of the child deposit is calculated in accordance with the following formula:

$$APY = (1 + r / 2) ^ 2 - 1, \text{ Where:}$$

APY – is the annual percentage yield of the deposit (APY – Annual Percentage Yield) which shows how much will the annual yield of the deposit be as a result of the depositor making mandatory payments related to the deposit and adding the received interest to the principal amount (capitalization).

r – is the annual simple interest rate (r – Annual Rate of Simple Interest)- is the interest rate defined by the deposit agreement on annual basis, on the basis of which the Bank calculates the interest amounts to be paid to the depositor.

2 –is the frequency of capitalization of interest amounts within one year- shows the amount of times a direct entry of interests is made on the deposit amount during a year.

No mandatory fees related to Child deposit are defined by “ARMECONOMBANK” OJSC.

Let’s calculate the annual percentage yield of Child deposits in all currencies accepted by the Bank using the above-mentioned formula.

Example number 1

Investing currency- AMD

Investing amount- 100,000

Annual simple interest rate of investment- 7%

Billing period 1- year (365 days)

Frequency of capitalizing the interest amounts- 2 (On the 10th of January and July of each year)

$$APY = (1 + r / 2) ^ 2 - 1 = (1 + 7.0\% / 2) ^ 2 - 1 = 7.12\%$$

Example number 2

Investing currency- USD

Investing amount- 2,000

Annual simple interest rate of investment- 5%

Billing period- 1 year (365 days)

Frequency of capitalizing the interest amounts- 2 (On the 10th of January and July of each year)

$$APY = (1 + r / 2) ^ 2 - 1 = (1 + 5\% / 2) ^ 2 - 1 = 5.06\%$$