

ZINAPAH
NATIONAL FOUNDATION FOR
SERVICEMEN INSURANCE

FINANCIAL STATEMENTS

31 December 2025

YEREVAN 2026

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15 June 2026
N 022607



CONFIRMED BY:

V. GEVORGYAN

General Director
Baker Tilly Armenia CJSC

INDEPENDENT AUDITOR'S REPORT

*To the Board of Trustees of
National Foundation for Servicemen Insurance*

Opinion

We have audited the accompanying financial statements of National Foundation for Servicemen Insurance (the Foundation or "ZINAPAH"), which comprise the Statement of Financial Position as of 31 December 2025, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Changes in Net Assets, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as of 31 December 2025, and of its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Foundation's Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

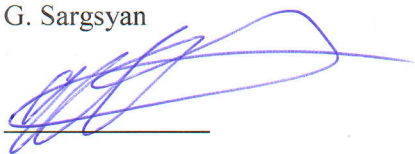
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Foundation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor
G. Sargsyan



15.06.2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousand drams	Notes	2025	2024
<i>Income</i>			
Income from mandatory payments and donations	9	49,353,718	45,650,543
Interest income	10	12,571,532	9,338,679
Other income		12,650	518
		<u>61,937,900</u>	<u>54,989,740</u>
<i>Expense</i>			
Compensation expenses	13	(1,160,553)	(20,541,220)
Employee benefits		(182,541)	(162,068)
Depreciation and amortization		(40,595)	(34,528)
Expense regarding allowance on Expected credit losses, net	11	402,556	(583,819)
Finance cost	12	(8,322,105)	(47,634,148)
Other expenses		(133,927)	(122,781)
Net from exchange differences		(344)	(240)
		<u>(9,437,509)</u>	<u>(69,078,804)</u>
Gain / (loss) / for the year		<u>52,500,391</u>	<u>(14,089,064)</u>
<i>Other comprehensive income</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net gain/(loss) from changes in fair value of securities measured at fair value through other comprehensive income		634,058	90,983
Changes in allowance on expected credit losses of securities measured at fair value through other comprehensive income		(10,311)	48,542
Other comprehensive income/(loss) for the year		<u>623,747</u>	<u>139,525</u>
Total comprehensive (loss) / income for the year		<u>53,124,138</u>	<u>(13,949,539)</u>

STATEMENT OF CHANGES IN NET ASSETS

In thousand drams	Revaluation reserve on securities measured at FVOCI	Accumulated gain/(loss)	Total
Balance as of 1 January 2024	(27,357)	(36,493,494)	(36,520,851)
Profit for the year	-	(14,089,064)	(14,089,064)
Other comprehensive income for the year	139,525	-	139,525
Total comprehensive income for the year	139,525	(14,089,064)	(13,949,539)
Balance as of 31 December 2024	112,168	(50,582,558)	(50,470,390)
Profit for the year	-	52,500,391	52,500,391
Other comprehensive income for the year	623,747	-	623,747
Total comprehensive income for the year	623,747	52,500,391	53,124,138
Balance as of 31 December 2025	735,915	1,917,833	2,653,748

STATEMENT OF CASH FLOWS

In thousand drams

	2025	2024
<i>Cash flows from operating activities</i>		
Mandatory payments and donations received	49,354,302	45,650,768
Compensations provided	(19,180,548)	(21,489,420)
Labor expenses	(134,367)	(117,697)
Other expenses	(214,024)	(209,373)
<i>Net cash from operating activities</i>	<u>29,825,363</u>	<u>23,834,278</u>
<i>Cash flows from investing activities</i>		
Acquisition of property and equipment	(2,484)	(1,350)
Funds placed in banks	(90,044,051)	(67,400,910)
Investments in government debt securities	(2,933,005)	(6,460,138)
Investments in non-government debt securities	(2,000,563)	(2,009,968)
Repayment of funds placed in banks	56,553,636	41,556,497
Proceeds from redemption of investments in government debt securities	650,000	-
Interest received from funds placed in banks and other financial institutions	8,316,263	6,393,137
Interest received from investments in debt securities	1,344,394	450,000
<i>Net cash used for investing activities</i>	<u>(28,115,810)</u>	<u>(27,472,732)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>1,709,553</u>	<u>(3,638,454)</u>
Cash and cash equivalents at the beginning of the year	1,881,288	5,519,741
Foreign exchange effect on cash	(6)	1
Cash and cash equivalents at the end of the year	<u>3,590,835</u>	<u>1,881,288</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations and general information

National Foundation for Servicemen Insurance (hereinafter referred to as the “Foundation” or “ZINAPAH”) was established on 13 January 2017 as a non-profit organization.

“ZINAPAH” was created to provide stable and equitable insurance compensations for the social well-being of warriors who fell, went missing, or became disabled while defending the borders of the homeland, as well as for their families.

The founder of “ZINAPAH” is the Central Bank of the Republic of Armenia.

The funds of “ZINAPAH” are derived from mandatory payments made by taxpayers of the Republic of Armenia, voluntary donations, and income generated from the management of the Foundation’s assets. According to legislative amendments that entered into force in December 2025, the amount of mandatory payments is set at AMD 1,000 for individuals earning a monthly income of up to AMD 1 million, and AMD 15,000 for individuals whose monthly income exceeds AMD 1 million.

The Foundation is located at 26/1 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

“ZINAPAH” is governed by an independent Board of Trustees, as well as a highly motivated and experienced young operational team.

The mission of “ZINAPAH” is to unite the nation to stand by servicemen and their families, ensuring their financial stability and a life of dignity, with a commitment to transparency, accountability and integrity.

Business environment

Business environment of Armenia

The Foundation carries out its activities in the Republic of Armenia and, therefore, is exposed to the economic, political, legal, and regulatory environment of the country.

During 2025, relative macroeconomic stability was maintained in the Republic of Armenia. However, ongoing geopolitical developments in the region, security-related uncertainties, as well as changes occurring in international economic and financial markets, continue to affect Armenia’s economy and business environment.

In particular, the continuous impacts of the Russian-Ukrainian conflict, as well as developments in the Middle East and their potential effect on global financial markets, energy prices, and international trade, continue to sustain a certain level of economic uncertainty.

The future economic development of Armenia depends on the economic, fiscal, and monetary policies implemented by the government, as well as on external economic and political factors, the impact of which cannot currently be fully predicted.

The management of the Foundation continuously monitors developments in the external environment and assesses their potential impact on the Foundation’s operations, financial position, and cash flows. As of the date of approval of these financial statements, management believes that the current circumstances do not create material uncertainty regarding the Foundation’s ability to continue as a going concern.

These financial statements do not include any adjustments that might have been necessary as a result of the further development of the circumstances described above.

2. Basis for the Preparation

2.1 Statement of compliance

The Financial Statements have been prepared in compliance with the requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”). The reports

have been prepared based on the assessment that the Foundation carries out its activities on a going concern basis..

Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs do not give guidance on how to treat transactions specific to not for profit sector, accounting policies have been based on the general principles of IFRSs, as detailed in the International Accounting Standards Board (“IASB”) The Conceptual Framework for Financial Reporting.

2.2 Basis of measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention, with the exception of certain financial instruments. Investments in government and non-government debt securities are presented in the financial statement at fair value through other comprehensive income (FVOCI). Lease liabilities are stated at present discounted value of future cash flows. Other financial assets and liabilities are stated at amortized cost.

The financial statements have been prepared on a historical cost basis.

2.3 Functional and presentation currency

The Foundation’s functional currency is Armenian Dram (AMD), since this currency as the national currency of the Republic of Armenia best reflects the economic substance of the Foundation’s underlying events and transactions.

Armenian Dram is the Foundation’s presentation currency as well, since management believes that this currency is more useful for the users of these financial statements. The overall financial information presented in Armenian Drams is rounded to the nearest thousandth

2.4 Changes in significant accounting policies

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2025

New standards and amendments described below and applied for the first time in 2025 did not have a material impact on the annual financial statements of the Foundation:

Standard	Title of Standard or Interpretation
IAS 21	The Effects of Changes in Foreign Exchange Rates

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Foundation

As of the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing standards have been issued by the International Accounting Standards Board (IASB), which, however, are not yet effective and have not been adopted early by the Foundation.

Management anticipates that all applicable publications will be adopted in the Foundation’s accounting policies beginning from the very first period following their effective date.

Management expects that these amendments will not have a material impact on the financial statements of the Foundation and are presented below:

Standard	Title of Standard or Interpretation	Applicable to accounting periods beginning on or after the given date
IFRS 9	Measurement of trade receivables	1 January 2026
IFRS 9	Derecognition of lease liabilities	1 January 2026

3. Accounting policy

The following accounting policies have been consistently applied during preparation of the financial statements.

3.1 Foreign currency transactions

While preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date. As of 31 December 2025, the exchange rates were: 1 USD = 381.36 AMD, 1 EUR = 449.01 AMD (as of 31 December 2024, 1 USD = 396.56 AMD, 1 EUR = 413.89 AMD). Exchange rate differences arising from foreign currency transactions or the revaluation of monetary items denominated in foreign currency are recognized in profit or loss for the period.

3.2 Property and equipment

Property and equipment are stated at initial value less accumulated depreciation and impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased premises are also included in property and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

Any gain or loss on disposal or write-off of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised in profit or loss.

Cost of replacing a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of comprehensive income as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Right-of-use assets (office premises)	5 years
Equipment and other property and equipment	3-10 years

3.3 Intangible assets

Intangible assets, which are acquired by the Foundation, and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the result for the year or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years for accounting software and other intangible assets.

3.4 Leased assets

The Foundation as a lessee

The Foundation makes the use of leasing arrangements principally for the lease of office space for 5 years with an extension period.

The Foundation assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Recognition and measurement of leases as a lessee

At lease commencement date the Foundation recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Foundation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Foundation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Foundation also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability is initially measured at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Foundation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequently, the lease liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit / loss if the right-of-use asset is already reduced to zero.

3.5 Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Foundation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards of ownership are transferred to a third party.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or when they expire.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs, except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Foundation's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs and finance income. A summary of the Foundation's financial assets by category is given in note 15.2.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Foundation's cash and cash equivalents, accounts receivable and funds placed in banks fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The Foundation accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gain or loss on investments in government debt securities measured at fair value through other comprehensive income are recognized in other comprehensive income, except in the following cases, when they are recognized in profit or loss.

- Interest income using the effective interest rate method,
- Expected credit losses and refund
- Foreign exchange gain and loss.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

The impairment requirements in IFRS 9 use forward-looking information to recognize expected credit losses - the “Expected Credit Loss (ECL) model”. Instruments within the scope of IFRS 9 requirements include funds held in banks, investments in government trade securities that are measured at amortised cost and fair value through other comprehensive income, and receivables.

Recognition of credit losses is no longer dependent on the Foundation first identifying a credit loss event. Instead, the Foundation considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- "Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

As of 31 December 2025 and 2024, all the Foundation's financial assets were classified in "Stage 1" in accordance with IFRS 9.

Allowances for expected credit losses presented in the statement of financial position

Allowances for expected credit losses in the statement of financial position are presented as follows:

- Financial assets at amortized cost as decrease from the carrying amount of assets,
- Impairment losses on debt instruments measured at FVOCI are not recognized in the statement of financial position as the equivalent of those assets is equal to their fair value. However, impairment losses are disclosed and recognized in adjusted allowance of fair value.

Investments in government and non-government debt securities

While assessing the impairment of the investment in bonds, the Foundation considers the following factors:

- Market assessment of creditworthiness with reflected bonds yield,
- Assessment of profitability by reputable agencies,
- The country's ability to enter capital markets to issue new debt.

Funds placed in banks

While assessing the impairment of funds placed in banks, the Foundation considers the ratings of reputable agencies.

Classification and measurement of financial liabilities

The Foundation's financial liabilities include liabilities on compensation, payables and finance lease liabilities. A summary of the Foundation's financial liabilities by category is given in note 16.2.

Liabilities on compensation

Liabilities on compensation are initially recognized at fair value, net of issuance costs. The difference between the fair value and nominal value is recognized in the results for the year. Subsequent measurement of liabilities on compensation is stated at amortized cost, and the difference between the cost and redemption value is recognized in the result for the year on an effective interest basis.

Payables

Payables are initially stated at fair value and subsequently - at amortized cost.

Finance lease liabilities

At the commencement date, the Foundation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Foundation's incremental borrowing rate.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise bank accounts and cash equivalents which are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Foundation classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

3.7 Fair value reserve for investment securities at FVOCI

This reserve is the difference between the fair value of the Foundation's investment securities measured at fair value through other comprehensive income (FVOCI) as of the reporting date and their fair value at the date of initial recognition

3.8 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related services, and include:

- wages, salaries and bonuses;
- paid annual leaves and paid disability leaves;

When employees render services to the Foundation during the accounting period, the Foundation recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Foundation shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense, unless the amount is included in the cost of an asset.

Paid absences

The expected cost of short-term employee benefits in the form of paid absences is recognized as follows:

- in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
- in the case of non-accumulating paid absences, when the absences occur.

Bonuses

The expected cost of bonus payments is recognized when and only when the Foundation has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the Foundation has no realistic alternative but to make the payments.

3.9 Compensation expenses

Compensation expenses are recognized upon receipt of the decision on compensations from the RA Ministry of Defense, the RA Ministry of Emergency Situations, the National Security Service under the RA Government, or the RA Police under the RA Government, at the present value of the amounts payable subject to compensation, which is equal to the fair value of the compensation liability. Following initial recognition, compensation liabilities are measured at amortized cost using the discount rate applied at initial recognition. The difference resulting from the remeasurement of the liability at amortized cost is included in the statement of comprehensive income as a finance cost.

3.10 Income

The Foundation's income arises mainly from the donations, mandatory payments and interest income from assets management

Income from mandatory payments and donations

Income received from mandatory payments and donations is available to finance the Foundation's operations, as stated in the Foundation's management documents. Therefore, mandatory payments and donations are recognized as income when they become available.

Interest income

Interest income is recognized on proportion basis using the effective interest rate to the residual value, which discounts the expected future cash inflows over the expected life of the financial asset to the net carrying value of the asset.

3.11 Net assets

Net assets of the Foundation are not distributable to its founders neither in ordinary course of business nor at liquidation.

4. Investment securities

In thousand drams

	2025	2024
Government debt securities	12,127,869	9,288,987
Corporate debt securities	4,049,819	2,059,934
Total	16,177,688	11,348,921

Starting from 2018, the Foundation has been investing in state coupon bonds of the Government of the Republic of Armenia. In 2024, the Foundation also began investing in corporate debt coupon bonds. Investments in debt securities are measured at fair value through other comprehensive income (FVOCI).

An analysis of changes in expected credit losses (ECL) on investment securities measured at fair value through other comprehensive income is presented below:

In thousand drams

	2025	2024
Balance as of 1 January	51,002	2,460
Net remeasurement	(10,311)	48,542
Balance as of 31 December	40,691	51,002

Investment securities measured at FVOCI are presented below using effective interest rates, and the remaining maturity periods:

In thousand drams	31 December 2025		31 December 2024	
	%	Maturity	%	Maturity
Government debt securities	7-8	2023 - 2031	7-9	2018 - 2031
Corporate debt securities	10-10.5	2024 - 2029	10	2024 - 2026

5. Funds placed in banks

In thousand drams

	2025	2024
Deposit accounts up to 90 days in commercial banks	19,978,450	12,724,949
Deposit accounts over 90 days in commercial banks	116,948,997	87,882,755
Allowance for ECLs	(492,033)	(884,278)
Total	136,435,414	99,723,426

Funds placed in banks comprise amounts denominated in Armenian drams with a maximum maturity period of 643 days (2024: 547 days).

The analysis of changes in expected credit losses on funds placed in banks is presented below:

In thousand drams

	2025	2024
Balance as of 1 January	884,278	349,001
Net remeasurement	(392,245)	535,277
Balance as of 31 December	492,033	884,278

6. Cash and cash equivalents

In thousand drams

	2025	2024
Funds placed in the Central Bank of Armenia	3,469,214	1,855,534
Bank balances	121,621	25,754
Total	3,590,835	1,881,288

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they are revised and in future periods that they may affect.

7. Liabilities on compensation

Within the framework of a special system ensuring compensation for damages caused to the life or health of servicemen introduced in the Republic of Armenia, the Foundation provides compensation from the funds received from donations to servicemen injured while defending the borders of the Republic of Armenia or their legal successors in accordance with the procedures established by the RA Law on “Compensation for Damages Caused to the Life or Health of Servicemen during the RA Defense”. Compensation is provided partially in a lump sum, and the remaining amount is provided in equal monthly payments over 20 years.

For determination of the fair value of liabilities on compensation, the Foundation uses the discounted cash flows valuation technique, by applying yield to maturity interest rates of the RA Government long-term bonds as discount rates. The subsequent measurement is done at amortized cost.

As of 31 December 2025, the amortized cost of compensation liabilities amounts to AMD 153,635,990 thousand (as of 31 December 2024: AMD 163,508,714 thousand). In the case of undiscounted cash flows, the compensation liability would amount to AMD 284,031,953 thousand (as of 31 December 2024: AMD 305,532,126 thousand). The finance component arising from the measurement of compensation liabilities at amortized cost is presented in Note 12.

8. Revaluation reserve on securities measured at fair value through other comprehensive income

Revaluation reserve on investment securities measured at FVOCI is the difference as of the reporting date between the fair value of the investment securities at FVOCI and their fair value at the date of initial recognition.

9. Income from mandatory payments and donations

In thousand drams

	2025	2024
Mandatory payments	49,171,072	45,393,464
Donations	182,646	257,079
Total	49,353,718	45,650,543

10. Interest income

In thousand drams

	2025	2024
Interest income from funds placed in banks	11,041,433	8,717,348
Interest income from investments in government debt securities	1,214,533	582,236
Interest income from investments in corporate debt securities	315,566	39,095
Total	12,571,532	9,338,679

11. (Loss)/reversal of the allowance regarding ECLs

In thousand drams

	2025	2024
Net remeasurement of the ECL allowance on investment securities (refer to Note 4)	10,311	(48,542)
Net remeasurement of the ECL allowance on funds placed in banks (refer to Note 5)	392,245	(535,277)
Total	402,556	(583,819)

12. Finance cost

In thousand drams

	2025	2024
Financial component on compensation expenses	8,320,497	47,630,459
Interest expenses for lease arrangements	1,608	3,689
Total	8,322,105	47,634,148

13. Compensation expenses

Compensation expense is calculated as the difference between the initial recognition amount of the expense and the financial component due to remeasurement to fair value.

The decrease in compensation expenses in 2025 was primarily driven by a 26% indexation of compensations implemented in 2024, whereas the number of new servicemen and their families who became beneficiaries of the Foundation significantly declined in 2025 compared to 2024.

14. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

The Foundation makes estimates and assumptions concerning the future. These accounting estimates may not match the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Impairment of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, an assessment of the value and maturity of future cash flows and the value of collateral when determining impairment losses and significant increases in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Foundation's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Foundation's internal credit grading model, which assigns probability of defaults (PD) to the individual grades;
- The Foundation's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of expected credit losses models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and the economic inputs such as unemployment levels and collateral values, and the effect on probability of defaults, exposure at defaults and loss given defaults;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the expected credit losses models.

Refer to Note 17 for more detailed information on credit risk exposure.

Fair value measurement of liabilities on compensations

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

For determination of the fair value of liabilities on compensations, the Foundation uses discounted cash flows valuation technique, by using yield to maturity interest rates of the RA Government long-term bonds as discount rate.

Risks and uncertainties

The Foundation's liabilities, both short-term and long-term liabilities, significantly exceeded the Foundation's assets as of the reporting date. The Foundation takes into account the expected cash flows, particularly the income generated from mandatory payments, when assessing the liabilities on compensation. Income generated from mandatory payments is stable, as it is regulated by the RA Law on "Compensation for Damages Caused to the Life or Health of Servicemen during the RA Defense". The Foundation's liabilities on compensation are subject to partial repayment within 20 years, and if there is no significant increase in the liabilities on compensation or there are no unfavorable changes in the RA Law mentioned above, the Foundation's management estimates that the cash flows from the mandatory payments will be sufficient to repay the liabilities, therefore, in the foreseeable future the Foundation will continue its normal operations.

15. Financial Instruments

15.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in Note 3.5.

15.2 Categories of financial Instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

In thousand drams

	2025	2024
<i>Financial assets at amortised cost</i>		
Funds placed in banks	136,435,414	99,723,426
Cash and cash equivalents	3,590,835	1,881,288
	<u>140,026,249</u>	<u>101,604,714</u>
<i>Financial assets at FVOCI</i>		
Investments in government debt securities	12,127,869	9,288,987
Investments in corporate debt securities	4,049,819	2,059,934
	<u>16,177,688</u>	<u>11,348,921</u>
Total financial assets	<u>156,203,937</u>	<u>112,953,635</u>

Financial liabilities

In thousand drams

	2025	2024
<i>Financial assets at amortised cost</i>		
Liabilities on compensation	153,635,990	163,508,714
Lease liabilities	5,370	25,438
Accounts payable	6,262	12,465
Total financial liabilities	<u>153,647,622</u>	<u>163,546,617</u>

16. Term analysis of assets and liabilities

The following table presents financial assets and liabilities according to the expected maturities. Information on the Foundation's undiscounted contractual liabilities is provided in Note 17.

In thousand drams

	31 December 2025		
	Up to 1 year	Over 1 year	Total
<i>Assets</i>			
Funds placed in banks	87,761,785	48,673,629	136,435,414
Cash and cash equivalents	3,590,835	-	3,590,835
Investments securities	4,577,351	11,600,337	16,177,688
	<u>95,929,971</u>	<u>60,273,966</u>	<u>156,203,937</u>
<i>Liabilities</i>			
Liabilities on compensation	18,075,657	135,560,333	153,635,990
Lease liabilities	5,370	-	5,370
Accounts payable	6,262	-	6,262
	<u>18,087,289</u>	<u>135,560,333</u>	<u>153,647,622</u>
Net position	<u>77,842,682</u>	<u>(75,286,367)</u>	<u>2,556,315</u>

In thousand drams	31 December 2024		
	Up to 1 year	Over 1 year	Total
<i>Assets</i>			
Funds placed in banks	61,228,055	38,495,371	99,723,426
Cash and cash equivalents	1,881,288	-	1,881,288
Investments securities	848,631	10,500,290	11,348,921
	63,957,974	48,995,661	112,953,635
<i>Liabilities</i>			
Liabilities on compensation	17,944,955	145,563,759	163,508,714
Lease liabilities	21,774	3,664	25,438
Accounts payable	12,465	-	12,465
	17,979,194	145,567,423	163,546,617
Net position	45,978,780	(96,571,762)	(50,592,982)

17. Financial risk management

The Foundation is exposed to various risks in relation to financial instruments. The main types of risks are interest risk, credit risk and liquidity risk.

The Foundation does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Foundation may be exposed are described below.

Financial risk factors

a) Interest risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The following table reconciles the average contract and effective interest rates:

2025	Average interest rate	
	Contract	Effective
<i>Liabilities</i>		
Liabilities on compensation	0%	8.2-12.7%
Lease liabilities	0%	11%
2024	Average interest rate	
	Contract	Effective
<i>Liabilities</i>		
Liabilities on compensation	0%	8.2-12.7 %
Lease liabilities	0%	11%

b) Credit risk

Impairment assessment

At each reporting date, the Foundation assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Foundation uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The Foundation considers both quantitative and forward-looking qualitative criteria in order to assess whether a significant increase in credit risk has occurred.

If, as of the reporting date, the credit risk of the asset has not changed significantly from the date of initial recognition, the allowance on expected credit risk is recognized at the amount of the possible loss from the asset's 12-month credit risk.

If, as of the reporting date, the credit risk of the asset has increased significantly from the date of initial recognition or if there are objective indicators of impairment of the asset, then the allowance on expected credit loss is recognized at the amount of that asset's possible loss over lifetime.

The calculation of the expected credit loss on assets is made according to the following formula.

- $ECL = EAD \times PD \times LGD$, where
- EAD is the value of an asset at risk in the event of default,
- PD is the probability of default,
- LGD is loss in case of default.

Exposure at Default (EAD)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For products with contractual terms, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

Probability of Default (PD)

The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over the next 12 months (12mECL), or over the remaining lifetime (LTECLs) of the obligation.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financial asset.

Loss given default (LGD)

LGD is determined based on the factors which impact the recoveries made post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.
- The expected 12-month ECL and the potential loss on credit risk over the lifetime of assets with a significant increase in credit risk on the time of recognition but with no objective impairment indicators are calculated at the gross carrying amount and in case of assets with objective indicators of impairment are calculated at the carrying amount. The credit risk is managed on a group basis based on the Foundation's credit risk management policies and procedures.
- The Foundation is exposed to credit risk from financial assets, including cash held at banks, funds placed in banks, investments in government debt securities and receivables.
- The maximum exposure to credit risk is presented by the carrying amounts of the following financial assets:

In thousand drams

	2025	2024
<i>Financial assets</i>		
Investments in debt securities	16,177,688	11,348,921
Funds placed in banks	136,435,414	99,723,426
Cash and cash equivalents	3,590,835	1,881,288
Total financial assets	156,203,937	112,953,635

The credit risk in respect of cash balances held with banks and funds placed in banks are managed via diverse and only with major reputable financial institutions

Funds placed in banks

The criterion for determining a significant increase in credit risk of funds placed in banks is the change in the external credit score. For this criterion, the corporate rating will be taken into account. A significant change notches in the credit score assigned by the Moody's credit rating agency is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the Moody's rating goes down each time by one level, started from BB. In cases where a financial institutions don't have a corporate rating in a rating agency, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.

Investments in public debt securities

The criterion for determining a significant increase in credit risk of investments placed in banks is the change in the external credit score. For this criterion, the sovereign rating of the country will be taken into account. A significant change notches in the credit score assigned by the Moody's credit rating agency is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the Moody's rating goes down each time by one level, started from B2. In cases where a financial institutions don't have a corporate rating in a rating agency, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.

The financial assets of the Foundation are considered to have low credit risk and the loss allowance recognized is based on the 12 months expected loss. As of 31 December 2025, the loss allowance balance for financial assets is reconciled with the beginning balance of the year as follows:

In thousand drams

	2025	2024
<i>Financial assets at fair value through other comprehensive income</i>		
Loss allowance as of 1 January	51,002	2,460
Loss allowance charge/(reversal) for the year, net	(10,311)	48,542
Loss allowance as of 31 December	40,691	51,002
<i>Financial assets at amortized cost</i>		
Loss allowance as of January 1	884,278	349,001
Loss allowance charge/(reversal) for the year, net	(392,245)	535,277
Loss allowance as of 31 December	492,033	884,278
Total	532,724	935,280

c) Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its obligations in due time.

The following table presents the remaining contractual maturities of the Foundation's non-derivative financial liabilities. The table is prepared based on the undiscounted cash flows of the financial liabilities, taking into account the earliest date on which the Foundation would be required to settle those liabilities. The table includes cash flows for interest and principal.

In thousand drams	31 December 2025					
	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total gross outflow	Carrying amount
Liabilities on compensation	4,704,436	14,056,784	74,359,630	190,911,104	284,031,953	153,635,990
Lease liabilities	5,419	-	-	-	5,419	5,370
Accounts Payable	6,262	-	-	-	6,262	6,262
	<u>4,716,117</u>	<u>14,056,784</u>	<u>74,359,630</u>	<u>190,911,104</u>	<u>284,043,634</u>	<u>153,647,622</u>

In thousand drams	31 December 2024					
	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total gross outflow	Carrying amount
Liabilities on compensation	4,673,647	14,017,641	74,724,705	212,116,133	305,532,126	163,508,714
Lease liabilities	5,419	16,256	5,419	-	27,094	25,438
Accounts Payable	12,465	-	-	-	12,465	12,465
	<u>4,691,531</u>	<u>14,033,897</u>	<u>74,730,124</u>	<u>212,116,133</u>	<u>305,571,685</u>	<u>163,546,617</u>

18. Fair value measurement

The Foundation provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These three levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18.1 Fair value measurement of financial instruments

Financial instruments measured at fair value

The Foundation considers government investment securities measured at fair value through other comprehensive income within Level 2 of the fair value hierarchy. The valuation method of these instruments used in the fair value estimates within level 2 is based on net cash flows, and the initial data used is limited by the yield curve of RA government bonds. The most significant input is the interest rate of the RA government bonds yield.

Financial instruments measured at amortized cost

The fair values of the funds placed in banks, liabilities on compensation and lease liabilities are approximately equal to their carrying amounts. The liabilities of the Foundation are considered to be within Level 3 of the fair value hierarchy and funds placed in banks within Level 2.

Liabilities on compensation are interest free and have a maturity period of 20 years. For determination of the fair value of liabilities on compensations, the Foundation uses discounted cash flows valuation technique, by using yield to maturity interest rates of the RA Government long-term bonds as discount rate.

Lease liabilities arise from the lease of office space with a maturity period of 5 years. At the commencement date, the Foundation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the average interest rate on the financial market of long-term loans.

The carrying amount of the funds placed in banks are considered to be a reasonable approximation of the fair value.

19. Contingencies

19.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Foundation does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on the Foundation property or relating to the Foundation operations. Unless the Foundation obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Foundation's operations and financial position.

19.2 Taxes

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose fines and penalties.

These factors may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

20. Related parties

20.1 Control relationships

The Foundation's related parties include its Founder (the Central Bank of the Republic of Armenia) and key management personnel.

20.2 Transactions with related parties

As of 31 December 2025, the Foundation has funds deposited with the Central Bank of the RA amounting to 3,469,214 thousand drams (as of 31 December 2024: 1,855,534 thousand drams).

In 2025, the Foundation earned interest income from funds deposited with the Central Bank of the RA amounting to 98,615 thousand drams (2024: 177,738 thousand drams).

20.3 Transactions with Management

Key management received the following remuneration during the year, which is included in payroll and employee benefits.

In thousand drams

	2025	2024
Salaries and bonuses	31,836	28,680
	<u>31,836</u>	<u>28,680</u>