

NOTES TO FINANCIAL STATEMENTS

30-Mar-14

"Global Credit" UCO CJSC, 16 Davit Anghagt st., Yerevan, RA

Note 1. "Legal Environment and Corporate Governance"

"Global Credit" UCO CJSC (hereinafter Company) was founded in October 26 of 2010 and is considered to be a close joint stock company acting in the scope of the legislation of the Republic of Armenia (hereinafter RA). Company has been registered on October 26, 2010 by the No. 107 license of the RA Central Bank (hereinafter CBA). Company's main activity is to carry out the operations according to the RA law of Credit Institutions.

Company's legal address is 16, Davit Anghagt, Yerevan.

1. Corporate Governance

a) Board structure

Board president – Marutyán Eduard Murad
Board member – Karapetyán Arayik Razmik
Board member – Igraryán Luiza Hovhannes

b) Executive body structure

Executive director – Igraryán Luiza Hovhannes
First deputy of executive director – Khachyán Armen Aramays
Deputy executive director – Ghukasyán Aram Norayr
Chief accountant – Khachatryán Susanna Valerik
Supervisory – Kheranyán Onik Vahan

c) Significant participants' names

Vardanyan Gagik
Marutyán Eduard Murad
Karapetyán Arayik Razmik

Company managers are paid according to the signed working contract and the staff list confirmed by the Board.

Note 2. "Accounting standards"

2.1 Financial report preparation

International financial standards, accounting regulator legal acts, accounting policy requirements approved by Bank board were used to form financial reports

2.2 Continuity

Financial reports were formed based on company's activity continuity which supposes that assets must be sold and liabilities must be covered during the activity.

2.3 Comparability

Comparative figures were checked if necessary in order to ensure comparability with current period.

2.4 Fixed assets

The main recourses are presented with initial cost and accumulated depreciation difference. Depreciation is calculated by straight-line method during the asset's useful service period using the following annual rates:

	Useful service term (years)	Percentage (%)
Buildings	30	3.33
Computers and means of communication	3	33.3
Vehicles	5	20
Other fixed assets	5	20
Property and office equipment	5	20

Capital expenditure on fixed leased assets are capitalized and depreciated by straight-line basis over the remaining term of the lease agreement.

The repair and maintenance expenses of fixed assets are recognized as cost in financial statements at the moment of their execution.

2.5 Financial Instruments

Financial instruments of a credit organization are measured, recognized, used and accounted according to RA legislation and procedures, decisions, orders and acts admitted by the Company.

2.6 Events after the date of balance sheet

2.6.1 If the mistake found out by an audit company is a result of differences between international accounting standards and RA legislation, the accounting formulation is given according to decisions of management of the Company.

2.6.2 If a substantial mistake is found out after publishing the financial statement, no adjustments are made. It is considered that the representation of this information is impossible.

Note 3. "Net interest and similar income"

Interest and similar income	01.07.14-30.09.14
Interest income from bank current accounts, deposits placed in banks or other financial institutions	188
Interest income from loans and borrowings granted to customers	253,278
Interest income from debt securities	5,170
Interest income from "Repo" agreements and currency swap operations	6,453
Total	265,089
Interest and similar expenses	01.07.14-30.09.14
Interest expenses from bank current accounts, for attracted deposits and loans from banks or other financial institutions	89,807
Interest expenses for term deposits and current accounts	50,541
Interest expenses for securities issued by banks	
Interest expenses for "Repo" agreements and currency swap operations	
Other interest expenses /against funds involved from international financial organizations/	5,948
Total	146,296
Net interest and similar income	118,793

Note 4. "Commission and other payments income and expenses"

Commission and other payments income	01.07.14-30.09.14
Commission from cash operations	
Commission from calculation services	
Commission from from foreign exchange and securities operations	
Commission from payment card services	
Other commission payments	11,176
Total	11,176
Commission and other payments expenses	01.07.14-30.09.14
Commission for correspondent accounts and other payments	
Commission from payment cards	
Commission from from foreign exchange and securities operations	
Other commission payments	838
Total	838
Net commission and other payments received	10,338

Note 5. "Net income from commercial activity"

Foreign currency operations	01.07.14-30.09.14
Net income from foreign currency sale/purchase	83
Net income from foreign currency revaluation	1,644
Total	1,727
Net income from commercial activity	1,727

Note 6. "Other operational income"

Other operational income	01.07.14-30.09.14
Incomes from penalties and fines	20,230
From factoring	1,355
Net income from disposal of fixed/intangible assets	
Net income from revaluation and depreciation reversal of fixed/intangible assets	
Operation fees of asset management, guarantees, letters of credits	6,599
Other income	801
Dividends from investments	
Total	28,985

Note 7. "Net allowances to possible asset loss provisions"

Due from receivables and other assets		01.07.14-30.09.14
Initial balance		1,715
Allowances to reserve		11,057
Return of allowances to reserve		4,535
Net allowances to reserve		6,522
Return of amounts previously carried to off balance sheet		113
Usage of reserve		1,954
Final reserve		6,396
Due from loans and borrowings to customers		01.07.14-30.09.14
Initial balance		181,762
Allowances to reserve		143,589
Return of allowances to reserve		32,506
Net allowances to reserve		111,083
Return of amounts previously carried to off balance sheet		5,366
Usage of reserve		125,915
Final reserve		172,296
Due from credit risk to off-balance sheet items		01.07.14-30.09.14
Initial balance		7,810
Allowances to reserve		3,627
Net allowances to reserve		488
Return of amounts previously carried to off balance sheet		3,139
Final reserve		10,949
Claims on banks		01.07.14-30.09.14
Initial balance		5,651
Allowances to reserve		3,227
Net allowances to reserve		8,582
Return of amounts previously carried to off balance sheet		-5,355
Final reserve		296
Financial assets for possible losses held to maturity		01.07.14-30.09.14
Initial balance		167
Allowances to reserve		151
Net allowances to reserve		56
Return of amounts previously carried to off balance sheet		95
Final reserve		262
Total net allowances to provisions		115,484

Note 8. "Total Administrative Expenses "

Total Administrative Expenses	01.07.14-30.09.14
Costs on accrued salary and equivalent other payments	26,030
Costs on appropriation of social insurance state fund	
Training expenses	
Business trip expenses	
Operating leases expenses	7,248
Bank building maintenance and security costs	354
Audit, other consulting service expenses	1,893
Communication expenses	568
Transportation expenses	893
Tax, fee, /except profit tax/ and other mandatory payments expenses	3,227
Office supply, administrative expenses	1,397
Lending and refunds expenses	741
Other administrative expenses	4,485
Total	46,836

As of September 30, 2013 "Global Credit" UCO CJSC Company has 38 employees.
The average annual monthly salary of each employee amounts to AMD 250.000.

Note 9. "Other operational expenses "

Other operational expenses	01.07.14-30.09.14
Paid fines and penalties	
Collection payments	
Advertising and representation expenses	9,083
Factoring expenses	
Amortization costs of fixed assets and intangible assets	3,987
Losses of intangible assets depreciation	
Security costs	155
Bank equipment servicing and preservation	538
Deposit Guarantee Fund allocations	
Other expenses	
Total	13,763

Note 10. "Profit tax expense"

Profit tax expense	01.07.14-30.09.14
Current tax expense	3,500
Adjustments to previous period taxes recognized in current period	
Deferred tax expense	
Total	3,500

Note 11. "Cash in Hand, their equivalents and balances with the CBA"

Cash in hand, cash equivalents and balances with the CBA	Reporting period
Cash in hand	3,775
Cash distributions	29,645
Correspondent accounts with the CBA*	
Includes statement of cash flows	33,420
Deposits in CBA	
Deposited funds with the CBA ***	
Deposits	
Reserve	296
Total cash and cash equivalents	33,716

Note 12. "Loans to customers and other borrowings"

Loans to customers and other borrowings"	Reporting period
Loans, including	6,908,562
-Banks	
-RA Government	
-RA local self-governing authorities	
-Mortgage	
Overdraft	
Credit card	
Factoring	26832
Financial leasing	
Repo (repurchase) agreements	579,482
Currency swap	
Letters of credit and bank guarantees	
Other	
Accrued Interests on these Items	57,595
Total loans	7,545,639
Possible loan provision on loans and borrowings to customers (Caption 6)	-172,296
Total net loans	7,373,343

Note 13. "Financial assets held for trading"

Government securities	Reporting period
RA state securities including:	159187
Treasury bonds	159187
Central bank bonds	
other	
State securities of BBB (Baa3) and highly-rated countries including:	
Treasury bonds	
Central bank bonds	
Other	
State securities of BBB-(Baa3) lower-rated and not rated countries	
Treasury bonds	
Central bank bonds	
Investments in others share capital	
Total	159,187

Note 14. "Fixed assets and intangible assets"

Fixed assets

Item	Building	Property and office supplies	Computer and communication	Vehicles	Other fixed assets	Capital investments for fixed assets	Capital investments for rented fixed assets	Total
Initial cost								
Balance in the beginning of accounting period		6,297	22,023	14,105	9,038		1,000	52,463
Accrual						675		675
Disposal								-
Revaluation*								-
Depreciation								-
Amortization adjustment from revaluation								-
Balance at the end of the accounting period		6,297	22,023	14,105	9,038	675	1,000	53,138
Accumulated amortization								-
Balance in the beginning of accounting period		4,683	15,139	5,857	6,299		50	32,028
Accrual		221	984	571	604		8	2,388
Disposal								-
Amortization adjustment from revaluation								-
Depreciation								-
Balance at the end of the accounting period		4,904	16,123	6,428	6,903	-	58	34,416
Net balance sheet value								-
At the end of the accounting period	-	1,393	5,900	7,677	2,135	675	942	18,722

Intangible Assets

	Computer Software	Licenses, Letters of attorney	Copyright	Other Intangible assets	Capital investments on intangible assets	Total
Initial cost						
Balance in the beginning of accounting period	11,428	10,668				22,096
Accrual						(4,165)
Disposal	(4,165)					(4,165)
Depreciation						-
Revaluation						-
Balance at the end of the accounting period	7,263	10,668				17,931
Accumulated amortization						
	4,758	412				6,641
Balance in the beginning of accounting period	1,283	188				(2,694)
Accrual	(4,165)					(4,165)
Disposal						-
Depreciation						-
Revaluation	1,876	600				2,476
Balance at the end of the previous period						-
Net balance sheet value	5,387	10,068				15,455

Main assets out of exploitation

	Buildings	Property and office equipment	Other fixed assets	Total
Initial cost				
Balance in the beginning of accounting period	38,997	289	230	39,516
Accrual				-
Disposal				-
Depreciation				-
Revaluation				-
Balance at the end of the accounting period	38,997	289	230	39,516

Note 15. "Deferred tax assets"

Deferred tax assets	Reporting Period
Balance at the beginning of the period	7,072
Increase	
Decrease	
Balance at the end of the period	7,072

Note 16. "Other Assets "

Accounts receivable and prepayments	Reporting Period
Accounts receivable on budget	
Accounts receivable on suppliers	105
Prepayments to employees	34,765
Prepayments to suppliers	40,022
Prepayments to budget, for mandatory social insurance	5,645
Other accounts receivable and prepayments	80,537
Total	-6,396
Possible loss provision on other assets (caption 7)	74,141
Total	
Inventory	
Sequestered pledge	
Deferred charges	644
Other assets	
Possible loss provision on other assets (caption 7)	
Total	644
Total other assets	74,785

Note 17. "Loans and borrowings received from banks"

Current accounts	Reporting Period
RA banks	965,958
Banks with BBB-(Baa3) and higher rating	
Banks with lower than BBB (Baa3) rating or no rating at all	
Accrued interests	4,498
Total	970,456

Note 18. "Other borrowings from money market"

Current accounts	Reporting Period
From financial organizations	535,745
From credit organizations	2,891,925
Accrued interests	20,355
Total	3,448,025

Note 19. "Liabilities to customers"

Liabilities to RA Government and Local self-governing authorities	Reporting Period
Current accounts	
Borrowings	
Loans	
Repo agreements	
Swap	
Other	15,043
Total	15,043
Liabilities to RA resident legal entities, Institutions	
Current accounts	
Borrowings	1,011,032
Repo agreements	
Swap	
Other	
Total	1,011,032
Liabilities to non-resident legal entities, Institutions	
Current accounts	
Borrowings	159,678
Repo agreements	
Swap	
Other	
Total	159,678
Liabilities to RA resident private entrepreneurs	
Current accounts	
Borrowings	
Repo agreements	
Swap	
Other	
Total	0
Liabilities to RA non-resident private entrepreneurs	
Current accounts	
Borrowings	
Repo agreements	
Swap	
Other	
Total	0
Liabilities to RA resident Individuals	
Current accounts	
Borrowings	1,222,800
Repo agreements	
Swap	
Other	
Total	1,222,800
Liabilities to RA non-resident Individuals	
Current accounts	
Borrowings	
Repo agreements	
Swap	
Other	
Total	-
Total Liabilities to customers	2,408,553

Note 20. "Payable interests"

Current accounts	Reporting Period
Payable interests	13,620
Total	13,620

Note 21. "Other Liabilities"

Other Liabilities	Reporting Period
Liabilities with checks and other payable documents	
Accounting liabilities to letters of credit	
Accounts payable on budget	
-On profit tax	16,041
-On VAT	
-Other taxes and dues	57
-Social insurance payments	30
Salary liabilities to employees	15,915
Accounts payable to suppliers	4,995
Accounts payable for replenishment of chartered capital	
Other liabilities	9,605
Balance at the end of the period	46,643

Note 22. "Chartered Capital"

1. The Company's registered and paid-out share capital forms AMD –870000 thous.
2. The amount of issued and distributed shares is -870000 with nominal value of AMD 1000
3. Shareholders of the Company by accounting period are the following:

Name, surname of the majority shareholder	Stake in the company	Stake in the company (percentage)	Type of participant's activity
Vardanyan Gagik	291,710	33.5%	
Marutyan Eduard Murad	289,985	33.3%	
Karapetyan Arayik Razmik	244,630	28.1%	
Darbinyan Karen Ilich	43,675	5.0%	
	870,000		

Note 23. "Not- distributes profit"

'Not- distributes profit'	Reporting Period
Initial balance	268,561
Increase	(19,740)
Decrease	181,996
Summary balance	66,825

Caption 24. "Provisions, contingent cases and potential liabilities"

Credit risk on bank liabilities in off-balance sheet items

	Reporting Period
Unused credit lines	72,597
Provided guarantees	1,022,335
Provided letters of credit	
Provision on mentioned items (caption 6)	(10,949)
	1,083,983

Note 24. "Deferred tax liabilities"

Deferred tax liability throw	Reporting Period
Balance at the beginning of the period	1,712
Increase	
Decrease	
Balance at the end of the period	1,712

Legal liabilities of the Company

The Company promotes its activities in the manner prescribed by the legislation and on his legal liabilities there is no need for additional redundancy.

Tax liabilities of the Company

The Company has totally fulfilled his tax liabilities and on his tax liabilities there is no need for additional redundancy.

Executive Director

L. Igraryan

Chief Accountant

S. Khachatryan

Ratification Date 13.10.14