



Insurance
Foundation
for Servicemen

| united for our soldiers

**INSURANCE FOUNDATION
FOR SERVICEMEN (IFS)
2022 Q3 Report**



DONATE

▶ **Fund Management and Financial Analysis**

IFS Brief History, Mission, Vision and Values

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IFS BRIEF HISTORY MISSION, VISION AND VALUES



The Insurance Foundation for Servicemen was founded in 2017 to provide stable, equitable compensation for the well-being of fallen, missing, and disabled soldiers and their families while defending the homeland and its borders for the peace and security of future generations. It is a unique foundation in the region where every working citizen in Armenia and Artsakh is required to make mandatory contributions. Diasporan Armenians also support the Foundation through voluntary contributions. In this way, the Foundation represents a pan-Armenian effort to provide financial well-being for those who have sacrificed their lives for the security of Armenia.

The Foundation operates according to the **laws** of the Republic of Armenia. The Foundation's resources are generated from the mandatory monthly payments of taxpayers in Armenia and Artsakh (based on income level), from voluntary donations received from all over the world, as well as from the IFS asset management. IFS website provides information regarding both mandatory payments and donations, as well as the compensation payments made to IFS beneficiaries. The Foundation conducts an independent audit every year and the website reflects **those reports**, as well as IFS **director's report**.



MISSION

To provide stable, equitable compensation for the well-being of fallen, missing, and disabled soldiers and their families while defending the homeland via obligatory and voluntary payments.



VISION

To create a unique life insurance foundation model uniting the global Armenian community for the wellness and prosperity of our beneficiaries, in partnership with the Government of Armenia and key stakeholders from the Armenian Diaspora.



VALUES

TRANSPARENCY, ACCOUNTABILITY, JUSTICE FOR ALL

Today, it is our duty to stand by the families of the fallen, disabled, and missing soldiers.

IFS OPERATIONS FOR FISCAL YEAR 2017 – 2022 ROLLING ESTIMATE (RE)



After the 2020 war, the year of 2021 was a year of crisis management for IFS both operationally and structurally. 2022 is a year of recovery in terms of buffering assets and making monthly regular compensations. The 2022 September 12-13 war escalation by Azerbaijan will add liabilities to IFS for 207 (subject to final confirmation by state bodies) beneficiaries for the lump-sum and regular monthly payments with an extra 2.11B AMD which is not going to have a significant impact on IFS financial bottom line in the short run.

As per the Q3 2022 actuals and the rest of the year rolling estimate, it is forecasted that IFS will record growth in income of approximately 8%, due to the strong increase of the mandatory payments of 14%, asset management income growth of 56% and despite a significant decline in donations -62%.

In 2022, the portion of Foundation income attributable to mandatory payments is estimated to increase to 90% compared to 85% in 2021. In contrast, the portion of income attributable to donations is estimated to fall from 4% in 2021 to 1% in 2022 as per the rolling estimate. The portion of income attributable to asset management is also estimated to exhibit a positive 3 pts growth from 5% in 2021 to 8% in 2022 and the income from asset management is estimated to grow by 56%.

The compensations decline by -61% is explained by the huge chunk of lump-sum payments during the after-war period in 2021, which is not applicable for 2022, as the beneficiaries get only their monthly compensations.

BIL, AMD	2017	2018	2019	2020	2021	2022RE	2022 Vs. PY	Contr. to Mix 2021	Contr. to Mix 2022
(AMD)									
Income Mandatory Payments	5.9	7.4	8.5	9.1	29.1	33.2	14%	85%	90%
Donations	0.1	0.1	0.1	7.0	1.3	0.5	-62%	4%	1%
Kamurj*	-	-	-	1.0	1.5	0.2	-87%	4%	1%
CBA**	-	-	-	-	0.3	-	-100%	1%	0%
Asset Management	0.2	0.8	1.6	2.4	1.8	2.9	56%	5%	8%
Other Income from Penalties	-	-	-	-	-	-		0%	0%
Total Income	6.2	8.3	10.2	19.5	34.0	36.8	8%	100%	100%
Compensations	0.4	0.4	0.8	8.0	44.5	17.3	-61%	98%	98%
Admin Expenses	-	-	-	-	-	0.3		1.44%	1.44%
CapEx	-	-	-	-	0.1	0.00	-95%	0.03%	0.03%
OpEx	-	-	-	-	0.1	0.03	85%	0.14%	0.14%
Other	-	0.0	0.0	-	-	-			
Total Expenses	0.4	0.4	0.8	8.0	44.7	17.6	-61%	100%	100%

* - **Kamurj** – A program financed by the RA government to give compensation to servicemen who are severely injured or are missing in action before becoming IFS beneficiaries. For these veterans, compensation is provided for 21 months in the amount of 300,000 AMD.

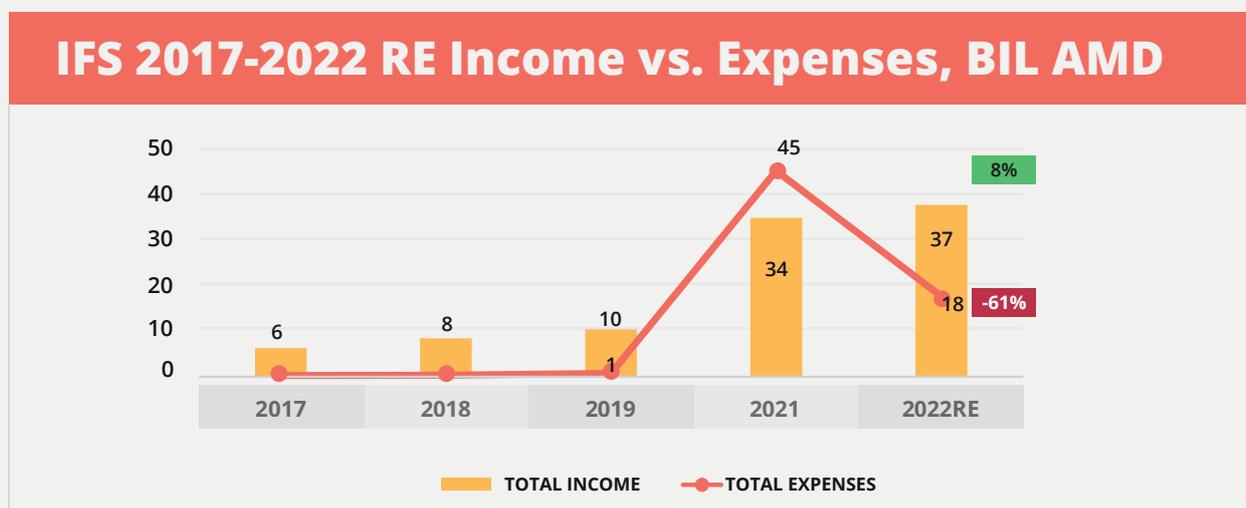
** - **Central Bank of Armenia Contribution (CBA)** – All the expenses made during 2021 were financed by Central bank of Armenia. The funding is regulated by law and has been previously approved by CBA board.

IFS OPERATIONS FOR FY 2017 – 2022

ROLLING ESTIMATION



It is estimated that the total income will grow by 8% and the total expenses will shrink by -61% for 2022 vs 2021.



Year to date Q1-Q3 2022 recorded a growth in the portion of income to approximately 15%, attributable to mandatory payment increase to 24%, which is explained by the increase of the number of employed population – 681K, as of June 2022, which is 6% higher than the same period 2021. In contrast, the portion of donations declined to -61% which is an organic slowdown given that no investments were made to support the donor base.

In YTD Q1-Q3 2022 the portion of IFS income attributable to mandatory payments increased to 90%, compared to 83% in 2021 same period.

The income from asset management exhibited 68% growth in 2022 vs. 2021 YTD Q3. The Compensations declined by -72% in Q1-Q3 2022, as the biggest portion of one-time payments were made in 2021 Q1-Q2, and in 2022 regular monthly liabilities are being compensated.

BIL, AMD	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2022 vs 2021	Contr. to Mix 2021	Contr. to Mix 2022
(AMD)												
Income Mandatory Payments	5.28	7.48	7.97	8.34	8.88	7.25	9.59	20.73	25.72	24%	83%	90%
Donations	0.42	0.36	0.26	0.24	0.17	0.13	0.11	1.05	0.41	-61%	4%	1%
Kamurj*	-	-	1.46	0.05	-	0.08	0.12	1.46	0.20		6%	1%
CBA**	0.17	-	0.13	-	-	-	-	0.30	-	-100%	1%	0%
Asset Management	0.54	0.43	0.39	0.48	0.42	0.62	1.25	1.36	2.28	68%	5%	8%
Other Income from Penalties	-	-	-	-	-	-	-	-	-		0%	0%
Total Income	6.41	8.28	10.21	9.12	9.47	8.07	11.07	24.90	28.62	15%	100%	100%
Compensations	13.3	19.8	3.6	4.5	3.6	3.9	3.6	40.0	11.1	-72%	99.7%	98%
Admin Expenses	-	-	0.05	-	0.05	0.06	0.06	-	0.17		0.00%	1.52%
CapEx	0.02	0.02	0.00	0.06	0.00	0.00	0.00	0.05	0.00	-96%	0.11%	0.02%
OpEx	0.01	0.04	0.00	0.06	0.00	0.00	0.00	0.09	0.01	112%	0.22%	0.11%
Total Expenses	13.34	19.85	6.94	4.61	3.66	3.98	3.66	40.13	11.30	-72%	100%	100%

2022 RE VS 2017-2021 PERIOD IN SUMMARY

As per the IFS estimations:

- ✔ **36%** of **mandatory payments** will be received in 2022
- ✔ **5%** of **donations** are expected to be received in 2022
- ✔ **30%** of the **asset management** income will be contributed in **2022**
- ✔ **24%** of **compensations** will be paid in 2022

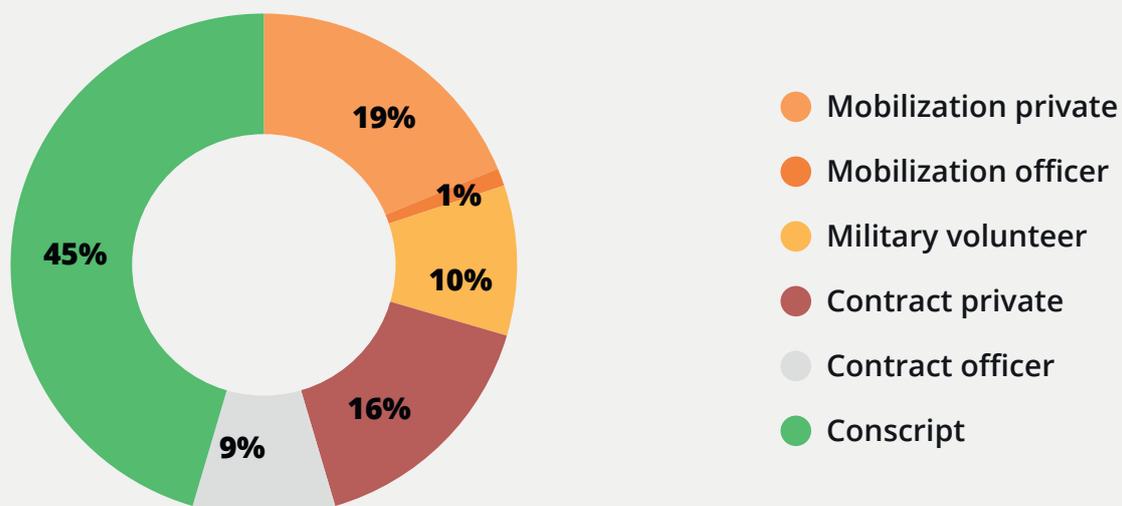
'000 000 AMD	2022 Q1-Q3	2022 RE	2017-2022 RE	% Contr. 2022
Mandatory Payments	25.72	33.19	93.18	36%
Donations	0.41	0.49	9.06	5%
Asset Management	2.28	2.88	9.69	30%
Compensation	11.11	17.27	71.42	24%

IFS BENEFICIARIES AND COMPENSATIONS 2022 Q1-Q3 YTD

- ✔ From **2017-2022 Q1-Q3 YTD** IFS has provided compensation to **4,855** beneficiaries.
- ✔ In **2022 Q3 YTD** there were **176 new cases**, below broken down by cases and beneficiary classification:



2022 YTD Q3 IFS COMPENSATION BASED ON PERSONNEL CLASSIFICATION

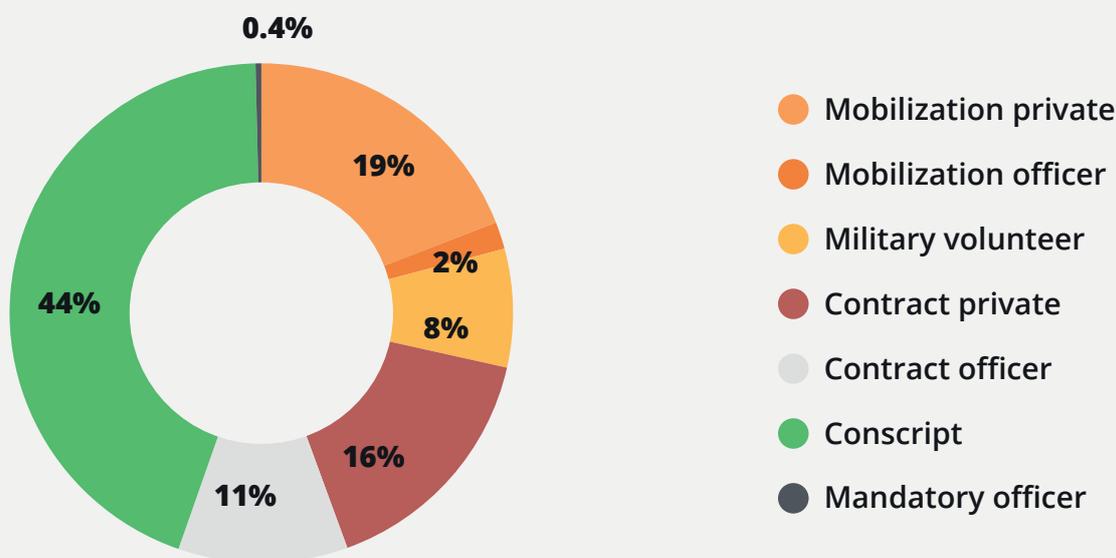


IFS BENEFICIARIES AND COMPENSATIONS 2022 Q1-Q3 YTD

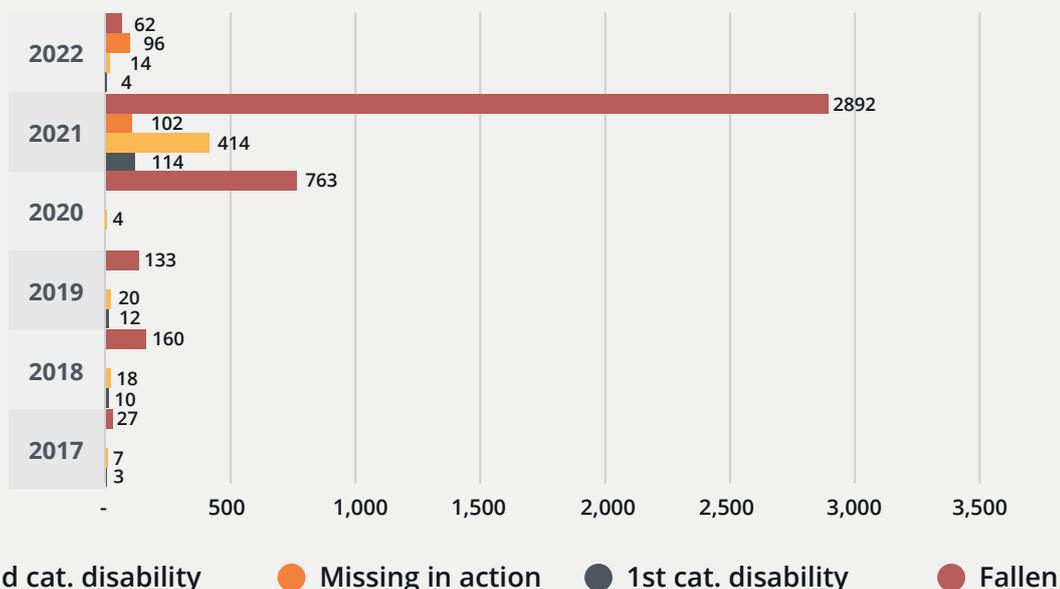


The **4,855** beneficiaries from **2017-2022 YTD** are broken down by personnel classification in the pie chart below. Notably, **44%** are conscripts, while **39%** are mobilized recruits, officers and volunteers.

2022 Q3 IFS COMPENSATION BASED ON PERSONNEL CLASSIFICATION



IFS Beneficiaries Breakdown 2017-2022 Q1-Q3 YTD



IFS BENEFICIARIES AND COMPENSATIONS 2022 Q1-Q3 YTD



**2017-2022 Q3
period in Summary**

176

**Beneficiary new cases by
YTD Q3 2022 period and
4,855 cases from 2017 YTD
2022 Q3**

**11.1 billion AMD
compensation as of
YTD Q3 2022 and
65.3 billion AMD
since 2017-2022 Q3
to those fallen, missing
or eligible for disability
insurance**

24%

**Stamp Payment growth
as of Q3 2022 compared to
Q3 2021**

DONATIONS TO IFS FOR FY 2017 – 2022 Q1-Q3



Since 2017 to Q3 2022 IFS Donations have totaled around 9 billion AMD. From 2017 to YTD Q3 2022 the total number of donations is almost 80K with an average size of 112,000 AMD. The biggest number of donations were made during and after the 2020 war period.

Compared with the YTD Q3 2021 the current donations have decreased by -61%. The number of donations and average size also showed a decline by -53% and -17% respectively. It is explained by the post-war syndrome, as during the war the donations usually show a drastic increase which is reflected in the 2020 results.

The donations were made via bank transfers as well as via the IFS website www.1000plus.am.

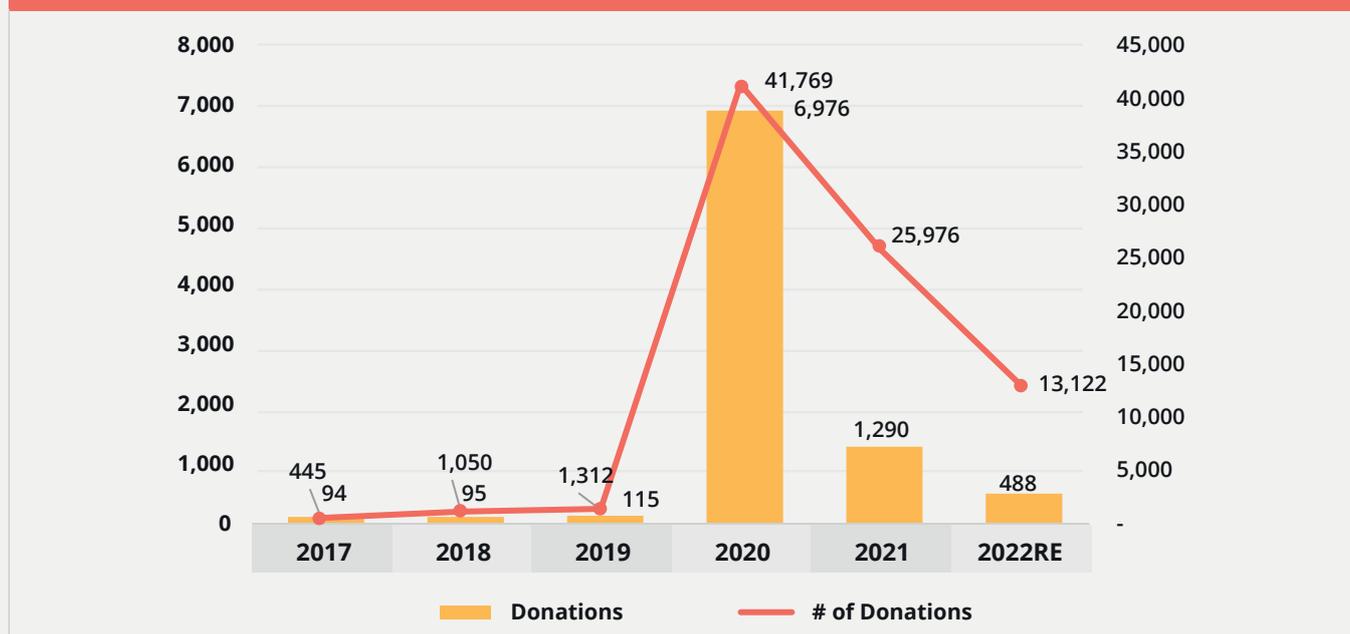
2021-2022 Donations by Currency

Currency, '000 000	2017	2018	2019	2020	2021	YTD Q3 2021	YTD Q3 2022	2017-2022 Q3	YTD Q3 2022 vs Q3 2021
AMD	94	89	113	4,380	752	2,090	187	5,616	-91%
USD		0.002	0.005	4.83	0.88	0.6	0.42	6	-34%
RR		0.08	0.08	115	7	5.2	0.44	122	-92%
EUR		0.0008	0.0004	0.80	0.12	0.10	0.03	1	-66%

2017-2022 Donations Converted to AMD

	2017	2018	2019	2020	2021	YTD Q3 2021	YTD Q3 2022	2017-2022 Q3	YTD Q3 2022 vs Q3 2021
# of Donations	445	1,050	1,312	41,769	25,976	20,824	9,842	80,394	-53%
Donations Average size	0.212	0.090	0.088	0.167	0.050	0.05	0.04	0.112	-17%

2017-2022RE Donations, AMD



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

IFS cooperates with various foundations, and non-governmental and charitable organizations to support our soldiers and their families for the further development of their physical, psychological, and educational well-being.

Considering the importance of maintaining a connection with beneficiaries, IFS team has taken steps for further development and social integration programs for its beneficiaries.

To the latter end, a memorandum of understanding was signed with the **Vache Vardanyan** on 18 July 2022.

After the 44-day Artsakh war, Vache Vardanyan settled in Artsakh, in the border village of Sarushen, and tried to assist people to overcome the afterwar difficulties, continuously initiating and implementing projects. One of those projects is the **Khokha development center** for about 40 kids over 7 years old in the village of Karmir Shuka. Apart from Karmir Shuka, the children of Taghavard were able to attend the development center as well. This was a great cooperation project with the mayor of Karmir Shuka, who assisted to do the renovation of the development project. Apart of the Karmir Shuka project Vache also organized the Hayordi camp in Lori region for 120 kids from Artsakh.



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

Memorandum of Understanding with the Ministry of Labor and Social Affairs and Enterprise Incubator Foundation and Number of NGOs

An agreement has been reached to sign a Memorandum of Understanding with the Ministry of Labor and Social Affairs and Enterprise Incubator Foundation on cooperation with an objective of creating a digital public and private sector Cooperation online platform.

On 29 September 2022, at the initiative of the RA Ministry of Labor and Social Affairs and IFS and Enterprise Incubator foundation with the participation of 25 various IFS partner NGOs had an extended meeting on the mentioned objective and discussed the opportunity for creating an Online Cooperation Unified Platform, as all the participants agreed that the platform will be a great tool to bring together all those organizations that independently carry out different social, educational, recovery and other programs. It was re-assured that the mentioned platform will provide targeted guidance to the services, education and training in accordance with the assessed needs of the beneficiaries - servicemen and their family members.



The following organizations' participants were present at the meeting:

- Ministry of Labor and Social Affairs of RA
- Insurance Foundation for Servicemen
- Enterprise Incubator Foundation
- Zinvori Tun
- Nor Ej
- Rehabilitation City of Heroes
- Aren Mehrabyan charitable foundation
- Learning Mission
- 4090 Charitable Foundation
- Karo Hovagimyan charitable foundation
- Eternal Nation Foundation Armenia
- KASA Swiss Humanitarian Foundation
- reArmenia Charitable Foundation
- Gyumri Technology Center
- Gateway Armenia charitable NGO
- My Step Foundation

IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

- Haykakan Caritas charitable NGO
- Armenian Progressive Youth NGO
- Bardzunk scientific-educational-strategic NGO
- State Pedagogical University of Armenia
- YSU Center of Applied Psychology Psychosocial rehabilitation center for servicemen and war victims
- Global Shapers Yerevan Hub
- AccessToCare" Charitable NGO
- Armenian Wounded Heroes Fund
- Soft Contract Company
- Progress educational program
- Yeremyan Project Company Yeremyan Academy

As a result of the joint meeting, the idea of creating a unified platform was welcomed by all the participants. The memorandum on cooperation was signed by most of the participants and it was aligned to sign the MOU with the Ministry of Labor and Social Affairs of the Republic of Armenia and the Enterprise Incubator Foundation, once the formalities will be aligned within the ministry. It was agreed to develop a technical description of the project within a month period and then share the document with the participants for feedback. It was also agreed to organize regular coordination meetings with the participants on the leads of the project, as well as for introducing each others' activities.



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

Ayrudzi Children's Club 6-day Summer Camp

From 11-17 July 2022 Ayrudzi Children's Club launched its special therapy program for children affected by war. With the support of the Club the vulnerable children were given this opportunity to be in nature and be disconnected from everyday routine in order to overcome post-war stress.

The program included interaction with animals, pool games, pottery classes, evening entertainment (guitar, singing) around the campfire, and hiking. The kids spent 6 unforgettable days away from their gadgets in the camp and enjoyed nature and the friendly environment, as well as each other's company. Most of the parents conveyed their appreciation to the organizers.

The Ayrudzi is operating for about 40 years targeting the children affected by war and the earthquake to overcome the stress of the crisis via therapy and special programs in the camp. It is agreed with the organizer to involve IFS beneficiaries in the 2023 camping plans.



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

Hayordi Summer Camp 18-26 August 2022

Hayordi Summer Camp took place in the Gugark Camp, Lori Region. Hayordi is named after the hero of Artsakh, General Sergey Shakaryan. The camp is not only about entertainment, but patriotic awareness, introduction to the historical and cultural heritage, national songs and dances and art classes. The project is funded and implemented by the initiative of the families of fallen in the Artsakh war Armenians, compatriots, IFS partner Vache Vardanyan and the joint efforts of the Military Servicemen's Insurance Fund. IFS beneficiaries were able to participate in the camp.

120 children of fallen and missing servicemen kids of the 44-day Artsakh and 4 days April wars and other vulnerable groups participated in the camp. The spouses of the victims and servicemen who received various degrees of injuries during the war also participated as squad leaders. The kids of different age groups sharing the same feeling of loss and pain were united in the camp around one idea that they are not alone and together they can overcome the difficulties.

The camp was a great opportunity to briefly disconnect the children from the everyday stressful living in those families who sacrificed their beloved ones and well-being, once again showing that the community cares for them, filling their daily life with joy and patriotic spirit.

It is planned to make Hayordi traditional and organize a similar camp in 2023 with more participants and for a longer period.



IFS DEVELOPMENT PATH TO INDEPENDENCE

At its founding in 2017, the IFS was managed by the Central Bank of Armenia on a volunteer basis. The IFS did not have a dedicated team or office space. The 2020 Artsakh demonstrated that IFS needed to become an independent entity. Accordingly, a dedicated team was formed, and a professional Board of Trustees was elected to provide oversight and governance. Dedicated office space was also rented and renovated, and all the required infrastructure was built out.

Work in progress by YTD Q3 2022:



TEAM

- 16 People
- 5 Board Members were re-elected



IT INFRASTRUCTURE for

- Compensation
- IT Security
- Full migration from Central Bank in process



OFFICE SPACE

- Rental, Renovation
- Technical Refurbishment



SERVICES OUTSOURCING

- HR
- Accounting
- Hot Line
- IT Security



LEGISLATIVE AMENDMENTS

- Simplification on beneficiary application process
- Beneficiary base extension
- Organizational Handbook Development

AUDIT 2021 – STATEMENT OF FINANCIAL POSITION

The IFS Audit 2021 was carried out by **Grant Thornton** CJSC, and the financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the foundation operates on a going concern basis. Please find the full report below:

In thousand drams	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Property and equipment		156,733	-
Intangible assets		3,436	-
Investments in government debt securities	4	1,402,309	3,342,575
Funds placed in banks	5	7,303,869	4,721,415
		8,866,347	8,063,990
Current assets			
Accounts receivables		6,974	-
Investments in government debt securities	4	1,884,276	50,198
Funds placed in banks	5	10,497,727	16,732,791
Cash and cash equivalents	6	2,470,298	9,460,069
		14,859,275	26,243,058
Total assets		23,725,622	34,307,048
Liabilities			
Non-current liabilities			
Liabilities on compensations	7	102,912,893	23,694,770
Lease liabilities		33,651	-
		102,946,544	23,694,770
Current liabilities			
Liabilities on compensations	7	12,176,620	3,309,737
Lease liabilities		40,343	-
Accounts payables		9,129	-
		12,226,092	3,309,737
Net assets			
Revaluation reserve on securities measured at fair value through other comprehensive income	8	(29,979)	67,349
(Accumulated loss)/retained earnings		(91,417,035)	7,235,192
		(91,447,014)	7,302,541
Total liabilities and net assets		23,725,622	34,307,048

AUDIT 2021 – STATEMENT OF COMPREHENSIVE INCOME

In thousand drams	Note	Year ended 31 December 2021	Year ended 31 December 2020
Income			
Income from mandatory payments and donations	9	32,173,532	17,110,134
Finance income	10	1,841,151	2,424,133
Other income		240	650
		34,014,923	19,534,917
Expenses			
Compensation expenses		(123,280,125)	(28,233,882)
Employee benefits		(76,326)	-
Depreciation and amortization		(18,050)	-
Gain/(loss) from remeasurement of allowance on expected credit losses	11	51,881	(62,898)
Finance cost	12	(9,292,770)	(775,810)
Other expenses		(51,497)	(16)
Net loss from exchange differences		(263)	-
		(132,667,150)	(29,072,606)
		(98,652,227)	(9,537,689)
Result for the year			
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net loss from changes in fair value of securities measured at fair value through other comprehensive income		(89,886)	(91,086)
Changes in allowance on expected credit losses of securities measured at fair value through other comprehensive income		(7,442)	9,963
Other comprehensive loss for the year		(97,328)	(81,123)
Total comprehensive loss for the year		(98,749,555)	(9,618,812)

AUDIT 2021 – STATEMENT OF CHANGES IN NET ASSETS

In thousand drams	Revaluation reserve on securities measured at fair value through other comprehensive income	Retained earnings/ (accumulated loss)	Total
As of 1 January 2020	148,472	16,772,881	16,921,353
Result for the year	-	(9,537,689)	(9,537,689)
Other comprehensive loss for the year	(81,123)	-	(81,123)
Total comprehensive loss for the year	(81,123)	(9,537,689)	(9,618,812)
As of 31 December 2020	67,349	7,235,192	7,302,541
Result for the year	-	(98,652,227)	(98,652,227)
Other comprehensive loss for the year	(97,328)	-	(97,328)
Total comprehensive loss for the year	(97,328)	(98,652,227)	(98,749,555)
As of 31 December 2021	(29,979)	(91,417,035)	(91,447,014)

AUDIT 2021 - STATEMENT OF CASH FLOW

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2021
Cash flows from operating activities		
Received mandatory payments and donations	32,173,532	17,110,134
Provided compensations	(44,483,704)	(8,029,925)
Labor expenses	(50,870)	-
Other income	88	650
Other expenses	(95,041)	(16)
Net cash from/(used in) operating activities	(12,455,995)	9,080,843
Cash flows from investing activities		
Acquisition of property and equipment	(88,455)	-
Funds placed in banks	(12,825,000)	(14,345,914)
Investments in government debt securities	-	(198,346)
Repayment of funds placed in banks	15,770,000	12,447,777
Proceeds from redemption of investments in government debt securities.	-	300,000
Interest received from funds placed in banks and other financial institutions	2,323,286	1,886,366
Interest received from investments in government debt securities	285,500	290,500
Net cash from investing activities	5,465,331	380,383
Net increase/(decrease) in cash and cash equivalents	(6,990,664)	9,461,226
Foreign exchange effect on cash	(264)	-
Expected credit loss effect on cash and cash equivalents	1,157	(1,157)
Cash and cash equivalents at the beginning of the year	9,460,069	-
Cash and cash equivalents at the end of the year	2,470,298	9,460,069



**Insurance
Foundation
for Servicemen**

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SPREAD THE WORD ABOUT US

Spread the word about our mission and the work carried out.



SUPPORT US

Make your donation and support the soldiers and their families who made the ultimate sacrifice for Homeland.



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