

ANNUAL
REPORT

20
17

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Kosovo Pension Savings Trust



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Independent auditor's report
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KEY FACTS

PERFORMANCE	2017	2016
Share price at the end of the year	€1.4648	€1.3756
Share price increase during the year	6.5%	4.4%
Gross investment return for the year	€102,172,681	€64,120,284
Other returns for the year	€385,000	€440,000

ASSETS UNDER MANAGEMENT (AUM)

Net AUM at the end of the year	€1,634,648,056	€1,417,970,874
Increase in net AUM during the year	216,677,182	€188,637,546

CONTRIBUTIONS AND CONTRIBUTORS

Contributions received during the year	€159,757,519	€151,503,736
Contributions received since inception	€1,422,168,517	€1,262,410,998
Accounts opened during the year	49,688	34,018
Account-holders at the end of the year	591,527	541,923
Active contributors during the year	352,849	312,672

RETIREMENT	2017	2016
Newly withdrawn accounts during the year	5,173	4,445
Value of withdrawals for the year	€27,739,647	€19,208,575
Withdrawn accounts since inception	38,512	33,386
Value of withdrawals since inception	€119,472,467	€91,732,820

FEES AND EXPENSES

Investment / Operating fees during the year	0.393% / 0.081%	0.398% / 0.082%
Amount of fees charged for the year	€7,288,684	€6,323,013
Investment expenses for the year	€5,704,214	€4,780,644
Operating expenses for the year	€1,181,697	€1,216,569

UNALLOCATED CONTRIBUTIONS AND SERVICES

Unallocated contributions at the end of the year	€2,288,327	€9,445,896
Number of services provided during the year	143,218	85,135
Number of eTrusti accounts	79,867	62,471

All the figures in this Annual Report, including but not limited to: net or gross AUM, contributions for the year, changes in AUM; do not include contribution receivables in the amount €10.15m (2016: €9.53m).

INVESTMENTS IN 2017



[1]
The first investments in this fund - July 2017

NOTE: KPST cannot guarantee that the future performance of its investments will be the same as their past performance. KPST invests assets under its management with the aim of: first preserving the purchasing power of pension savings and second increasing their value further. However, all investments are subjected to a level of risk which varies depending on the returns sought. This is also true for investments of KPST which are subjected but not limited to a number of risks such as: currency risk, interest rate, credit risk, price risk, political risk, counter-party risk, liquidity risk, derivative risk, etc. More details about each risk and their relation to the invested funds are presented in the financial statements attached to this report.

ALLOCATION	VALUE OF INVESTMENTS ON 31 DECEMBER 2017	GROSS INVESTMENT RETURN FOR THE YEAR 2017
Vanguard Investment Series plc Global Stock Index Fund Euro hedged [ISIN: IE00B03HD316]	€368,189,871	€58,193,281
Nordea 1 Stable Return Fund [X] Euro [ISIN: LU0539147214]	€242,568,079	€10,311,077
Nordea 1 Global Stable Equity Fund [X] [ISIN: LU0257969260]	€146,966,855	€3,804,576
BNY Mellon Real Return Fund [X] [ISIN: IE00B504KX99]	€108,940,067	€3,113,730
AXA Global Inflation Linked Bonds [I] Eur [ISIN: LU0227145629]	€100,550,642	€1,234,152
Treasury securities The Government of the Republic of Kosovo	€95,045,140	€1,464,839
AXA Optimal Income I EUR [ISIN: LU0184635471]	€109,973,876	€5,213,420
Pictet High Dividend Selection - Z Euro [ISIN: LU0650147423]	€33,137,645	€1,359,578
Schroders Global Diversified Growth [I] [ISIN: LU0776411141]	€113,300,190	€6,427,772
Amundi Rendement Plus [I2] [ISIN: FRO011027283]	€86,295,734	€2,658,046
BNP Paribas - PDP Parvest Diversified Dynamic [I] [ISIN: LU0102035119]	€130,010,203	€8,035,218
Term deposits BKT, NLB, TEB and BPB	€50,579,411	€465,940
Schroders International Strategic Bond Euro Hedged [I] [ISIN: LU0201624265]	€10,275,294	€65,366
Amundi [1] 3M - [I] [ISIN: FRO00703813]	27,942,054	-€43,973
CBK and other receivables Interest expenses on cash at CBK	€21,759,812	-€130,341
TOTAL	€1,645,534,873	€102,172,681

INVESTMENTS

2017

The investment and risk unit became operational, and the volume of engagement in this area significantly increased. A money market investment fund was engaged.

Net return for the year was 6.5% and assets under management increased by 15.9%.

2016

Increased allocation to multi-asset funds which provided for stability in the face of strong market pressures. The number of engaged open-end funds reached 11.

Net performance for the year was 4.4% with assets under management increased by 15.2%.

2015

Investments in Kosovo reach a record high of €96m. A year of positive investment returns for KPST whilst the main global indexes were stuck in negative territory.

Net performance for the year was 2.3% with assets under management increasing by 13.0%.

2015

The attempts for the full digitalisation of the institution intensified. eTrusti accounts neared 50 thousand. A number of 3-year strategies are approved.

Unallocated contributions reduced to 0.9% of contributions received.

2016

Over 100 thousand statements sent by email. The number of eTrusti accounts reached 62,471. The number of banks offering the PWP service increased to four.

Unallocated contributions reduced to 0.75% of contributions received.

2017

There were 148 thousand statements sent by e-mail. The number of accounts in eTrusti reached just under 80 thousand and roughly 15 thousand contributors follow KPST in social networks.

Unallocated contributions were reduced to 0.18% of the contributions received.

ACRONYMS

ASSEMBLY	Assembly of the Republic of Kosovo
CBK	Central Bank of the Republic of Kosovo
DPD	Department for Production of Documents, Ministry of Internal Affairs
GOVERNMENT	Government of the Republic of Kosovo
GDP	Gross Domestic Product [as published by the Kosovo Agency of Statistics]
IFRS	International Financial Reporting Standards
KAS	Kosovo Agency of Statistics
KPST	Kosovo Pension Savings Trust
OECD	Organization for Economic Cooperation and Development
PWP	Phased Withdrawal Program [of pension savings]
TAK	Tax Administration of Kosovo

GLOSSARY OF TERMS

EQUITY - Financial instrument that provides ownership in a company, depending on the size of investment.

NOTES OR BONDS - Financial instrument issued by governments or corporations with a designated maturity limit which usually pays a coupon based on a fixed or flexible interest.

MULTI-ASSETS - Investment funds that have in their composition a mix of securities from core asset classes [equities, bonds and cash].

INVESTMENT RISK - Implies the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

BENCHMARK - A standard reference level of comparing and analysing the investment performance. KPST has set as benchmark Kosovo's Consumer Price Index [CPI], otherwise referred to as the rate of inflation in Kosovo.

DEFINED CONTRIBUTION - In a defined contribution plan, fixed contributions are paid into an individual account by employer and employee. The contributions are then invested and the returns on the investment [positive or negative] are credited to the individual's account. On retirement, the member's account is used to provide retirement benefits, usually through the purchase of an annuity which then provides a regular income.

THE LAST FIVE YEARS IN NUMBERS

50.3%

NET PENSION ASSETS

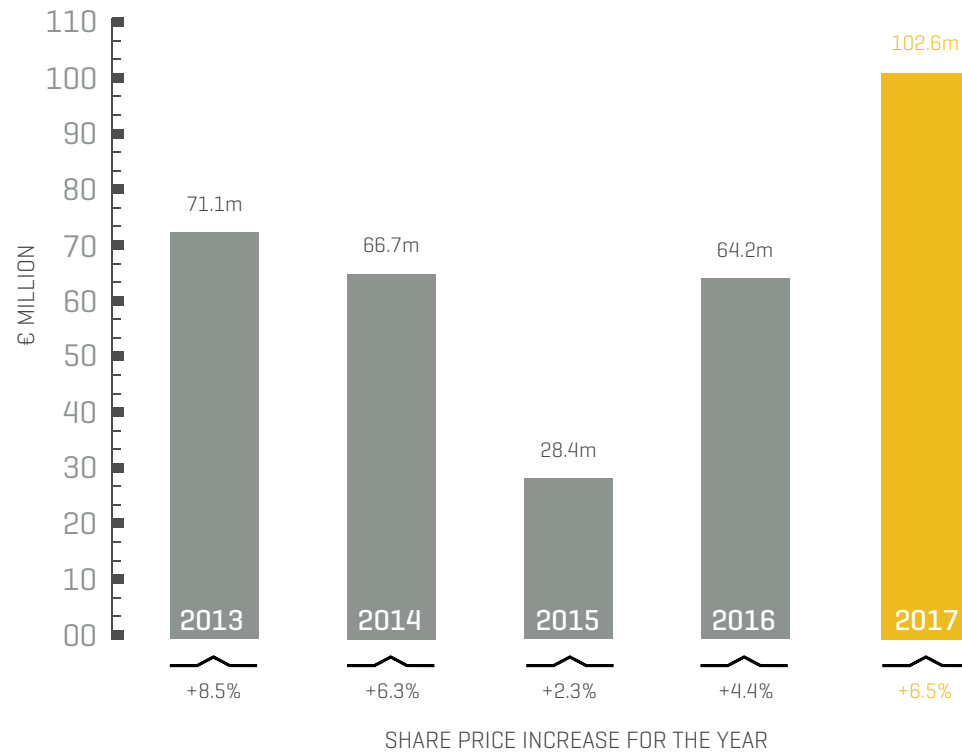
13.7%

SHARE PRICE

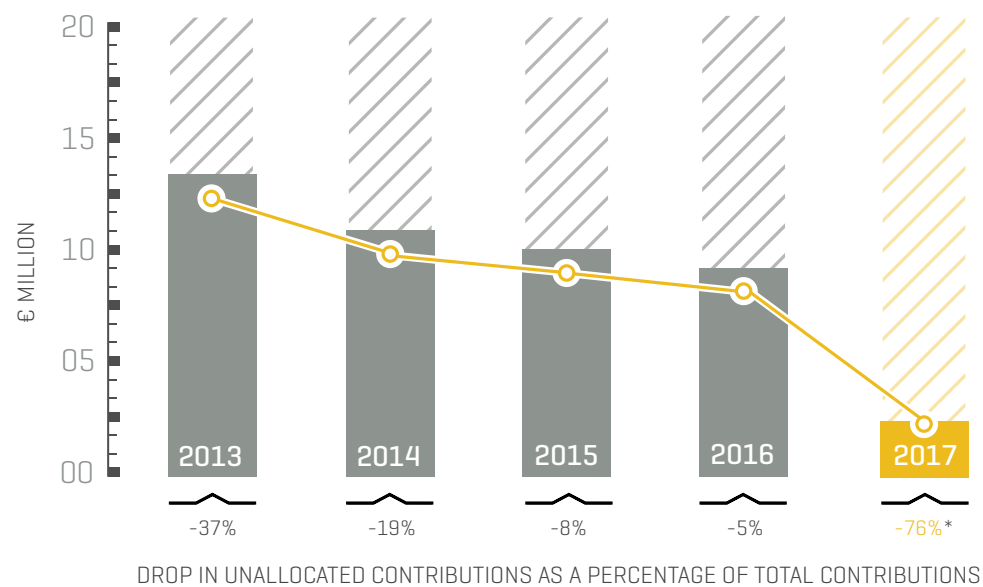
€305.2_m

GROSS RETURN

GROSS RETURN



CUMULATIVE UNALLOCATED CONTRIBUTIONS



*More information on this extraordinary fall in the unallocated contributions in 2017 can be found on page 45 of this Annual Report.

NUMBER OF ACCOUNT-HOLDERS AND ACTIVE CONTRIBUTORS

YEAR	TOTAL ACCOUNTS					ACTIVE CONTRIBUTORS				
	(A)	(B)	(B)/(A)	(C)	(C)/(A)	(D)	(E)	(E)/(D)	(F)	(F)/(D)
2013	447,259	319,987	71.5%	127,272	28.5%	277,305	195,799	70.6%	81,506	29.4%
2014	476,559	337,819	70.9%	138,740	29.1%	285,914	198,882	69.6%	87,032	30.4%
2015	507,963	356,990	70.3%	150,973	29.7%	297,466	205,380	69.0%	92,086	31.0%
2016	541,923	377,192	69.6%	164,371	30.4%	312,672	213,331	68.2%	99,341	31.8%
2017	591,527	406,815	68.8%	184,712	31.2%	352,849	238,005	67.5%	114,844	32.5%

NET AUM VS ANNUAL GDP OF KOSOVO

	2013	2014	2015	2016	2017
Net AUM	€913,182,738	€1,087,760,598	€1,229,333,328	€1,417,970,874	€1,634,648,056
GDP	€5,326,602,013	€5,567,500,000	€5,807,000,000	€6,070,200,000	€6,282,200,000*
Net AUM vs Kosovo GDP	17.1%	19.5%	21.2%	23.4%	26.0%

KPST NET AUM AT THE END OF 2017 REACHED

26.0%

OF GDP OF KOSOVO

*AS EVALUATED BY THE KOSOVO AGENCY OF STATISTICS.



ONLY

FOR THE

LONG RUN

MISSION AND AMBITION

Our mission is to invest pension savings and to administer the individual accounts of contributors until their retirement.

We strive to achieve our mission through prudent investment of assets and effective administrative processes.

Our ambition is to provide the best possible services for contributors and to be the most trusted institution in Kosovo. We strive to achieve our ambition through staff professionalism and integrity and institutional transparency.



JOINT FOREWORD FROM THE CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR

Dear reader,

It is our pleasure to address you through the 2017 Annual Report of the Kosovo Pension Savings Trust, being our most important publication. In the Annual Report, we disclose the most important pieces of information, data and outcomes on KPST's investments and operations for the respective year. KPST ended the year 2017 with record return on investment (in nominal terms) of €102.6 million. This investment performance was reflected in a net unit price increase of 6.5% for the year. This made KPST investments, for the 9th consecutive year, to move in a positive ground, thus accumulating a gross return amounting to € 464.8 million for the period 2009-2017 or with an increased unit price for about 70.2%.

During the year, on average 90.3% of assets under management were allocated to global financial markets, while the domestic exposure accounted for 9.7% (of which 2.4% in cash). Investments in global financial markets contributed 97.9% of gross returns, whereas domestic exposure contributed the remaining 2.1%.

This was a very active year regarding investment decisions. A new (money market) fund was engaged (Amundi 3M-I) which would provide an alternative to cash at the Central Bank; and in total the Board redeemed €283 million, and invested anew €359 million in global markets.

Apart from global markets, KPST placed a record amount of €125 million in Kosovo during the year. Out of these, it placed €30 million in time deposits in four domestic banks (BKT, TEB, NLB and BPB) and €75 million in the Treasury of Kosovo.

This entire activity, and performance, was developed in an investment front with low-fluctuation in markets, where economic growth in the US, the EU and Asia, together with the applicable financial facilities, encouraged investors to take more risk. However, the (growing) political tensions at the global level held financial markets at a high level of readiness.

In this case, the Governing Board estimates that the applicable KPST's investment strategy (since 2013) is demonstrating its role in yielding results from investments.

On the other hand, in operational terms, KPST marked an increase in collected contributions (up 5.4%, to €159.8 million) and in the number of active contributors for the year (up 12.8%, to 352.849). Whereas, until the end of the year the KPST's assets under management reached the equivalent of 26.0% of the national GDP (2016: 23.4%).

In day-to-day administrative activities, the operationalisation of the investment unit gave more depth and volume to analysis and reports in this area. This first successful step is planned to be followed by an increase in the number of professional staff within this unit, thus increasing KPST's responsibility and direct decision-making in investments.

At the same time, the Management continued to digitalise the internal processes, making eTrusti registration more easily, and enhanced electronic communication with contributors - following their preferred communication platforms. As a result of these actions, KPST will make full digitalisation of over 90% of internal processes. It practices electronic communication (via eTrusti or e-mail) for about 150,000 contributors and reached 15,000 followers on Facebook. In fact, the KPST already communicates electronically with about 30% of all unretired contributors. At the operational level, development of procurement activities through the Central Procurement Agency continued to remain a concern, since the improper staffing of CPA (to meet the needs of all independent agencies in time) is still affecting the KPST procurement processes effectiveness.

A new task of this year was the implementation of legal changes, whereby it was required to transfer to the Consolidated Budget of Kosovo the value of contributions that have remained unallocated for over 6 years. In doing so, KPST withdrew assets worth €10.0 million, which were comprised of €7.4 million in nominal contributions and €2.6 million in net investment gain.

In conclusion we would like to emphasise, that despite having a staff comprised of only 26 people, KPST is meeting all the challenges presented; be they AUM reaching close to €1.7 billion, contributors' accounts nearing 600 thousand, or the number of services it has had to provide growing to 150 thousand.

Therefore, both Governing Board and Management, are confident and satisfied that at all times, they are professionally, ethically and diligently, serving the best interests of its contributor base.



**YMER
HAVOLLI**
CHAIRMAN OF THE BOARD



**ADRIAN
ZALLI**
MANAGING DIRECTOR

FACE THE FUTURE
FEARLESSLY -
PLAN FOR IT!



ORGANISATION AND FINANCES

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ORGANISATION

KPST was established as the sole institution for managing and investing mandatory pension contributions of Kosovo employees, and for administering their individual pension savings accounts until their retirement.

KPST was established by Law in December 2001 as a not-for-profit institution. As such, the sole objective of KPST is to serve only the best interests of its contributors.

KPST became fully operational with a Board, Administration and processes in place, in August 2002. At that time the Administration numbered a staff of 22 and had only five units. Since then, the Administration has evolved organically to number 25 staff and eight units.

August 2002 was also the month when the first contributions from employees in the public sector started to be paid in. In 2003, the self-employed and employees from the private sector also joined the scheme.

The first investment of pension assets was made during 2003 in a money-market fund. This was followed with investments in indexed equities in 2004 and with investments in debt instruments in 2006. Investments were expanded further into multi-asset vehicles in 2010 and into risk targeted vehicles in 2011.

During 2014, multi-asset funds with managed/targeted risk as well as equity funds with dividend and managed risk, were added to the investment portfolio. The cash market portfolio was reintroduced in 2017 through the engagement of the Amundi - 3M I fund.

First investment in Kosovo happened in 2008 through bank deposits. The first investment in securities of the Government of Kosovo was made in 2012 through treasury bills. During 2014/2015, investments in bonds issued by the Government of Kosovo with a maturity of 2-5 years were also made. In 2017, for the first time, KPST invested in the seven-year bonds of the Government of the Republic of Kosovo.

THE GOVERNING BOARD

KPST is governed by the Governing Board, whose members are appointed by the Assembly as fiduciaries of pension assets.

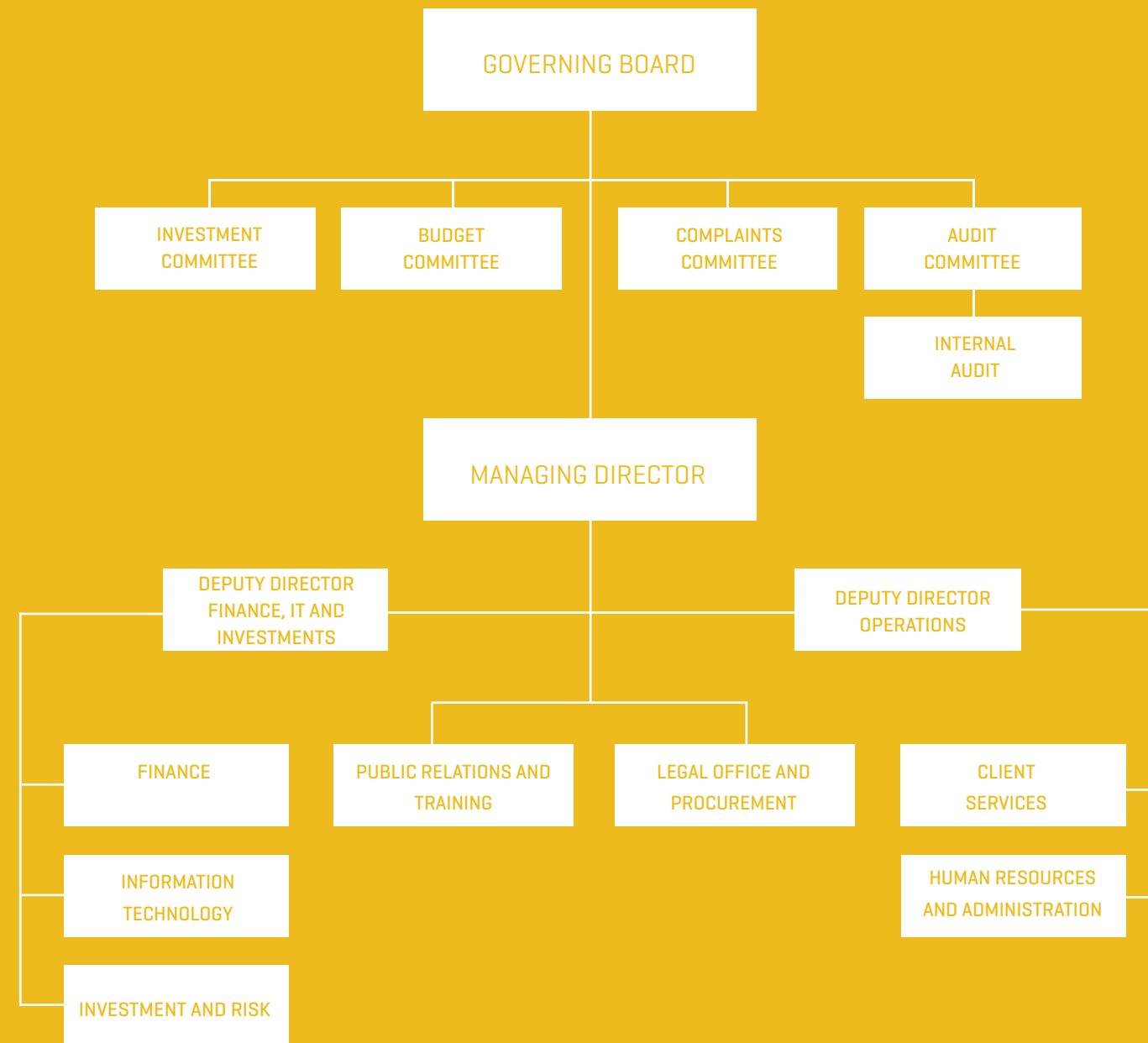
The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, and its subsequent amendments (with Law No. 04/L-168 and Law No. 05/L-116), provides for a detailed list of functions and responsibilities of KPST and its Board. The pension rules of CBK provide the secondary legislation in relation to the investment of pension assets, performance measurement, withdrawal of pension savings and reporting requirements for KPST.

The authority and responsibilities of the Board include, but are not limited to: the selection or removal of asset managers, custodians, open-end vehicles and other third parties; adopting principles and policy for the investment of pension assets; hiring of the executive personnel of KPST; approving financial statements of KPST.

The Board can have seven voting members and one non-voting member representing the Government.

Members with the right to vote must comprise of: at least five professional members with a minimum of ten years of experience in the field of investments or pension fund management; at least one member with relevant experience in representing the interests of Kosovo employees; and at least one member with relevant experience in representing the interests of Kosovo employers.

Having had a professional member position vacant since 2015, and the employer representative position vacant since the start August 2017, the Governing Board was completed in its entirety (voting members) in November 2017.



BOARD MEMBERS AT YEAR-END



PROF.DR. YMER HAVOLLI

Chairman of the Board and Chairman of the Budget Committee, and also member of Investment Committee

An associate professor at the University of Prishtina "Hasan Prishtina" in Kosovo, with PhD in economic sciences for HR Management.



MR. FREDERICK ARTESANI

Chairman of the Investment Committee and member of the Budget Committee

An economist and an Independent Financial Advisor with over 34 years of experience in financial markets.



MR.SC. RUZHDI MORINA

Chairman of the Complaints Committee and member of the Budget Committee

Master in Legal sciences in the international field. With long experience as Legal Advisor at the Union of Independent Syndicates of Kosovo.



MR. BEHXHET HALITI

Chairman of the Audit Committee and member of the Investment Committee

Economist graduated from the University of Prishtina. Since 2003 has been involved in drafting and implementing fiscal policies in Kosovo.



MR. JOLY DIXON

Member of the Investment Committee and member of the Audit Committee

An economist with a long experience in policy making. Around 30 years spent in the European Commission and has extended experience in fiscal policy. An honorary citizen of London.



MR. HAJDAR KORBI

Member of the Investment Committee and the Complaints Committee

Master of Science in Economics, Business Analysis at Staffordshire University in the United Kingdom, and over 10-year experience as a lecturer at the RIT Faculty in Kosovo.



MR. VALDRIN KASUMAJ

Member of the Investment Committee and the Complaints Committee

Member of the Audit Committee and the Complaints Committee Master of Science In Management & Informatics and Master of Science in Mechanical Engineering. Work experience at Kosovo Chamber of Commerce.

ROLE ON THE BOARD:

Professional

Professional

Employee representative

Professional

Professional

Professional

Employer representative

APPOINTED:

May 2009

October 2008

May 2009

December 2015

December 2015

November 2017

November 2017

CURRENT MANDATE:

Third

Third

Third

First

First

First

First

KPST'S INVESTMENT RELATED DECISION-MAKING PROCESS OF THE GOVERNING BOARD

THE RIGHTS AND RESPONSIBILITIES

KPST is governed by the Governing Board, whose members are appointed by the Assembly as fiduciaries of pension assets. The rights and responsibilities of the Board include but are not limited to: adopting principles and policy for the investment of pension assets; defining the strategic asset allocation for the funds of KPST as well as determining the nature and amounts of any changes in allocation, strategy and policy; the selection, monitoring and removal of open-end vehicles and of asset managers to implement the investment strategy and the established asset allocation; the selection of custodians and other third parties; hiring of the executive personnel of KPST; approving financial statements of KPST.

The primary duty of the Governing Board of KPST is to ensure that the assets are invested in a prudent manner consistent with the requirements of the Law and within the framework of its investment principles and policy. The Governing Board recognises that it has a fiduciary responsibility towards the participants and beneficiaries in KPST, and will only pursue policies which do not violate this responsibility.

INFORMING OF GOVERNING BOARD

KPST Management and Staff provides information on regular basis [daily or weekly - as applicable] to the Governing Board members on KPST's investment performance, on status of contributions received and assets not invested, on maturity of investments in Kosovo bonds and bank deposits, on allocation of investment by categories and investment strategies, and all this in light of maintaining the investment limits consistent with legislation in force.

ASSETS INVESTMENT

The Governing Board takes its fiduciary decisions with respect to investing all assets collected [and ongoing contributions]: for the withdrawal or the engagement of new investments in selected funds as per the established Investment Principles and Policy, subject to a detailed asset allocation as reflected in its investment matrix, for direct investments, including investments in Kosovo Government bonds and bank deposits.

The Governing Board, pursuant to analysis and information provided [through KPST staff and management, but also through professional Board members] issues decisions to add or remove investment from asset classes [shares, multi-assets, money market] by making the necessary balances in line with the analysis of each fund.

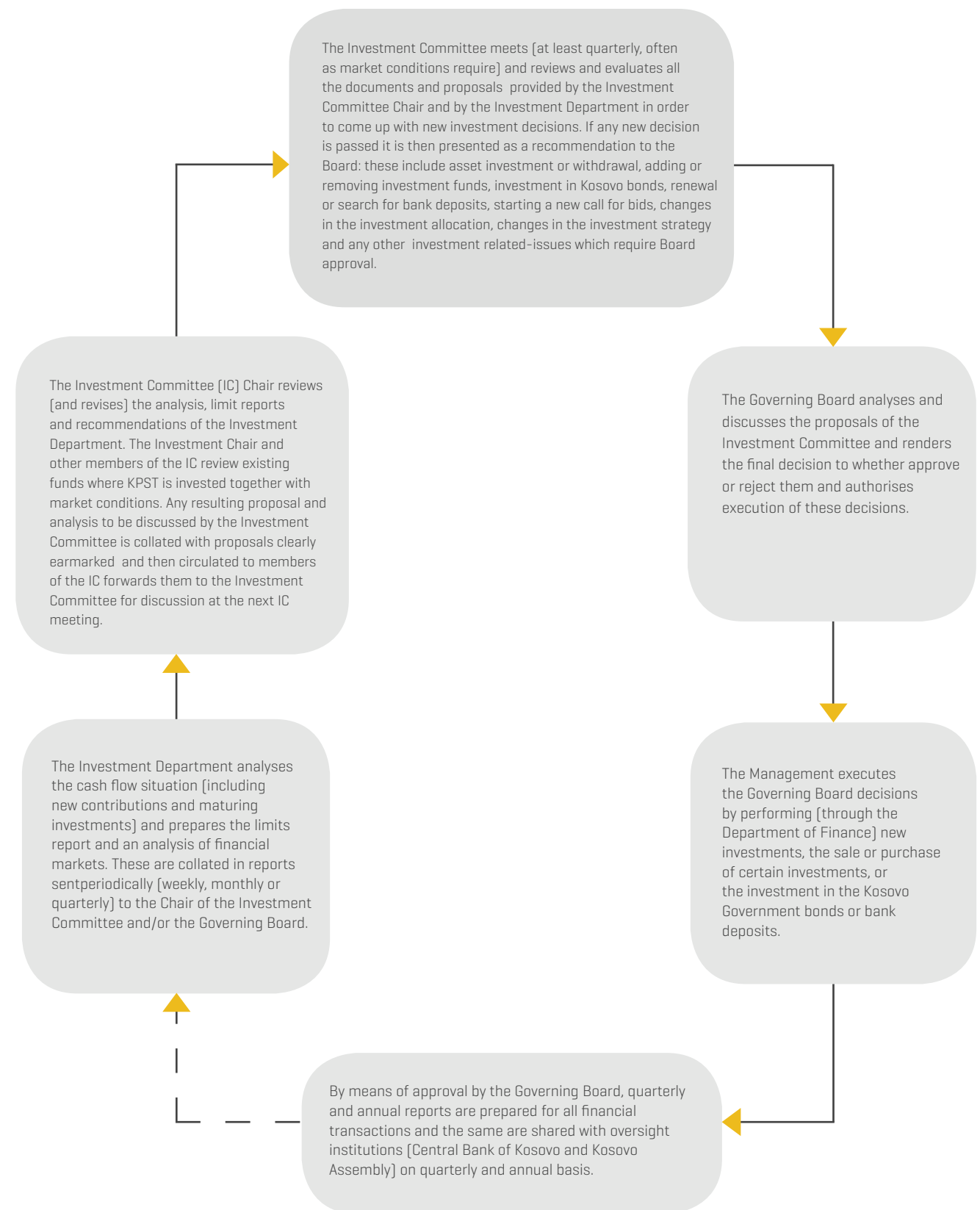
Board makes this decisions [thus balancing based on analysis] that the fund's investments being coherent with its stated strategy and aligned with the reasons for which it had been selected, its absolute and relative behaviour [both in return and risk], together with forecasts of macroeconomic variables, geopolitical variables and any other factors which can influence future fluctuations in the financial markets. Such decision-making follows the Investment Manual, which sets out a set of guiding principles and policies. Typically, throughout each year the Governing Board takes decisions related to increasing or decreasing different lines of investments, to the best of its knowledge and capacities, within its mandate and fiduciary responsibilities and always to ensure that the assets are invested in a prudent manner.

Prior to engaging any investment fund, there is a time-consuming process of selection [from the opening of the international call for bids to the detailed study and detailed interviewing of these funds] which includes: a detailed analysis of fund metrics and of investment indicators, as well as a detailed scrutiny of each fund's investing principles and methodology. Such a process typically requires the hiring of third party specialists at a non-negligible cost but in the case of KPST benefits from the qualifications and professional experience of its investment professional members to do it internally. On the other hand, investment in Kosovo [in bonds and bank deposits] is taken within the framework of the prevailing market conditions for sovereign fixed income instruments as well as an assessment of the relative risk of the issuer.

REPORTING AND TRANSPARENCY

The Governing Board publishes on the website all important decisions and those related asset investment, and on a daily basis the investment performance is published on website. The Governing Board forwards detailed quarterly and annual reports to oversight institutions. In addition, members of the Board hold direct meetings with members of functional committees of the Assembly of Kosovo, to present both the investment performance and the institution's needs for the fees it requires. The same applies for the approval of KPST's annual report. KPST through its Management or Board is expected to respond with transparency to all relevant media requests for information, disclosing in detail the KPST's performance and investment data.

INVESTMENT DECISION-MAKING CYCLE



GOVERNING BOARD COMMITTEES

Four permanent committees facilitate the functioning and decisionmaking of the Board.

THE INVESTMENT COMMITTEE

predominantly reviews the policies, principles and the investment strategy of pension assets, as well as the performance of investments and openend funds through which KPST invests its assets. The committee also reviews the compliance of investments with legal and regulatory requirements. The committee makes recommendations to the Board for the investment of pension assets.

CHAIRMAN:

Frederick Artesani

MEMBERS:

Ymer Havolli
Behxhet Haliti
Joly Dixon
Hajdar Korbi

MEETINGS HELD:

Five

THE AUDIT COMMITTEE

amongst many of its functions reviews regulator and auditor reports, and recommends to the Board the necessary action plan required to address findings and issues. The committee also reviews the adequacy of internal procedures and recommends changes if needed. The committee evaluates the audit plan for the internal audit function, reviews the criteria for the external auditor, and recommends their adoption to the Board.

Behxhet Haliti

Joly Dixon
Valdrin Kasumaj

Four

THE COMPLAINTS COMMITTEE

reviews contributor requests, claims and complaints addressed to the Board or KPST as a whole. The committee presents its recommendations to the Board and ensures that all cases are responded to within the legal timeframe and in accordance with legal dispositions in force.

CHAIRMAN:

Ruzhdi Morina

MEMBERS:

Hajdar Korbi
Valdrin Kasumaj

MEETINGS HELD:

Five

THE BUDGET COMMITTEE

reviews KPST budgetary needs and accordingly makes recommendations for the level of fees to be charged on pension assets. The committee also recommends to the Board for approval the budget of KPST, or changes to it when needed. The committee also reviews KPST expenditures versus the budget.

Ymer Havolli

Frederick Artesani
Ruzhdi Morina

Four

ADMINISTRATION

KPST Administration is led by the senior management consisting of the Managing Director and two deputy directors: one for finance, investment, risk and IT and the other for operations.

Management of KPST aims to engage efficient, professional and morally sound individuals, believing that only these qualities will lead to progress, a healthy work environment, and ultimately, to better services for contributors; while simultaneously preserving the institutional integrity of KPST.

In order to achieve these objectives, the Board and Management ensure that the current Administration continues to improve its knowledge and experience, continues to be highly motivated, and continues to put all its intellectual capacities and skill set to serving the advancing of internal processes and client services.

Administration is divided into functional units which ensure an effective and efficient workplace. Improvement of administrative processes, extending assistance to the Board in analysis for investments, as well as implementation of Board's decisions are the main duties of the Administration. The performance of the latter is continually overseen and reviewed by the Board, with its day-to-day running led by the Management.

Year 2017 ended with 24 permanent (regular) employees and one employee with a part-time employment contract (in 2016: 25 permanent employees and one part-time employee).

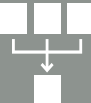



This year (due to emigration) two staff members left, a Procurement Officer and a Pension Officer respectively. While the Procurement Officer was largely replaced by transferring the procurement powers to the KPA, the Pension Officer has been replaced at the beginning of 2018.

KPST takes very seriously its nondiscriminatory obligations and is an equal opportunity employer.

Minority employees made up 8% of the workforce, or 9% of those who voluntarily declared their ethnic background.

Women represented 25% of the workforce, 84% were older than 35, and 4% had permanent disabilities.

With changes happen to staff members on 2017 the average age of employees at the end of the year was 43.4 years old (2016: 42.3 years old).

UNIT 	CLIENT SERVICES	INFORMATION TECHNOLOGY	FINANCE	INVESTMENT AND RISK	HUMAN RESOURCES AND ADMINISTRATION	LEGAL OFFICE AND PROCUREMENT	INTERNAL AUDIT	PUBLIC RELATIONS, TRAININGS, TRANSLATIONS
PERMANENT EMPLOYEES 	8	4	3	1	3	1	1	1
POSITIONS 	1 manager 6 pension advisors 1 receptionist	1 manager 1 programmer/developer 1 network administrator 1 database administrator	1 certified accountant 2 finance officers	1 investment and risk analyst	1 human resources officer 1 housekeeper 1 security officer	1 legal officer	1 internal auditor	1 public relations officer, coordinator for translations and trainings
DESCRIPTION 	<p>Offers client services. Provides information on individual's account such as pension contributions or the balance of savings, and also gives advice to clients on pensions and assistance in applications for the withdrawal of savings.</p> <p>Maintains a relationship with employers with the purpose of improving the information and allocating contributions to individual accounts. In general, staff of this unit are closest to the clients throughout their saving cycle, that is from their first contribution up to their retirement.</p>	<p>Ensure that the whole IT infrastructure operates smoothly and without issues at all times, looking after the hardware, software, licenses, internal and external networks and the security and integrity of KPST data.</p> <p>Ensure that the disaster recovery plan is actionable every day and that the plan is tested on regular basis.</p>	<p>Perform all financial transactions, including investing and redeeming funds in financial markets; bookkeeping and accounting for pension funds and KPST's operations.</p> <p>Calculate the daily share price and prepare financial statements, monthly and quarterly reports and other reports deemed necessary by the Board of KPST, the regulator and the Assembly. Additionally, liaise with fund managers.</p>	<p>Prepares analysis on: investments performance; risk and oscillation of investment portfolio; compliance of investments with the law; maintaining of Board's investment strategy, and updating the investment section at the website.</p>	<p>Ensure health and safety at work, the respect of work schedule and other office rules by staff, and handle the hiring procedures when needed. Responsible for the payroll and other compensation.</p> <p>Additionally responsible for overall office logistics such as: dealing with supplies, vehicles, maintenance and security of the office; support staff and the Governing Board members for training and other trips, in and outside the country.</p>	<p>The Legal Office examines the overall legality of the institution vis-à-vis applicable legislation and assists in drafting contracts and agreements; provides legal opinions and represents KPST in the judicial system.</p> <p>The Legal Office is currently conducting some of the activities previously performed by the Procurement Officer. However, the process of centralising procurement processes (in CPA) has reduced the workload of internal procurement activity, playing mainly the role of coordinator with CPA.</p>	<p>Assures the Board that management's activities and those of the Administration, and all the processes in KPST, comply with: internal procedures; CBK rules; and laws in force.</p> <p>Performs regular quarterly audits and provides recommendations to resolve issues raised. Auditor reports are reviewed by the Audit Committee and the Governing Board.</p>	<p>Maintains the relationship and handles the communication with the media and public institutions, interviews and conference activities, drafting of the annual report and the quarterly bulletin for contributors; manages the website content, and when delegated takes the role of KPST spokesperson; coordinates and facilitates the translation of the all the documents.</p>

SUPERVISION AND AUDIT

KPST is supervised and inspected by CBK, the regulator of pension funds, and reports to the Assembly, its establisher. It is audited by both internal and external auditors.

KPST, as an independent public institution, is subject to supervision by both public institutions and private professional audit firms. All the supervisions and financial controls subjected to, which have resulted in no serious findings (since the inception of KPST in 2002), have continued the confidence of the Board in the management.

Furthermore, the Board believes that these supervisions combined with the performance of investments, have strengthened institutional credibility and increased the confidence of the public in Board's decision making and management's work ethic.

The number of the audits and inspections, as well as their intervals, remained the same in 2017. In terms of reporting, KPST notifies quarterly the CBK, the Assembly and the Government on pension fund placements, new investments, return on investments and the reconciliation of pension assets. These reports are published in the website of KPST for the purpose of informing the public.

Apart from quarterly reports to the CBK on the compliance of investments with the law and CBK rules, with the request of CBK, KPST continued to submit monthly detailed reports to the supervision department of CBK in relation to all investment aspects and the overall state of pension assets.

Should KPST investments, due to movements in financial markets, happen to fall out of compliance with the law, KPST is obliged to notify the CBK and rectify the situation within 180 days. There was no such occurrences for the year 2017.

By May 31st of each year, KPST compiles the Annual Report for the previous year and submits it to the CBK, the Assembly and the Government, together with the Financial Statements audited by an independent auditor who can only be selected with the consent of the CBK. The annual reports are also published on the website.

During the year CBK finalised the inspection of KPST for 2016, where a vast number of documents was reviewed; from minutes of Board and Committee meetings to all other documents related to the administration. CBK normally performs two inspections of KPST during the year, the first an overall inspection and the second a focused one to check on the progress of recommendations, and reports its findings to the Board. However, during 2017 the CBK performed an overall inspection and concurrently conducted an IT inspection.

In case of serious findings CBK must also report those to the Assembly, which has not been necessary up to now. In addition to findings, CBK also makes recommendations to the Board.

KPST has an internal auditor who reports four times a year to the Audit Committee of the Board on all aspects of institution's activities.

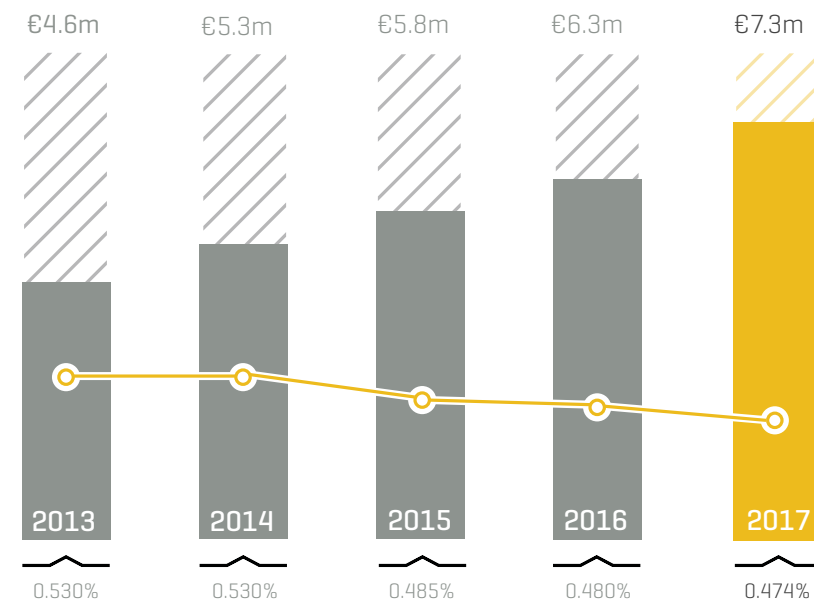
According to the Law No. 05/L-116 which amends and supplements the Law No. 04/L-101 on Pension funds of Kosovo, at least one member of the Audit Committee of the Board should be an external expert in the field of accounting or audit, and also independent from the Governing Board and the Management of KPST. This requirement was met in 2017, but the selected person withdrew from cooperation and KPST initiated a new selection process for this position by the end of 2017.

ISSUES AND RECOMMENDATIONS RAISED BY EXTERNAL AUDITOR AND INTERNAL AUDITOR FOR 2017 AND THEIR STATUS

	RECOMMENDATION	FOLLOW UP
EXTERNAL AUDITOR	<p><i>"We recommend to the Governing Board of KPST to put its efforts further to complete the Board with members in accordance with the Law [No. 04/L-101], and have 8 members of the Governing Board, one of whom should be a representative of the Government of Kosovo, with no voting rights and no compensation for this engagement."</i></p>	KPST informed the Government in relation to the vacante position of the Government Representative at the Governing Board of KPST.
	<p><i>"We recommend to the members of the Governing Board to draft and sign an annual declaration of non-affiliation and the same should be regularly updated on annual basis, as a good practice of corporate governance."</i></p>	The recommendation is accepted and will be reflected in the KPST's policies.
INTERNAL AUDITOR	<p>During the implementation of the "Paperless Office" policy, an application for internal electronic authorisation of transfers, operational expenditures and pension assets has been developed. A careful review of the entire authorisation process is required before the full implementation of this application.</p>	The Management has implemented the recommendation.
	<p>It is recommended that in the forthcoming testing for Disaster Recovery, the eTrusti website [a platform to access the account via internet] to be put out of operation due to safety reasons.</p>	The management will consider the recommendation.
	<p>It is recommended to define modalities for the return of unallocated assets for more than 6 years [according to the legislation in force] prior to their return to TAK.</p>	The management has submitted the recommendation for discussion to the Governing Board.

FINANCING

On average KPST charged its participants with operating fees of €0.18 per month



FEES CHARGED

ANNUAL FEE RATES

The annual fees charged on pension assets for 2017 reduced to a total of 0.474% of assets (2016: 0.480%). The investment fee decreased from 0.398% to 0.393%, while the operating fee from 0.082% to 0.081%.

In nominal terms, the fees charged on pension assets increased by 15.3% or €965,671 due to the increased assets under management.

Nevertheless the nominal increase in fees [by 15.3%] this year is below the growth rate of 15.9% of gross pension assets.

Revenues generated from charging fees equalled €7,288,684, of which €5,704,214 were designated to cover investment expenses, whereas €1,181,697 for operational ones.

Non-fee revenues of KPST for the year were €92,571 augmenting 2017 revenues of the KPST to €7,381,255, or 12.7% higher than the previous year (2016: € 6,550,952). Roughly 83.7% of non-fee revenues were revenues from other investments, and 16.3% were from refunds from erroneous paid contributions.

KPST is funded in a similar way as are all defined contribution pension funds i.e. by charging fees on assets under management [pension assets].

As a not-for-profit institution, fees charged by KPST should only cover its expenses. The level of fees, based on the recommendations of the Board, is approved by the Assembly; thereby providing the Assembly with an implicit degree of control on KPST spending.

As per changes within Law No. 04/L-168 the investment fee charged by KPST must cover expenses relating to the investment of pension assets; whereas the operating fee must cover all other expenses.

On average, the KPST charged the participants with an operational fee of €0.18 per month. Compared to 2016, KPST has reduced the fees charged [in percentage] for both investment and operational activities.

The annual operating fee of 0.081% charged by KPST continues to be the lowest in comparison to all similar operators in the region, and is also among the lowest globally.

On the other hand, the annual investment fee of 0.393% is not comparative the way it is applied to the other similar pension funds in the region and globally.

The standard treatment of investment expenses, in addition to the operating fee charged for the operations of the managing entity, is for investment expenses to be levied on the pension fund itself; i.e. investment expenses are treated as expenses of the fund and not as they are in Kosovo, where they are treated as expenses of the managing entity.

The current treatment results in discrepancies between what KPST charges as an investment fee [which must be evaluated and budgeted before the year starts], and actual expenses.

It should be noted that some of the Board activities associated with investments, such as interviews and selection of asset managers, are covered by operational fees.

Going back to the operating fee, which has cost account holders in 2017 an average of €2.20 for the year [2016: €2.04], has made it possible for participants and retirees of KPST to receive:

direct service at the office [service, counseling, information] every working day from 08:00 to 16:00;	1	notice by mail for retirement;	7
delivery of account statement at home or via e-mail;	2	free retirement application and no charges by KPST for bank transfers;	8
unlimited printing of account statements at KPST office or TAK regional offices;	3	free maintenance on accounts with local commercial banks for the phased withdrawal of savings;	9
complete maintenance of the pension savings account;	4	above average interest rate on savings in the phased withdrawal program;	10
standby backup servers in a different location;	5	the most advanced technological services in the pension sector in the region;	11
electronic service on-line access to personal pension account, and the service of direct communication through Facebook platform;	6	a portion of the investment costs [selection of asset managers, the Governing Board expenses etc.].	12

EXPENSES

KPST as the managing entity of the fund incurs expenses for the investment of pension assets and for its operations.

INVESTMENT EXPENSES

Investment expenses include: fees that fund managers withhold for access and asset investment in the financial markets; CBK fees for transfer of assets; and other expenses such as brokers and custodians of assets.

The Governing Board during the selection process of investment funds takes into account the fees that managers charge and managers that offer lower fees have priority during such selection.

Also it should be noted that fund managers charge different management fees depending on their investment strategies (active or passive) and amounts placed with them. For example assets invested up to €50m can have a different fee from assets above €50m with the same fund manager, since fund managers can give discounts for larger asset placements.

Investment expenses constituted 82.2% of total KPST expenses for the year (2016: 79.7%). In nominal terms they amounted to € 5,704,214 (2016: € 4,780,644) due to new record assets invested in global markets. In 2017, investments in financial markets amounted to average € 1,388m on during the year, or 11.5% more than in the previous year (2016: € 1,245m).

It should be noted that investment funds in financial markets charge around 1% in average for managing funds, whereas KPST through individual agreements and prudent selection has ensured that fees paid to investment funds - through which it invests its assets - to have the weighted average of around 0.393% of assets for the year 2017.

Investment expenses were closer to forecasts, being realised at 94.4% of revenues from planned investment fees (2016: 91.2%), resulting in a reduction of the surplus from investment activities in 2017 to be reduced to € 344.5 thousand (from € 458.5 thousand in 2016).

The higher performance of investment expenses (as planned) this year is related to the same structure (with just one new investment fund) of engaged investment funds and increase of revenues in line with forecasts.

The Governing Board, in 2017, decided that the surplus of € 385,000 from the investment fee activity should be refunded back to the contributors.

This way, KPST operates at the optimum of the fees charged. When the investment fee is assessed, in the coming year KPST aims to be as true and precise in evaluating the needs for the same.

However, it is extremely difficult to predict both the investment performance and the strategic allocation of assets for the coming year (due to external factors which can affect both markets and Board's investment decisions), which inevitably results in a surplus (or deficit) from investment activities.

Despite all this, the accuracy of budget planning in last three years was between 91 and 95% for forecasted investment expenses.

FEES CHARGED BY INVESTMENT FUNDS

Investment funds charge management fees for the investment of pension asset depending (and mainly) on products they offer and their position in the market.

Through the payment of these fees, in some cases, KPST has access to financial markets at a lower costs than it would if it were to invest directly. But, in all the cases, KPST benefits from the investment experts of the fund managers.

Active investment funds, which perform transactions, research and risk management on daily basis, tend to have higher expenses and thereby understandably charge higher fees.

Whereas passive investment funds, which follow a particular index in the market, have lower management fees in general, and in the case of KPST this is only the case with Vanguard - GSIF.

82.8%

2017

79.7%

2016

Open-end funds	2017		2016	
	Annual net fee rate	Fees charged	Annual net fee rate	Fees charged
Vanguard - GSIF	0.13%	€455,954	0.13%	€453,822
BNY Mellon - RRF	0.60%	€798,961	0.60%	€1,212,352
AXA - GILB	0.35%	€336,504	0.35%	€322,966
Schroder`s - SISF	0.50%	€51,528	0.50%	€91,476
Schroders - GDG	0.65%	€520,466	0.65%	€112,627
Nordea 1 - GSEF	0.43%	€747,430	0.43%	€510,394
Nordea 1 - SRF	0.56%	€1,342,831	0.56%	€1,142,434
KBI - IDEF	--	--	0.73%	€205,573
AXA - WFOI	0.55%	€428,939	0.55%	€306,265
Pictet - HDS	0.63%	€317,056	0.63%	€268,573
Tobam - ABWEF	--	--	0.60%	€22,321
BNP Paribas - PDP	0.65%	€527,705	0.65%	€63,702
Amundi - RPI2	0.20%	€119,881	0.20%	€6,587
Amundi - 3M [I]	0.045%-0.057%	€13,554	--	--
TOTAL FEES		€5,660,809		€4,719,092
Transfer and other fees by CBK		€34,449		€52,636
Brokers, custodians and pledges		€8,956		€8,916
TOTAL INVESTMENT EXPENDITURE		€5,704,214		€4,780,644

OPERATING EXPENSES

Operating expenses [1] include all other costs that are not direct investment expenses and consist of compensations, printing and mailing of account statements, office rent and other operating expenses. Additionally, operating expenses also include Governing Boards expenses, with investment decision-making being the most important of Board's activities.

For 2017, operational expenses amounted to € 1,181,697 (2016: € 1,216,569) constituting 17.2% of KPST's total expenditures (2016: 20.3%). Thus, the operational budget for goods and services was 94.9% realised (2016: 87.9%).

This expenses performance rate planned for operational activities is the highest in the last five years.

A role to reduced expenditures rate this year played the reduced costs for printing and delivering statements to the contributors, a vacant Board member position (11-month vacant), but also the reduction in overall office expenses.

Staff costs are presented without the staff training, travel, and other costs, as these costs are outlined in a separate budget line. This change is also reflected for 2016, but without affecting the total amount of operational costs.

As shown in the table, staff costs accounted for the most significant share of operational costs by 50.7% (2016: 46.1%). Followed by expenditures of the Board with 13.7% (slightly reduced from 14.1% as it was in 2016), as well as the costs for printing and delivery of annual statements to contributors by 11.2% (with a slight decrease in nominal value compared to 2016).

In addition, other budget lines did not have any significant changes to highlight. It is understood, due to higher budget (in total) in 2017, the change in percentage is not directly reflected in the change in nominal value compared to 2016. Details for each budget line are given in the table on page 38, whereas additional explanations are available in attached financial statements.



2017

17.2%



2016

20.3%

[1]

For more information please refer to the audited financial statements, which, as required by the Law, are prepared in compliance with International Financial Reporting Standards.

OPERATING EXPENSES

	2017		2016	
Staff costs	€598,973	50.7%	€560,235	46.1%
Governing Board expenses	€161,879	13.7%	€171,744	14.1%
Account statements and correspondence for beneficiaries	€132,598	11.2%	€134,969	11.1%
Office operating expenses	€79,845	6.8%	€82,954	6.8%
Depreciation and amortisation	€71,279	6.0%	€129,952	10.7%
Software maintenance	€57,358	4.9%	€57,145	4.7%
CBK supervision charges	€18,670	1.6%	€16,258	1.3%
Training, travel and other staff expenses	€13,600	1.2%	€15,437	1.3%
External audit	€9,050	0.8%	€10,100	0.8%
Communication	€8,973	0.8%	€7,760	0.6%
Public education and advertising	€7,530	0.6%	€11,491	0.9%
Disaster recovery - rent and other associated costs	€6,600	0.6%	€550	0.0%
Professional services/Contractors/Consultants	€2,968	0.3%	€6,011	0.5%
Bank charges	€2,138	0.2%	€2,746	0.2%
Meetings and conferences	€756	0.1%	€2,602	0.2%
Other costs	€9,480	0.8%	€6,615	0.5%
TOTAL OPERATIONAL EXPENDITURE	€1,181,697	100%	€1,216,569	100%



ACTIVITIES

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THE BOARD

ACTIVITIES

Until 30 November 2017, the Board consisted of 6 members (with a vacant position since January 2015), whereas, following this date the Board had no vacant positions. Namely: five professional positions and two representative positions.

The Board's focus was on maintaining sound investments and has reviewed on regular basis the performance of each investment fund and the compliance of investments with legislation in force. The Board has also fine tuned the investment manual document and the investment strategy based on expectations for the developments in financial markets.

This year (July 2017), the Board added a new fund, Amundi 3 M, which invests in the cash market with a view to providing an alternative to a cash account at CBK. In addition, the Board during this year decided to increase investment in current funds in the amount of €359 million and withdrew €283 million from open-end funds. These actions were part of the periodic rebalancing that the Board undertakes to better align investment policy with market movements forecast.

While the issuance of long-term maturity bonds (up to 7 years) from the Government of the Republic of Kosovo, same time associated with higher interest rates, prompted the Board to increase investment in this instrument, by placing €75 million new investments. Thus, at the end of 2017, KPST had in total about €95 million of investments placed in the bonds of the Government of Kosovo.

This year, the Board significantly increased the allocations to bank deposits in Kosovo, thus reaching over €50 million at the end of the year (from about €20 million a year earlier). All this is due to the increase of interest of domestic banks and under favourable terms. As every year, Board members held several meetings with Kosovo Assembly and Central Bank of Kosovo. It also held meetings, visits and consultations with asset managers to ensure that the investment and investment decisionmaking are appropriate.

All the while, all of the Board's committees have, on regular basis and when necessary, addressed in all aspects investment, budget, audit, complaints, and other issues.

MENAXHMENTI

In addition to providing assistance to the Board and implementing its decisions, the management ensured that all daily processes (operations) of KPST function without interruption. These meant the safekeeping of contributor data, offering services of high professional service standards, and the timely payment of withdrawals upon retirement.

The management ensured that periodic reports, including the annual report, were sent to overseeing and other institutions on regular basis or whenever required, and that the investment of funds is realised accurately, and the communication with fund managers is performed in a correct and professional manner.

At the same time, it was ensured that the on-line service eTrusti which numbers around 80 thousand users, and the KPST website, were functioning 24 hours a day; for contributors to be informed about the balance on their accounts whenever they need it; for the communication with the public and third parties to be available every working day.

Above all, the management has ensured that all financial transactions are in full compliance with regulations, laws and standards in force, and that any decision or action is in line with legislation and/or the interest of participants.

During the year the management was focused on: a) professional support to investment decision-making of the Board (within and outside the country); b) a new investment fund selection process; c) Investment and Risk Department operationalisation; d) preparing awareness and information campaigns on social networks; e) increasing the number of accounts in eTrusti, in order to reduce the cost and facilitate communication with contributors; f) supporting the processes for increasing investments in banks operating in Kosovo; e) further improving of internal information technology and digitalisation; g) treating unallocated contributors accounts due to the lack of [accurate] reporting data by employers; and h) meeting all CBK and external auditor requirements for the entire operational chain of the institution.



2017

9.6

THE AVERAGE NUMBER OF MONTHS FOR WHICH EMPLOYERS PAID CONTRIBUTIONS

2016: 9.6



2016

3.4

THE AVERAGE NUMBER OF QUARTERS FOR WHICH THE SELF-EMPLOYED PAID CONTRIBUTIONS

2016: 3.4

ACCOUNT MANAGEMENT

Around account statements were sent by e-mail.

In the 2017 cycle 387,869 statements were sent, out of which 280,198 via regular mail and 146,884 by e-mail (2016: 278,430 via mail and 109,439 via e-mail). Even though this year the number of new accounts increased by about 50,000, KPST amortised this increase by increasing the number of accounts in eTrusti and the number of statements delivered via e-mail (by 47 thousand). Also from the distribution list were removed account statements that had no transactions in the last three years. The number of contributors for whom KPST did not have a physical or e-mail address was 10,417 (2016: 15,927) and statements for them were not sent out.

Due to the retirement (or death) of contributors, 5,173 accounts were "withdrawn" during 2017 (2016: 4,445).

The total number of withdrawn accounts reached 38,512. Account statements also don't get sent for this category of account-holders. KPST opened 49,688 new individual accounts (2016: 34,018) bringing the total number of accounts opened since establishment to 591,527. Out of the number of accounts opened during the year, first-time contributors numbered 47,612 were for initial contributors, i.e. participants who started contributing in 2017, with the rest being cases of contributions for prior years for which KPST received either the payment or the information in 2017. During the year there were 28,685 employers and 29,787 self-employed who had paid contributions for the reporting year (2016: 27,051 and respectively 30,974).

In addition, there were 3,798 employers and 4,472 self-employed who paid contributions who paid contributions for prior years only (2016: 3,741 respectively 4,774).

In total, for 2017, there were 3.62 million transactions posted to participant's accounts and over 741 thousand to employer accounts (2016: 3.15 million, respectively 494 thousand). Included in transactions to employer accounts are 37,898 (2016: 60,127) for refunding of: a) contributions paid in error or over payments; and b) fines to TAK.

For clarity, fines include fines and interests levied by TAK on employers (and the selfemployed) for delays in settlement, or the incorrect reporting, of pension contribution liabilities - and which are subsequently paid by the employer together with pension contributions.

The refund transactions in 95% of cases were overpayments (transactions) made by employers during the same year, i.e. during 2016. In 2016, the same accounted for 56% of cases, while in 2015 they accounted for 95%. On average employers declared and paid for 9.6 (or 80% of) months of 2017, as the year before; and self-employed for 3.4 (or 85%) quarters of 2017, as a year before.



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CONTRIBUTION ALLOCATION

Unallocated contributions reduced to 0.18% of all the contributions collected.

This year KPST commenced with implementation of the legal amendments authorising liquidation of contributions that had remained unallocated for at least 6 years. For these assets, the KPST exhausted the possibilities of obtaining information for several reasons: employers had not retained individual payment information or had paid using incorrect information; businesses have closed down or changed their activity, and/or have erroneously paid taxes and fines as pension contributions.

Nevertheless, it is worth reiterating that even after the transfer of these assets from the KPST, the applicable law provides for the rights of contributors to be reimbursed with the contribution amount whenever they provide information on these contributions, by also adding the average of the return from KPST's investments for the period from the moment of their transfer to TAK.

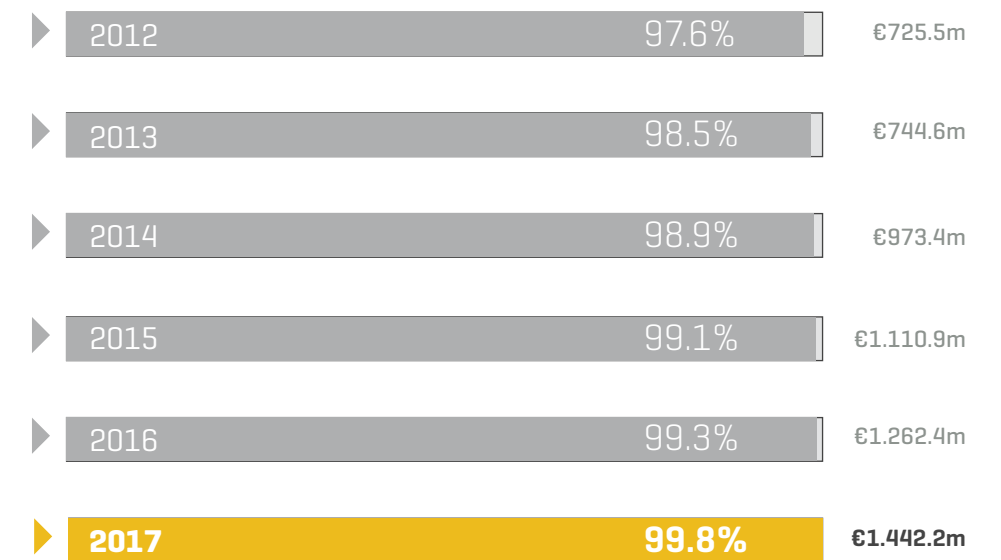
KPST liquidated the first amount at the end of 2017 and the end of September was taken as a cut-off date for contributions over 6 years. From this process, €7.03 million contributions were returned to TAK, and together with the return on investments the returned amount reached €9.98 million. After the transfer of these assets, in KPST remained only 0.16% of assets unallocated for the period under 6 years (or €2.29 million in contributions).

However, the KPST staff continued to engage in the allocation of assets for periods less than 6 years, especially in finding information on annual payments.

For this year, the Board had set only the annual target, which was no more than 0.20% of the assets remained unallocated for the year, and the staff reached and exceeded this target (0.17%). Reasons and amounts for contributions remaining unallocated were: a) €1.36 million due to employers not submitting contribution reports; b) €0.68 million due to payments not matching contribution reports; c) €0.02 million due to payments for which the employer was not identified; and d) €0.23 million due to incorrect reporting of contributor's ID and/or name (2016 namely €6.12 million, €2.17 million, €0.64 million, and €0.52 million).

A concern for this year was the fact that it is significantly increased (almost 3 times) the amount of unallocated contributions due to errors in personal number or in name at the time of reporting, despite that expressed in amount this is very low (about €77 thousand). KPST has repeatedly demanded that employers be hampered to the maximum of the possibility of reporting contributions with errors in names or personal number, by utilising the data of the Civil Registration Agency, and the increase in this figure only adds to the need for this measure.

CUMULATIVE CONTRIBUTIONS RECONCILED AND COLLECTED



CLIENT SERVICES

549 services offered daily.

The total number of services offered during 2017 for individuals and employers from the KPST office was 143,218. This represents a 68% increase in comparison to 85,135 services provided during 2016. On average 549 services and consultations were provided every working day [2016: 326 services].

The number of account statements printed [free of charge] for walk-in visitors was 76,555. With 54%, this continues to be the most frequent service offered by KPST. Visits have increased primarily as foreign embassies, which consider account statements issued by KPST as one of the proofs of employment, still require these statements as part of the standard documentation visa applicants must submit.

A limited number of KPST services are also offered at regional TAK offices, through its pension officers. Services offered there, which also consisted predominantly of printing accounts statements, numbered 8,617 [2016: 42,298]. KPST continually cooperates with the regional TAK offices and supports them in various forms, including providing training and consultations to pension officers to offer best services to contributors.

Other integral services offered by the staff of KPST were: a) 24,935 retirement notifications; b) authorised 17,511 requests to access the eTrusti portal; c) modified 5,617 contributor addresses; d) approved 4,759 applications for withdrawal of savings; dhe e) over 6 thousand contact details updated.

KPST continues to treat eTrusti with priority. The number of eTrusti accounts during 2017 rose by 28% to 79,867 [2016: 62,471], which constitutes 14% of KPST account-holders [2016: 12%]. The utilisation of social networks contributed mostly to this increase.

The eTrusti portal enables participants to have free and easy access to their savings account, and enables KPST to continually improve services, lower costs and achieve a higher degree of transparency.

The services offered in the on-line portal are numerous. Users of eTrusti can check their account balance and transactions, and unlike many ordinary on-line services. In it participants can check on the balance of their account, daily unit price, unit balance, all their contributions from every employer since opening the account; and in addition can post questions to KPST staff.

In total, participants were serviced with 162,390 services [2016: 137,731], or 18% more than in the previous year. Of these 88% were provided through the KPST office, 5% through TAK pension officers and 7% were participants' selfservices through eTrusti.

ACCOUNT STATEMENTS PRINTED IN KPST OFFICE

76,555

TOTAL SERVICES OFFERED FROM THE OFFICE FOR CONTRIBUTORS AND EMPLOYERS

2017
143,218
2016
85,135

NUMBER OF ACCOUNTS IN e-TRUSTI

▲ 28%

INVESTMENT OF PENSION ASSETS

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54 Asset allocation

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57 Main issues

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59-60 Investment performance

Safety of pension assets, diversification of investments, maximum return for the level of risk taken and the maintenance of appropriate liquidity are the core of prudent investment principles of KPST.

KPST UNIT PRICE SINCE INCEPTION



INVESTMENT PRINCIPLES AND POLICY

KPST continued to fully adhere to the Statement of Investment Principles (SIP) and the Investment Policy Guideline (IPG) basis of which were set back in 2014. The SIP is based on main long-term investment goal of KPST, which is: first to preserve and secondly to increase the contributors' capital in both nominal and real terms.

The SIP sets the Consumer Price Index in Kosovo as a benchmark against which the performance of KPST investments is to be measured.

The IPG, recognising there ought to be a balance between contributors who are close to retirement and those who are not, calls for a policy which contains a reasonable and not excessive allocation to long-term instruments from which the expected return and volatility are higher, such as equities; this in turn should be combined with a greater allocation to investments with expected lower volatility and more stable returns than equities.

With an increased emphasis on risk, the objective of the IPG is to offer more protection in downward markets, yet to reap the rewards when markets go upwards. This goal was achieved also in 2017, when financial market were in pace of grow, and in the investment portfolio of KPST, even though conservative, resulted in a solid increase of the unit price by more than 6%.

The Board has reviewed the strategic allocation and its limits every quarter, the compliance of allocations with the limits for asset classes or the investment strategy adopted by open-end fund managers.

At the same time, through careful analysis, KPST investments were verified if they meet all the provisions of the Law on Pension Funds of Kosovo.

The current investment policy is based on a combination of: a) asset classes - i.e. financial instruments of direct investments as well as those of indirect investments held through open-end funds; and b) investment strategy adopted by individual open-end funds. Each combination of asset classes and strategies has minimum and maximum of investments allowed in them.

It should be emphasised that KPST is using all legal options and financial potential of Kosovo for investing pension funds, and currently there are only two options: investing in Treasury securities and bank deposits. The table below shows the combination of asset classes and respective strategies, actual allocations as of December 31, 2017 as well as respective limits in force on that day as set by the Governing Board.

ASSET CLASS	STRATEGY	ACTUAL ALLOCATION	LIMITS
Cash/Kosovo T-bills/Deposits	Interest bearing	8.7%	1%-12%
Kosovo T-bonds	Interest bearing	3.3%	0%-9%
Debt Instruments	Directional	6.7%	4%-25%
Multi-assets	Managed/Targeted risk; Absolute return	48.0%	25%-55%
Equities	Dividend	2.0%	0%-8%
Equities	Managed/Targeted risk; Absolute return	8.9%	7%-13%
Equities	Directional	22.4%	20%-35%

Multi-asset funds mean funds that contain both equity and debt instruments of governments and global corporations such as e.g. bonds.

When it comes to the investment strategy, risk managed funds set placements through derivatives (such as futures - agreements for executing financial instruments in the future with a redetermined date and price), in order to protect from markets going into an unwanted direction.

Funds with risk targeting determine a risk level (target) for the volatility of the investment portfolio and on regular basis reallocate assets to restore the expected volatility to that established level of risk.

Absolute return funds aim to select stocks and debt instruments with the perceived greatest potential to generate positive returns, under the general belief that the lower volatility of debt instruments will itself counterbalance the volatility of stocks and reduce the overall risk.

Funds with a dividend investment strategy select in their portfolio only stocks of corporations with regular and stable dividend payments. The "Interest income" is supposed to include direct placements in interest-bearing instruments, such as term deposits and Kosovo debt securities.

The information as to where each direct placement of KPST falls, is provided in the next page.

HISTORICAL ANALYSES
ARE IMPORTANT,
BUT
THE CHALLENGE IS
HOW TO PREDICT
THE FUTURE



ASSET ALLOCATION

€145.6m was the value of investments in Kosovo: in government debt securities and term deposits.

KPST closed 2017 with AUM of €1,634.7 million, which were distributed as follows: €1,478.1 million were invested in financial markets through open-end funds (2016: €1,303.7 million); €95.0 million were invested in debt securities of Kosovo (2016: €78.7 million); €50.6 million were placed in term deposits with BKT, NLB, TEB and BPB banks (2016: €20.0 million BKT, BpB and TEB); whereas €13.7 million were not invested, deposited in CBK (2016: €15.9 million).

During the year, the Board took 13 decisions to withdraw or add of assets from/to investment funds. Most of these decisions aimed at rebalancing, amounting to an absolute total of €542.5 million. The Board subscribed to a new fund, Amundi 3M-I, as a money-market fund. Initially €100 million were placed with this fund, but the year ended with €28 million in this fund.

Generally, the Board of Directors also in this year vested more weight to multi-asset investments (with risk management and absolute return) while lowering the weight of investments in equity. Consequently, at the end of 2017 investment in multi-assets amounted to 53.5% (from 41.1% in the previous year). This balancing on investment funds accounted for the concentration of KPST assets in equity to decrease to 37.1%, from 44.0% in the previous year.

These decisions were intended to further reduce the potential risk from investing in equity market, where achieving new growth rates added the risk of [expected] correction of their value.

During 2017 investments in the amount of matured €60.0 million in the Treasury of Kosovo, while the Board added €74.9 million in new investments. At the end of the year, investments in this instrument were €95.0 million, accounting for 5.8% of total investments, marking an increase compared to the previous year (5.6%). With an average investment of 5.2% allocated for the whole year, investments in the Treasury of Kosovo contributed on average 2.9% to the total investment performance.

Despite the will of the Governing Board for more investment in the country, this type of investment continued to have very low rates of return on investment. Meanwhile, time deposits in local banks, amounting to €20 million at the end of 2016, which matured during the year, were replaced by the Board with fresh 162 yea deposits of €50.4 million in four banks: BKT (€17.1 million); BPB (€8.8 million); TEB (€11.9 million) and NLB (€12.7 million).

On average for the year, these allocations accounted for 2.2% of the total investment and contributed 2.6% on average to overall investment performance. In total, the Board invested €360 million, attracted €283 million and matured €80 million investment, which makes this year very active in terms of the Board's decision-making on circulation of funds inside and outside the country.

INVESTMENT	ASSET CLASS / STRATEGY	ASSETS (million)	ALLOCATION
Vanguard - Global Stock Index Fund	Equities / Directional	€368.2	22.7%
Nordea 1 - Stable Return Fund	Multi-assets / Managed risk	€242.6	14.9%
Nordea 1 - Global Stable Equity Fund Unhedged	Equities / Managed risk	€147.0	9.1%
BNY Mellon - Real Return Fund	Multi-assets / Absolute return	€108.9	6.7%
AXA - Global Inflation Linked Bonds Fund	Debt instruments / Directional	€100.6	6.2%
AXA - World Fund Optimal Income	Multi-assets / Absolute return	€110.0	6.8%
Pictet - High Dividend Selection	Equities / Dividend	€33.1	2.0%
Schroders - Global Diversified Growth Fund	Multi-assets / Managed risk	€113.3	7.0%
Amundi - Amundi Rendement Plus I2	Multi-assets / Managed risk	€86.3	5.3%
BNP Paribas IP - Parvest Diversified Dynamic	Multi-assets / Managed risk	€130.0	8.0%
Schroders - International Strategic Bond Fund	Debt instruments / Directional	€10.3	0.6%
Amundi - 3 M I	Money market	€27.9	1.7%
Kosovo Treasury	Kosovo T-bills / Interest income	€40.7	2.5%
Kosovo Treasury	Kosovo T-bonds / Interest income	€54.3	3.3%
BKT, NLB, BpB and TEB	Deposits / Interest income	€50.6	3.1%
TOTAL INVESTED ASSETS		€1,623.8	100.0%
Uninvested assets (assets in CBK and money market in transition)		€21.8	

Note: More details for each investment fund are presented in the financial statements attached as appendix 7 and 8 of this report.

EUROPE
€849,218,588
52.30%

AMERICAS
€610,364,451
37.59%

ASIA
€127,512,518
7.85%

OCEANIA
€33,821,152
2.08%

AFRICA
€2,858,353
0.18%



NO.	COUNTRY	%	ASSETS
1.	USA	33.70%	547,304,591
2.	Kosovo	8.97%	145,624,553
3.	United Kingdom	6.97%	113,175,542
4.	France	6.72%	109,103,806
5.	Luxembourg	6.03%	97,825,177
6.	Japan	4.50%	73,019,651
7.	Germany	4.43%	71,876,152
8.	Italy	3.75%	60,955,398
9.	Switzerland	2.51%	40,730,848
10.	Canada	2.47%	40,114,825
11.	Holandë	2.43%	39,439,270
12.	Danimarkë	2.36%	38,268,468
13.	Spain	2.19%	35,575,951
14.	Irland	2.13%	34,600,925
15.	Australia	1.82%	29,524,516
16.	Sweden	0.98%	15,849,247
17.	India	0.69%	11,211,798
18.	Hong Kong	0.61%	9,968,314
19.	South Korea	0.56%	9,123,811
20.	Jersey	0.55%	8,919,315
21.	China	0.50%	8,160,418
22.	Norway	0.49%	7,957,715
23.	Belgium	0.42%	6,805,156
24.	Mexico	0.40%	6,554,155
25.	Singapour	0.38%	6,172,020
26.	Portugal	0.35%	5,740,880
27.	Austria	0.32%	5,202,572
28.	Finland	0.32%	5,174,419
29.	Cayman Islands	0.31%	5,055,517
30.	Brazil	0.30%	4,951,816
31.	New Zealand	0.26%	4,296,636
32.	Taiwan	0.19%	3,125,917
33.	Bermuda	0.19%	3,041,038
34.	Thailand	0.18%	2,934,442
35.	South Africa	0.15%	2,489,946
36.	Indonesia	0.13%	2,085,436
37.	Tukey	0.12%	1,902,606
38.	Poland	0.08%	1,236,769
39.	Malaysia	0.07%	1,208,652
40.	Israel	0.07%	1,116,194
	Others	0.39%	6,332,723

Assets invested through open-end funds are invested through managers of these funds in equities, debt instruments, cash/ money markets and other corporate and sovereign financial instruments. At the end of year KPST had direct and indirect investments in financial instruments through 2,134 issuers globally (2016: 2,086). The asset allocation by country on reporting date is presented in tabular form as well as according to their global spread.

NOTE: Cash assets and funds with CBK were not included in calculations.

MAIN ISSUERS

KOSOVO TREASURY TOPS THE LIST

The list of Top 25 issuers (out of a total of 2,134) is provided below. KPST is primarily exposed to such issuers indirectly, via open-end funds, whereas placements to Kosovo Treasuries and term deposits (with local banks) are direct placements.

The Treasury of Kosovo leads this year the list of top individual investments with increase of 5.78% of allocated assets having been 5.55% last year. US Treasury ranked second (with 5.68%) having been 8.34% of assets from the previous year.

Legal limits require that KPST does not exceed placing: a) more than 30% in Kosovo Treasury; b) more than 20% of debt securities of a single issuer rated AA or higher; c) 10% in bonds rated A or higher; d) 5% in bonds rated BBB or lower; e) no more than 5% of the assets in a single issuer of equity; and f) up to 1% in bonds rated BB+ or lower. KPST did not exceed any of these limits for investments in a single issuer on 31 December 2017.

ISSUER	ASSETS (million)	ASSET ALLOCATION
1. Kosovo Treasury	€95.05	5.78%
2. US Treasury	€93.47	5.68%
3. Italian Treasury	€26.29	1.60%
4. UK Treasury	€26.14	1.59%
5. BKT Bank Kosovo	€17.06	1.04%
6. Apple Inc.	€13.01	0.79%
7. Cisco Systems Inc.	€12.82	0.78%
8. Danske Bank	€12.81	0.78%
9. Nykredit	€12.80	0.78%
10. NLB Bank Kosovo	€12.76	0.78%
11. TEB Bank Kosovo	€11.95	0.73%
12. Spain Treasury	€11.12	0.68%
13. Roche Hldg Ag	€10.88	0.66%
14. At&T	€10.44	0.63%
15. Alphabet Inc	€10.39	0.63%
16. British American Tobacco	€9.61	0.58%
17. Microsoft	€9.10	0.55%
18. BpB Bank Kosovo	€8.81	0.54%
19. Pfizer Inc	€7.95	0.48%
20. German Treasury	€7.93	0.48%
21. Cvs Caremark Corp	€7.83	0.48%
22. Novartis Ag	€7.51	0.46%
23. Amgen Inc	€7.44	0.45%
24. Bayer Ag	€7.29	0.44%
25. Walgreens Boots	€7.19	0.44%

EQUITIES MADE UP 66.6% OF INVESTED ASSETS

ASSET CLASSES AND CURRENCIES

Invested assets of KPST, both directly and indirectly, at the end of 2017 consisted of equities 66.6%, debt instruments 28.7%, cash and money market instruments 7.7%, and a net -1.8% on derivatives (2016: 72.5%, 27.7%, 5.5%, and net -5.7% respectively).

Out of the 28.7% of investments in debt instruments, 99.9% consisted of instruments which are not classified as high risk.

Investments in Kosovo Treasuries, despite not having a rating, de-facto valued by the law as being of a prime quality, had in total 8.9% of all KPST investments.

Investments in Kosovo consisted of investments in the Treasury of Kosovo (5.8% of all investments) and of bank deposits (3.1% of all investments). This year, for the first time, KPST made investments in bonds outside Kosovo, which currently lack a rating, but are at the level of 0.5% of all investments in debt instruments or 0.15% of all invested assets.

Placements, both direct and indirect, at the end of the year were in instruments denominated in some of the world's major currencies, as follows: EUR 40.4% USD 37.1%; GBP 7.0%; JPY 3.9%; DKK 2.3%; CAD 2.2%; CHF 1.9%; and others 5.2%.

INVESTMENTS IN DEBT INSTRUMENTS - RATED

RISK	RATING	QUALITY OF PLACEMENT	PERCENTAGE OF DEBT INSTRUMENTS
	--	Investments in Kosovo	20.1%
	--	Outside Kosovo [unrated]	0.5%
	AAA	Prime	27.8%
	AA	High	20.1%
	A	Upper middle tier	8.5%
	BBB	Lower middle tier	17.7%
	BB	Speculative	3.9%
	B	Highly speculative	1.3%
	C and below	High risk	0.1%
	TOTAL		100.0%

INVESTMENT PERFORMANCE

Gross return from investment and other income was €102.6m and unit price was up by 6.5%

KPST's investment performance for 2017 marked record levels in terms of nominal values, with a gross return of €102.6 million – equivalent to a gross performance of 6.8%. By reducing the charged tariffs (investments and operations), results that KPST's net performance and increase of unit price results to have been 6.5% during the year.

This was the year of robust financial market growth, particularly for stock markets. The most important stock exchanges registered historic records marking a two-digit increase. Such growth was based (generally) on the good economic growth and unemployment reduction indicators in the USA, EU and important Asian countries, and in an enabling investment climate, whereby fiscal facilitations remained in force during 2017 as well.

Beside rising financial markets, the investment strategy and tactical allocation from the Board played a significant role in achieving the positive investment performance for the year.

The low volatility in the markets and stabilising effects of the decisions by the Board – on an already conservative portfolio – provided for the year with the lowest volatility of the investment portfolio of KPST.

All the mutual funds utilised by KPST had positive returns for the year; except the newly acquired money-market fund (Amundi 3m-I) which performed with -0.19%, but was acquired as an alternative to the cash account at CBK that was charging a negative interest of -0.40%.

Positive performances were led by the extraordinary positive performance of the Vanguard GSIF equity fund with +16.7%. Consequently, this fund contributed with 56.7% to KPST's general gross performance, and had an average annual allocation of 23.7%. Vanguard GSIF this year was by far the best of all funds in terms of the ratio between average allocation and contribution to investment returns as well. Other investment funds (including investments in Kosovo) have contributed with 43.3% to KPST's general performance, whereby the most pronounced were the three multi-assets fund: Nordea SRF (with an average allocation of 15.6% and a contribution of 10.0%), BNP Paribas PDD (with an average allocation of 5.3% and a contribution of 7.8%) and Schrodgers GDG (with an average allocation of 5.1% and contribution of 6.2%).

Investments in Kosovo (in treasury and deposits) generated € 2.0 million (or 1.9%) of the annual gross return of €102.6 million. This was achieved by having a combined average allocation of 7.3% of invested funds.

PERFORMANCE VS BENCHMARK

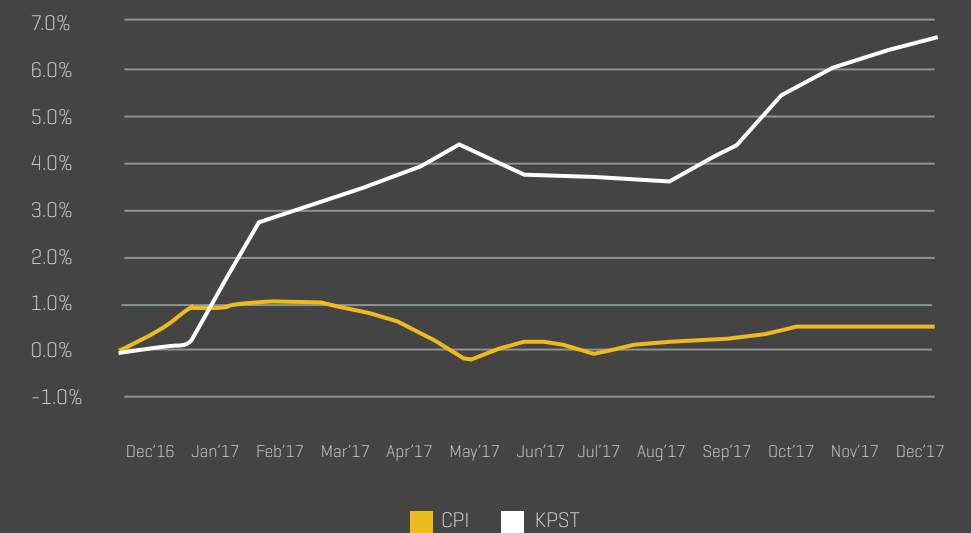
The Board has established the Consumer Price Index in Kosovo (CPI) as published by Kosovo Agency of Statistics as a benchmark for its investment performance.

The Governing Board believes that the outperformance of this benchmark is crucial in order to keep the objective of preserving the real value of long term contributions.

The 6.5% return on KPST investments was 13 times higher than the CPI rate of 0.5% during 2017.

KPST has managed to marginally outperform its inflation benchmark since it was established in 2002. During this period, KPST has increased the value of the unit price by 46.5% as opposed to 33.5% growth level of CPI in Kosovo.

CPI VS KPST - 12M CUMULATIVE (REBASED)



INVESTMENT	AVERAGE ALLOCATION	GROSS CONTRIBUTION	GROSS RETURN (million)	PERFORMANCE
Vanguard - GSIF	23.7%	3.8%	€58.2	16.7%
Nordea 1 - SRF	15.6%	0.7%	€10.3	4.4%
BNY Mellon - RRF	8.7%	0.2%	€3.1	2.3%
Nordea 1 - GSEF	10.8%	0.3%	€3.8	2.7%
AXA - GILB	6.2%	0.1%	€1.2	1.0%
Kosovo T-bonds ¹⁾	3.5%	0.1%	€1.4	1.4%
AXA - WFOI	5.1%	0.3%	€5.2	7.5%
Pictet - HDS	3.4%	0.1%	€1.4	3.6%
Kosovo T-bills ¹⁾	1.7%	0.0%	€0.1	0.1%
Amundi 3 M	1.8%	-0.0%	-€0.0	-0.2%
Schrodgers - SB	0.7%	0.0%	€0.0	0.6%
Schrodgers - GDG	5.1%	0.4%	€6.4	8.3%
BNP Paribas - PDD	5.3%	0.5%	€8.0	9.5%
Term deposits (BKT, NLB, BPB, TEB) ¹⁾	2.1%	0.1%	€0.5	0.5%
Amundi - RPI2	3.9%	0.2%	€2.7	4.6%
Cash at CBK and surplus return	2.4%	0.0%	€0.3	0.3%
	100.0%	+6.8%	€102.6	6.5%

¹⁾ Weighted average.

CONTRIBUTION AND RETIREMENT

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FIRST-TIME CONTRIBUTING AND DORMANCY

Annual contributions paid in rose by 5.4%. Benefit payments increase by 44.4%. First-time contributors: 13.1% of active contributors.

KPST refers to individuals paying contributions for at least one month of the reporting year, in this case year 2017, as active contributors.

Whereas, as first-time contributors, or 13.1% of active contributors, KPST refers to the individuals that paid contributions for the first time for and during the reporting year [2016: 9.6%].

First-time contributors numbered 46,099, while 33,677 others, or 9.5%, fell dormant [persons contributing in 2016 but not doing so in 2017]; the number of members falling dormant does not include 5,173 contributors who withdrew their savings during 2017.

Meanwhile, 13.9% of first-time contributors were employed [1] for the first time at the age of 40+ [2016: 14.0%]. The average age for first-time employed contributors was 28, while 54% were 25 years old or younger [2016: 28 and 50% respectively were 25 years old or younger].

The self-employed, who made up 1.5% of first-time contributors [2016: 3.5%], were older on average. Their average age was 33, and 58% of them were 33 years old or younger. Women made up 40.6% of the employed first-time contributors and 29.1% of the self-employed first-time contributors [2016: 41.0% and 29.1%, respectively].

On the other hand, women's share for falling dormant continues to be lower than their share of first-time contributing, making up 34.7% of the employed and 17.2% of the self-employed who fell dormant [2016: 32.4% and 16.2%, respectively].

Falling dormant this year mostly occurred between the ages 22 and 25 [2016: 22-25 years]. In fact, 50% of contributors that fell dormant in 2017 were 30 years old or younger for the employed and 40 years old or younger for the self-employed [2016: 50% of contributors 31 and 40 years of age, respectively]. The figures [stable over the years] imply a less stable employment environment for younger ages.

The percentage of contributors [excluding here the self-employed] who had fallen dormant in 2016 but returned to contributing in 2017 was 20.3% [2016: 18.0%].

Analysis of the data for the last five years reveals that 174,122 of the employed and 19,430 of the self-employed have contributed at least one month in each of the five years [2016: 166,188 and 19,524]

CONTRIBUTIONS

Out of €1,422.2 m contributions received since inception, €1,128.1m remain under management.

Contributions not under management or €124.0 million [2016: €94.3 million] represent contributions paid out through benefit payments or refunds and that no longer are part of fund, refunds, and the payout of unallocated contributions.

Total contributions received during 2017 amounted to €159.8 million [2016: €151.5 million], and out of this, employers and the self-employed have paid €143.4 million for 2017, €12.5 million for 2016, €0.8 million for 2015, and €3.1 million for tax years 2002-2014.

Contributions received during 2017 increased by 5.4% compared to the previous year. In 2016 the increase was 10.2%, and 6.8% in 2015. New employers were 4,166, marked an increase of 1.4% compared to the previous year [2016: 4,107].

KPST considers as new employers: businesses, institutions, etc. that for the first time contribute on behalf of their employees.

On the other hand the number of employers falling dormant was 3,840, a slight increase of 1.7% [2016: 14.8%] compared to the previous year [2016: 3,774]. As employers falling dormant KPST considers: businesses, institutions, etc. that contributed on behalf of their employees during the previous year but did not do so during the reporting year.

The number of active employers, those who contributed for the reporting year, increased by 6.0% and reached 28,685 [2016: 27,051]. At the end of the year, the average balance of pension savings in member's accounts was €3,003 [2016: €2,795].

CONTRIBUTIONS

PERIOD	RECEIVED (million)	UNDER MANAGEMENT (million)
2002-2013	€844.7	€797.7
2014	€128.7	€115.3
2015	€137.5	€121.4
2016	€151.5	€133.7
2017	€159.8	€130.0
TOTAL	€1,422.2	€1,298.1

COMPOSITION OF ASSETS UNDER MANAGEMENT

2017

CONTRIBUTIONS UNDER MANAGEMENT



GAINS



2016

CONTRIBUTIONS UNDER MANAGEMENT



GAINS



1

The term "employment" is used in the broadest context possible. KPST is not in a position to know whether contributions of first-time contributors were truly the result of their first employment. Furthermore, KPST can not know if that employment is permanent or for a fixed term, or for a specific task [temping].

WHEN AND HOW CAN PENSION SAVINGS BE WITHDRAWN?

Pension savings can be withdrawn when contributor:

- a) reaches retirement age (currently defined by law as 65 years);
- b) receives disability benefits from MLSW; or
- c) dies having not withdrawn pension savings, in which case his/her legal beneficiaries inherit the balance.

Phased Withdrawal Program (PWP)

The PWP is such that, participants in the scheme get proceeds from their savings monthly in the amount of €200¹ (2016: €200¹) or 1% of the balance at the time of retirement (whichever is lower), until such time as their pension savings are fully depleted.

Starting from September 2016 participants can choose one of four banks to offer them the PWP service: TEB, NLB Prishtina, Banka Për Biznes or Banka Ekonomike.

How can pension savings be withdrawn?

Members withdrawing savings due to reaching retirement age, elect whether to receive 0% or 20% of savings in lump-sum, with the remainder of funds directed to PWP.

However, if member has an account balance of less than €3,000¹ savings are withdrawn in total via a lump-sum payment. Members withdrawing savings due to disability shall receive their savings monthly via PWP in the amount of €200¹: i) up to the period covered by their disability; or ii) until their savings are depleted - whichever occurs first. On the other hand, beneficiaries of a deceased contributor can elect to receive funds in lump-sum or transfer proceeds to their pension account with KPST.

¹The minimum monthly amount and the threshold are set by CBK regulations.

RETIREMENTS AND BENEFIT PAYMENTS

On average gains of 20.4% were realised by retirees and beneficiaries in 2017. In 2016 this figure was 19.9%

During 2017 KPST Administration approved 5,173 new applications for withdrawal of pension savings (2016: 4,445). The total of funds withdrawn by applicants in 2017 was €27.7 million, which consisted of nominal contributions in the amount of €22.1 million and realised gains of €5.6 million (2016: €19.2 million, €16.0 million and €3.2 million, respectively). The total of accounts with withdrawals since establishment reached 38,512, whereas the compensated amount for these accounts reached €119.5 million. It should be noted that this year we also had pension payments to non-Kosovo citizens who are now legally entitled to withdraw their savings. This number was 25, with a total withdrawal amount of €217,620.

The number of individuals that withdrew their savings during 2017 as they had reached the retirement age of 65 was 4,036, representing 78.0% of the approved applications (2016: 3,433 or 77.2%). In addition, 174 persons withdrew their funds due to disability of the contributor, representing 3.4% of approved applications (2016: 175 or 3.9%).

There were 938 cases of benefits paid to the beneficiaries of contributors that died prior to withdrawing their savings from KPST (2016: 837), and they made up 18.1% of the approved applications (2016: 18.8%).

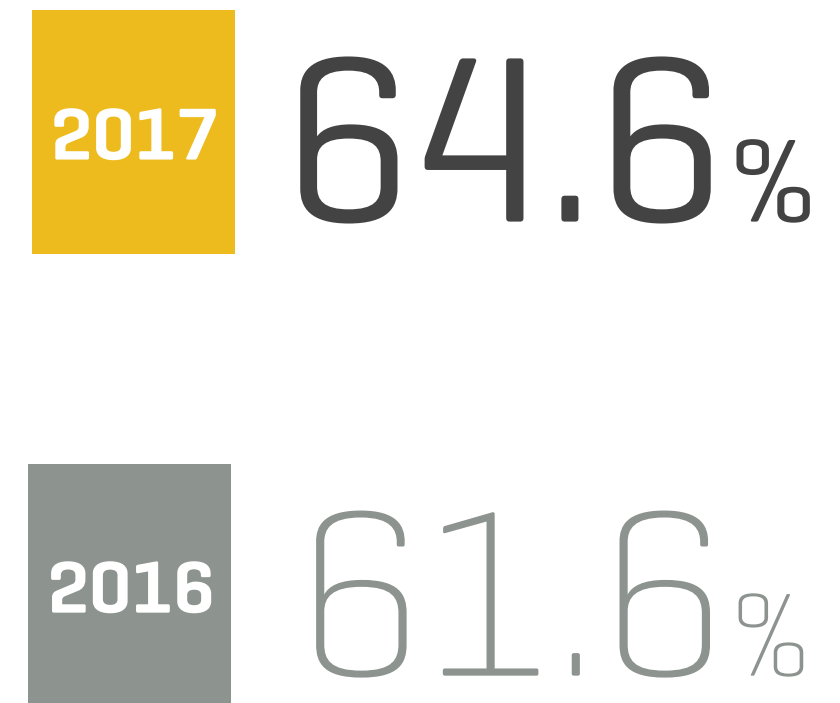
In 32.4% of cases, the contributors were younger than 55 years of age when they died, 23.2% were 55-59, 31.7% were 60-64, and 12.7% were over 65 years of age. Amounts transferred to the PWP were €18.0 million, whereas €9.7 million were withdrawn in lumpsum payments (2016: €11.8 million and €7.4 million, respectively). From 2,340 members directed to PWP who were in the PWP during the year, 90.6% of them also took the opportunity to withdraw 20% of the balance immediately. The average balance of retirement accounts for this year was €5,279, marking an increase of €4,199 from the previous year.

This significant increase in the average balance of retirement accounts is mainly attributed to withdrawals from non-Kosovo citizens, which took place this year, who have much higher balances on average

WITHDRAWALS

PERIOD	CONTRIBUTIONS (million)	ASSETS (million)
2004-2012	€28.2	€28.2
2013	€9.7	€10.7
2014	€12.3	€14.3
2015	€15.8	€19.3
2016	€16.0	€19.2
2017	€22.1	€27.7
TOTAL	€104.1	€119.4

PERCENTAGE OF WITHDRAWN FUNDS DIRECTED TO PWP



CONTRIBUTOR DEMOGRAPHICS

- 69-70 Contributors
- 71-72 Geographic distribution of contributors
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CONTRIBUTORS

This chapter summarises main demographic data for participants of KPST in 2017 and compares them to the previous year.

It is important to note that statistics presented in this chapter relate to active contributors only. They do not represent those of total KPST account-holders which numbered 591,527 in end of 2017. There were 352,849 active contributors during the year [2016: 312,672].

With at least one contribution during the year as employed feature 323,689 individuals, whereas as self-employed feature 24,207; whereas these numbers include 4,953 contributors who are double-counted as during 2017 they contributed both as employed and as self-employed. It should be considered throughout the chapter and comparative statistics that the organisation of elections both at central and local level [including runoff cases] has deformed the baseline of comparison with the previous year. KPST continues to stress that the key to the adequate saving for retirement is the continuous and sufficient contributing.

In addition to the [still low] number of active contributors, compared to the number of working-age population, the low value of savings accumulated through accounts remains concerning. The average balance of all accounts at KPST at the end of 2017 was 3,003 [marking an increase of 7.4% from the end of 2016]. Under the applicable pension withdrawal regulation [200 per month] this average balance would be sufficient for only 15 months pension.

Apart from the duration of contribution under the scheme, this is also caused by the monthly contribution value, which [especially for contributors under 35 years of age] continues to be very low.

In 2011 according to the Kosovo Agency of Statistics there were 1.31 million inhabitants of ages 15 to 64 in Kosovo. On the other hand, in 2017 active employed and self-employed contributors in KPST were 352,849. This indicates that only 26.9% [2016: 23.9%] of Kosovo's working age population was engaged in some form of formal work during this year.

Under the assumption that unemployment statistics are correct, then the only reasonable conclusion is that there is a high degree of informality in Kosovo's labour market.

And this appears specifically true for agriculture and construction sectors, in which there is a high degree of disparity between employment statistics and the number of persons contributing.

KPST is highlighting such issues in the belief that it is fulfilling a part of its social obligation: for every Kosovo citizen to have saved enough for his/her retirement.

Understanding who, when, how much and how often contributes, can help assess current achievements and policy improvements needed. All with the final goal of ever improving of the current pension savings scheme.



	2017	2016
	EMPLOYED	EMPLOYED
	323,689	286,848
+	SELF-EMPLOYED	SELF-EMPLOYED
	24,207	30,275
-	BOTH EMPLOYED AND SELF-EMPLOYED	BOTH EMPLOYED AND SELF-EMPLOYED
	4,953	4,451
=	ACTIVE CONTRIBUTORS	ACTIVE CONTRIBUTORS
	352,849	312,672

GEOGRAPHIC DISTRIBUTION OF CONTRIBUTORS

Since a large chunk of active contributors (around a third), were employed by the Ministry of Public Administration which is registered in Prishtina, it is not possible to gauge in which municipality contributors worked during the year. This is why KPST presents only data based on the municipality of residence on record for each contributor.

Holding of elections at both the national and local level, requiring the involvement of additional staff for the organisation and monitoring of the elections (especially in cases of runoff), has distorted the comparative base by creating strong movements of the number of contributors. Therefore, comparisons made against previous year should be taken as an exception and with reservations.



This year, roughly one in five active contributors was again from Prishtina in 2017. This is why Prishtina has the largest increase in the count of contributors [+3,940 people].

This year, Leposavic [104.2%] had the largest increase in percentage, followed by Zvecan [100.7%], North Mitrovica [51.8%], Kllokot [51.4%], Zubin Potok [48.1%], Partesh [45.8%], and Ranillug [42.1%]. Regarding the top ten ranking municipalities in terms of the count of contributors, Gjilan [15.1%] marked the highest increase, followed by Mitrovica [+ 14.8%] and Ferizaj [+ 14.2%].

NO.	MUNICIPALITY	NUMBER OF CONTRIBUTORS	PARTICIPATION	CHANGE FROM 2016	
				IN NO.	IN %
1.	PRISHTINA	64,600	18.3%	3,940	6.5%
2.	PRIZREN	28,497	8.1%	2,764	10.7%
3.	FERIZAJ	21,637	6.1%	2,696	14.2%
4.	GJILAN	20,664	5.9%	2,713	15.1%
5.	PEJA	19,277	5.5%	1,417	7.9%
6.	GJAKOVA	18,425	5.2%	2,008	12.2%
7.	PODUJEVA	16,198	4.6%	1,701	11.7%
8.	MITROVICA	15,073	4.3%	1,942	14.8%
9.	VUSHTRRI	14,042	4.0%	1,513	12.1%
10.	DRENAS	11,453	3.2%	842	7.9%
11.	LIPJAN	11,077	3.1%	1,428	14.8%
12.	SUHAREKA	10,135	2.9%	1,284	14.5%
13.	SKENDERAJ	9,313	2.6%	1,236	15.3%
14.	FUSHE KOSOVA	8,714	2.5%	856	10.9%
15.	RAHOVEC	8,232	2.3%	1,019	14.1%
16.	MALISHEVA	7,322	2.1%	1,177	19.2%
17.	ISTOG	7,071	2.0%	715	11.2%
18.	VITI	6,895	2.0%	1,133	19.7%
19.	KAMENICA	6,405	1.8%	850	15.3%
20.	KLINA	5,966	1.7%	822	16.0%
21.	KACANIK	5,473	1.6%	940	20.7%
22.	OBILIC	5,359	1.5%	488	10.0%
23.	DECAN	5,123	1.5%	656	14.7%
24.	SHTIME	4,648	1.3%	676	17.0%
25.	DRAGASH	4,343	1.2%	904	26.3%
26.	LEPOSAVIC	2,212	0.6%	1,129	104.2%
27.	GRACANICA	2,195	0.6%	399	22.2%
28.	SHTERPCE	1,529	0.4%	273	21.7%
29.	NORTH MITROVICA	1,501	0.4%	512	51.8%
30.	HANI I ELEZIT	1,365	0.4%	149	12.3%
31.	ZVEXAN	1,150	0.3%	577	100.7%
32.	ZUBIN POTOK	1,124	0.3%	365	48.1%
33.	JUNIK	634	0.2%	92	17.0%
34.	NOVOBERDE	627	0.2%	146	30.4%
35.	MAMUSHA	583	0.2%	69	13.4%
36.	RANILLUG	570	0.2%	169	42.1%
37.	KLLOKOT	545	0.2%	185	51.4%
38.	PARTESH	420	0.1%	132	45.8%
	OTHERS ‡	2,452	0.7%	529	27.5%

‡This is the number of contributors with residence outside of Kosovo or for whom KPST has no information as to which municipality they belong.

CONTRIBUTOR AGE

The average age of contributors in 2017 was slightly reduced to 40.5 from 40.7 in the previous year. Meanwhile, the median did not change and remained 39 years of age, as in 2016.

AVERAGE - MEN:

41.8



Average age for self-employed contributors was 42.9 years, while the average age for the employed was 37.7 years.

AVERAGE - WOMEN:

37.7



MEDIAN - MEN:

40.0



MEDIAN - WOMEN:

35.0



In general there were no major changes in the participation of age groups as a percentage of active contributors. Close to 2/3 of active contributors or 68.3% [2016: 66.9%] were under the age of 45.

This year, the age group of 15-24 again increased most [+ 2.2%], reaching a 15.6% and apart from the age group of 25-34 that experienced a slight increase [+ 0.1%], all other age groups marked a slight decline.

AGE GROUP	2017	2016
15-24	15.6%	13.4%
25-34	29.4%	29.3%
35-44	23.3%	24.2%
45-54	18.5%	19.3%
55-64	12.4%	12.9%
65+	0.8%	0.9%

CONTRIBUTORS BY TYPE OF ENTERPRISE

The type of enterprise is determined according to their registration in the Kosovo Business Registration Agency or in the Ministry of Public Administration.

It should be noted that public and social enterprises (e.g. regional water supply or waste companies, Post of Kosovo, or central heating companies, etc.), most of them are registered as joint stock companies; therefore they are presented along with other public and social companies in the joint stock companies group.

The most vivid increase this year in the number of contributors were with budget organisations, which due to elections increased by almost 40% the number of contributors due to temporary engagement of additional staff.

At the same time, temporary engagement in budget organisations significantly reduced the FTE coefficient from 0.909 (in 2016) to 0.660 this year.

This year a significant increase in number were marked in L.L.C.'s with 15.8% increase in the number of contributors and 14.6% in the equivalent contributors. Two types of enterprises (joint stock companies and self-employed) had a decrease in the number of contributors but not in the equivalent contributors.

To illustrate the FTE the following example is used: if two employees have contributed during the year, one for 8 months and the other for 4 months, in number they are counted as two contributors, but in FTE they are calculated as the equivalent of 1.0 contributors for the year.

ENTERPRISE TYPE	CONTRIBUTORS IN NUMBER	FTE		CHANGE FROM 2016	
		COEFFICIENT	EQUIVALENT CONTRIBUTORS	CONTRIBUTORS IN NUMBER	EQUIVALENT CONTRIBUTORS
Budget organisations	131,900	0.660	87,054	39.5%	9.4%
LLCs	122,065	0.603	73,605	15.8%	14.6%
Individual businesses	70,830	0.662	46,889	-1.5%	0.3%
Self-employed	29,787	0.781	25,230	-1.6%	0.0%
Joint stock companies	29,546	0.781	23,075	-3.4%	1.0%
NGOs	19,945	0.383	7,639	43.6%	18.3%
Partnerships	5,370	0.847	4,548	3.7%	35.7%
Others	11,254	0.606	6,820	19.2%	19.8%

LOOKING TO THE
FUTURE FROM ANOTHER
PERSPECTIVE



AVERAGE CONTRIBUTIONS

The average (monthly) contribution for the category of the employed decreased to €39.97 from €44.42 in the previous year. The effect of temporary contribution and low contribution values is noted in this regard as well.

Regarding the self-employed, the average contribution increased by €33.49 per month from €32.25 as it was in the previous year.

The average contribution for employees increased in the first three age groups (15 to 44 years) and decreased in the other three age groups (45 to 65+ years).

Whereas, the average contribution for the self-employed increased across all age groups. In terms of average monthly contribution by gender, it decreased for both women and men among the employees, while it increased for both genders among the self-employed.

AVERAGE MONTHLY CONTRIBUTIONS

YEAR	EMPLOYED	SELF-EMPLOYED
2015	€42.21	€31.48
2016	€44.42	€32.25
2017	€39.97	€33.49

AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

	2017		2016		2015	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
15-24	€26.58	€20.45	€25.77	€20.23	€25.49	€21.45
25-34	€38.57	€26.52	€38.68	€25.97	€38.59	€25.38
35-44	€48.15	€34.97	€49.05	€33.64	€47.48	€32.81
45-54	€48.02	€37.32	€49.13	€35.76	€47.17	€34.36
55-64	€53.45	€37.77	€58.91	€36.68	€52.14	€35.21
65+	€58.03	€37.85	€59.12	€32.61	€57.68	€36.22

AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

YEAR	WOMEN		MEN	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
2015	€39.97	€25.56	€43.28	€32.57
2016	€40.70	€25.61	€46.26	€33.57
2017	€37.35	€26.17	€41.29	€35.02

LEVEL OF CONTRIBUTING

The law requires that minimum contribution for employed and self-employed persons be based on the monthly minimum wages in Kosovo, which are: €130 for persons up to 35 years old; and €170 for persons older than 35.

The number of contributions below the minimum wage increased this year, reaching above 11.4%, but this figure is also affected by this year's election effect. However, the situation is not any better for the self-employed either, more than half of whom contributed this year to or below the required minimum.

THE LEVEL OF CONTRIBUTING BY THE EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS OLD	7.37%	0.28%	41.60%
OVER 35 YEARS OLD	4.07%	2.76%	43.92%

THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

	PAGESA		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS OLD	0.64%	11.25%	15.21%
OVER 35 YEARS OLD	4.90%	36.76%	31.25%

“HOW MUCH SHOULD YOU SAVE?”

KPST sees it as part of its social responsibility to advise contributors on how much they should save in order to reach a savings balance that would provide security for their retirement.

Therefore presented below are some important suggestions and pieces of advice.

Example: supposing that the KPST share price increases at a constant rate of 4% per annum, a person finding employment on their 25th birthday and contributes only the minimum required contributions for the following 40 years, will have accumulated the balance of €18,142 on their pension savings account.

Nevertheless, knowing that inflation erodes the value of money, supposing that the inflation 2% per annum, the present value of the balance from the above example would be €8,216.

This amount, saved through minimum required contributions, would be insufficient to purchase an economically viable life annuity.

In today's circumstances, such a person would retire through the Phased Withdrawal Program. They would have the possibility of receiving 20% in lump-sum, and monthly withdrawals of €200 per month would last them less than 4 years (more precisely: 41 months).

Life annuities are not yet being offered in Kosovo, and without such products in the market it is difficult to gauge the savings balance required to purchase the minimum life annuity.

On the other hand, it is somewhat difficult to believe that savings below €25,000 (at present value), would suffice to purchase a life annuity.

With this amount as a target, a person getting employed at the age of 25 and who works until retirement without receiving a raise, must contribute €41.50 each month (both employee and employer). But if the same person receives a 1% pay raise each year and have the same target, they would need to start with monthly contributions of €34.30 and on the year preceding their 65th birthday their contributions would need to be €74.23 per month.

In the latter case, average monthly contributions would be €51.74, or €10 more than in the former case. Starting as early and with as high contributions as possible is therefore very important.

As it happens, there are many individuals in Kosovo who are continually in and out of employment, or individuals with low salaries or those that join later in the pension scheme and have less years to save; for these individuals it will be very difficult to secure a sufficient pension only through the mandatory pension savings.

KPST staff are here to help and advise anybody who wishes to know how to save for a better pension; at the same time KPST and its Governing Board will do everything they can to increase the value of contributors' savings for the purpose of securing a happier retirement for them.

LEGAL FRAMEWORK

83 Legal framework

84 Main changes



FRAMEWORK AND CHANGES

The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, together with its subsequent amendments (Laws No: 04/L-115; 04/L-168; and 05/L-116), provides for a detailed list of functions and responsibilities of KPST and its Board.

KPST legal framework further is detailed and regulated through the pension rules of CBK as well as directives of TAK for the manner of reporting, contributing, correction and taxation of pension contributions.

This year there were no initiatives for changes in applicable laws, neither new regulations nor rules.

This year's initiative was the beginning of the implementation of the legal changes which came into effect in early 2017. As a reminder, the next page provides an overview of the most important legal amendments whose implementation took place in 2017.

1. LENGTHIER BOARD MEMBER MANDATES	The mandate of Board members has been increased from three to four years.
2. DEADLINES FOR PROPOSING BOARD MEMBERS	The Selection Committee must now propose to the Assembly candidates for Board member positions at least ninety days before a given member's mandate expires.
3. INFORMING CONTRIBUTORS	The use of electronic post (e-mail) as means for sending account statements to contributors is clearly permitted. Furthermore, the requirement to annually inform participants who have no transactions has been reduced to being a requirement only once every three years.
4. LIQUIDATING UNALLOCATED CONTRIBUTIONS	Contributions paid in to KPST more than 6 years ago - and for whom the owner has not been identified - will be liquidated by KPST into the Consolidated Budget of Kosovo. However, should the owner of any liquidated funds be subsequently identified, the funds including any opportunity costs since liquidation shall be duly claimed back and allocated to owner's pension savings account with KPST.
5. FOREIGN CONTRIBUTORS	As the basic law prohibits foreign nationals without a permanent right stay in Kosovo to contribute, the amendment now allows such persons to also withdraw any pension savings contributions made by them or on their behalf.
6. VOLUNTARY CONTRIBUTIONS TO BE EXEMPT FROM TAX	Voluntary contributions made to KPST were exempt from tax on personal income. Such a provision has now been extended to voluntary contributions made to all other voluntary pension funds.

ANNEX

7

KOSOVO PENSION SAVINGS TRUST OPERATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2017

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Independent Auditor's Report

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To the Board of Governors of Kosovo Pension Savings Trust

Opinion

We have audited the accompanying financial statements of Kosovo Pension Savings Trust – Operations (the “KPST”), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in net assets of KPST operations and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kosovo Pension Savings Trust – Operations as at 31 December 2017, and its financial performance and its cash flows for the year then 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of KPST in accordance with 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 Kosovo, and we have fulfilled our other 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.

Other matter

The financial statements of Kosovo Pension Savings Trust – Operations for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2017.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 KPST'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 KPST or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the KPST'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 KPST'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 KPST's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 KPST 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.

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.

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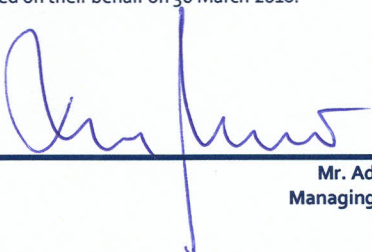
Prishtina, Kosovo
03 April 2018

	Notes	As at December 31 2017	As at December 31 2016
		EUR	EUR
Assets			
Current Assets			
Cash in hand and at banks	4	789,206	1,359,344
Deposits	5	5,109,673	4,503,039
Account receivables	6	474,657	428,498
Prepaid expenses		42,645	40,502
		6,416,181	6,331,383
Non-current Assets			
Property, plant and equipment	7	58,400	42,291
Intangible assets	8	46,981	68,048
		105,381	110,339
Total assets		6,521,562	6,441,722
Liabilities			
Current Liabilities			
Accounts payable and accruals	9	1,057,664	1,088,168
		1,057,664	1,088,168
Net assets attributable to KPST Operations		5,463,898	5,353,554

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 30 March 2018.


 Prof. Dr. Ymer Havolli
 Chairperson of the Board


 Mr. Vërshim Hatipi
 Deputy Director - Finance | Investments and Risk | IT


 Mr. Adrian Zalli
 Managing Director

The accompanying notes 1 to 17 form an integral part of these financial statements

	Notes	Year ended December 31 2017	Year ended December 31 2016
		EUR	EUR
Income			
Fees charged on pension assets	11	7,288,684	6,323,014
Other income	12	92,571	227,939
Total income		7,381,255	6,550,953
Expenses			
<i>Investment expenses</i>			
Open-end vehicle net fees	13	(5,660,809)	(4,719,092)
CBK transfer and maintenance charges		(34,449)	(52,636)
Brokerage, custody and pledge expenses		(8,956)	(8,916)
		(5,704,214)	(4,780,644)
<i>Operational expenses</i>			
Staff costs	14	(598,973)	(560,235)
Governing Board expenses	15	(161,879)	(171,744)
Account statements and correspondence for beneficiaries		(132,598)	(134,969)
Office operating expenses		(79,845)	(82,954)
Depreciation and amortisation	7-8	(71,279)	(129,952)
Software maintenance		(57,358)	(57,145)
CBK supervision charges		(18,670)	(16,258)
Training, travel and other staff expenses		(13,600)	(15,437)
External audit		(9,050)	(10,100)
Communication		(8,973)	(7,760)
Public education and advertising		(7,530)	(11,491)
Disaster recovery - rent and other associated costs		(6,600)	(550)
Professional services/Contractors/Consultants	16	(2,968)	(6,011)
Bank charges		(2,138)	(2,746)
Meetings and conferences		(756)	(2,602)
Other costs		(9,480)	(6,615)
		(1,181,697)	(1,216,569)
Total expenses		(6,885,911)	(5,997,213)
Net surplus for the year		495,344	553,740

The accompanying notes 1 to 17 form an integral part of these financial statements

	Notes	Surplus EUR	Reserve EUR	Total EUR
As at January 1, 2016		239,814	5,000,000	5,239,814
Net surplus for the year		553,740	-	553,740
Return of surplus to KPST-PA	10	(440,000)	-	(440,000)
As at December 31, 2016		353,554	5,000,000	5,353,554
Net surplus for the year		495,344	-	495,344
Return of surplus to KPST-PA	10	(385,000)	-	(385,000)
As at December 31, 2017		463,898	5,000,000	5,463,898

The accompanying notes 1 to 17 form an integral part of these financial statements

	Notes	Year ended December 31 2017	Year ended December 31 2016
		EUR	EUR
Cash flows from operating activities			
Net surplus for the year		495,344	553,740
Adjustments for:			
Depreciation and amortisation	7-8	71,279	129,952
Interest income	12	(71,876)	(77,865)
		494,747	605,827
Interest received		65,242	79,601
		559,989	685,428
Changes in operating assets and liabilities:			
Increase / (Decrease) in accounts payable / accruals		(30,504)	156,688
(Increase) / Decrease in accounts receivable / prepaid expenses		(48,302)	187,214
Net cash flows from operating activities		481,183	1,029,330
Cash flows from investing activities			
Purchase of equipment		(46,690)	(4,410)
Purchase of software and licenses		(19,631)	(20,949)
Decrease in held to maturity investments		-	4,920,399
(Increase) in loans and receivables		(5,100,000)	(4,500,000)
Decrease in loans and receivables		4,500,000	-
Net cash flows (used in) / from investing activities		(666,321)	395,040
Cash flows from financing activities			
Return of surplus to KPST-PA		(385,000)	(440,000)
Net cash flows (used in) financing activities		(385,000)	(440,000)
Increase / (Decrease) in cash and cash equivalents			
		(570,138)	984,370
Cash and cash equivalents at the beginning of the year		1,359,344	374,974
Cash and cash equivalents at the end of the year	4	789,206	1,359,344

The accompanying notes 1 to 17 form an integral part of these financial statements

1 GENERAL

The Kosovo Pension Savings Trust (hereinafter "KPST"), registered at address: Rr. Agim Ramadani No. 182-184, 10000 Prishtina, Republic of Kosovo, with registration number 90000225; was created by UNMIK Regulation 2001/35 on 22 December 2001, later amended to Regulation No. 2005/20, further amended by Law No. 03/L-084 of the Republic of Kosovo, further amended by Law No. 04/L-101 of the Republic of Kosovo, the latter complemented by additions and changes of Law No. 04/L-168 and No. 05/L-116; as a not-for-profit, financial institution whose sole and exclusive purpose is to administer and manage individual accounts for savings pensions, assuring the prudent investment and custody of pension assets, and paying the proceeds of individual accounts to purchase annuities for savings pensions, as management trustee acting on behalf of participants' and beneficiaries.

Law No. 04/L-101 provides for a pension savings program, funded by contributions of both employees and their employers, and administered and invested through the KPST. Under this defined contribution system, all employed residents of Kosovo and their employers are required to make pension contributions (except for foreign employees with temporary stay in Kosovo). KPST is maintaining individual accounts for each participant to which contributions as well as investment returns are credited.

The KPST is overseen by a Board of Governors, which is comprised of investment and pension experts, as well as employee and employer representatives from Kosovo. One non-voting member represents the interests of the Government.

These financial statements are for KPST Operations (or "KPST-O"), which is the entity managing and administering contributors' pension savings (pension assets). The financial statements for KPST Pension Assets (or "KPST-PA") are prepared separately from the financial statements of the entity.

A Director and 26 permanent staff members managed the day to day operations of the KPST during 2017 (2016: Director and 25 permanent staff members).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of KPST-O have been prepared in accordance International Financial Reporting Standards (“IFRS”).

2.2 Basis of preparation

KPST-O maintains its accounting records and prepares its statutory financial statements under the historical cost convention. Current and comparative data stated in these financial statements are expressed in Euro, which is the functional and presentation currency of KPST-O. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3 Changes in accounting policies and disclosures

i) Initial application of new standard and amendments to the existing standards effective for the current reporting period

The following new standard and amendments to the existing standards issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017);

The adoption of these amendments to the existing standards and interpretations has not led to any material changes in the KPST-O’s accounting policies.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

ii) New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation to existing standards were in issue, but not yet effective:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time);
- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019 with early adoption permitted);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

KPST-O has elected not to adopt these new standards and amendments to existing standards for in advance of their effective dates. KPST-O anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the valuation of financial statements of the KPST-O in the period of initial application.

Implementing IFRS 9 “Financial Instruments”

Implementing IFRS 9 will impact the classification and measurement of financial assets held as at January 1, 2018 as follows:

- Term deposits with local banks of KPST-O that are classified as loans and receivables and measured at amortised cost under IAS-39, shall in general continue to be measured at amortised cost under IFRS 9.

Impairment of financial assets measured at amortised cost will utilise the Expected Credit Loss model (ECL) – which is not yet fully finalised; however, as the present investments into loans and receivables category are short-term investments with an original maturity of up to 12 months, and are placed with banks which have healthy liquidity metrics as well as no history of default or delay in paying out to debtors the proceeds of term deposit obligations, it is not expected for the ECL model to materially impact valuations or the impairment of deposits.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Fees are accrued on daily basis by charging specified rates on the gross daily pension assets.

Interest on bank deposits is recognised on accrual basis using the effective interest rate.

3.2 Property, plant and equipment

Property, plant and equipment of KPST-O consist of: Computers and related equipment; Furniture, fixtures and related equipment; Other office equipment; and Motor vehicles; which are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets using the following rates:

Computer and related equipment	33%
Furniture, fixtures and equipment	20%
Other office equipment	20%
Motor vehicles	20%

Gains and losses on disposal of property, plant and equipment are recognised in the statement of comprehensive income in the period in which they occurred.

The useful life of the property, plant and equipment is reviewed and adjusted on an annual basis at minimum, if necessary.

3.3 Intangible assets

Intangible assets comprise of licensed computer software. These are initially stated at cost and subsequently at their cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recorded when these assets are available for use using straight-line basis whereby the cost of an intangible asset is written off over its estimated useful life using the following rates:

Software - 20%

Licenses are amortised over the term of the license up to the maximum of 5 years.

3.4 Impairment of non-financial assets

The carrying value of non-financial assets is reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of such assets is the greater of the net selling price and the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax-discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the statement of comprehensive income.

3.5 Financial instruments

Financial assets and liabilities carried on the statement of financial position include investments, cash, cash equivalents, deposits, receivables, and liabilities. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies included in this note. Financial instruments are classified as assets or liabilities in accordance with the substance of the related contractual arrangement. Interest, gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense. Financial instruments are offset when KPST-O has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets

All purchases and sales of financial assets are recognised at the trade date. Trade date is the date on which KPST-O commits to purchase or sell the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and that are not quoted in an active market. For KPST-O investments into loans and receivables are represented by term deposits placed with commercial banks in Kosovo and other receivables.

Loans and receivables are initially recognised at fair value plus transaction costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest is calculated on accrual basis and interest receivable is reflected in the valuation of the instrument.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity, with the exception of loans and receivables. During the year ended December 31, 2016 KPST-O had held-to-maturity investments that were represented by investments in Kosovo Treasury bills and bonds. Kosovo Treasury bills and notes at the time of acquisition are valued at their fair values with subsequent valuations done at amortised cost.

Held-for-trading investments

A held-for-trading security refers to debt and equity investments that are purchased with the intent of selling them within a short period of time. These investments are measured at fair value through profit and loss.

KPST-O has not engaged in held-for-trading investments as at 31 December 2017 and 2016.

Available for sale investments

Available for sale investments consist of all other investments not classified as Loans and receivables, Held-to-maturity or Held-for-trading. These investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After the initial recognition, investments in available for sale securities are re-measured at fair value on the basis of quoted market prices at the close of trading.

KPST-O has not engaged in available-for-sale investments as at 31 December 2017 and 2016.

Determining fair values

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value

The financial assets measured according to the fair value in the statement of financial position are presented in accordance with the hierarchy of the fair value. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices); and
- Level 3: incoming data on the asset or liability that are not based on data available for market observing.

As of the reporting dates, there were no financial instruments of KPST-O measured at fair value. Due to the fact that surplus liquidity of KPST-O is invested only in term deposits or Kosovo Treasury debt instruments, it is not exposed to any financial risks over and above the bankruptcy of banks in which term deposits are placed, or the country of Kosovo.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively. Those individually significant assets which are not identified as impaired are subsequently included in the basis for collective impairment assessment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss for debt securities classified as available for sale decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.7 Cash and cash equivalents

For cash flow purposes, cash and cash equivalents consist of cash with bank, cash in hand and short term deposits with an original maturity of three months or less.

3.8 Taxation

KPST as a trust fund is exempt from the payment of corporate profit taxes.

3.9 Pension costs

KPST-O makes no provision and has no obligation for employees' pensions over and above the contributions paid into the above mentioned pension scheme.

3.10 Reserve

Operational reserve is part of net assets attributable to KPST-O (long-term liabilities), and can reach a maximum level of EUR 5,000,000, with funds used only with the decision of the Governing Board in the event of extraordinary events, unpredictable circumstances, or the need for acquisition of real estate for purposes of KPST operations (such as offices). The reserve was initially funded in 2013 from accumulated surpluses, and it can only be replenished from the surplus from operating activities with the decision of the Governing Board. In the event that funds from the reserve are used to cover the costs of the reporting period, they will be recognised in the income statement as income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Significant estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Useful life of depreciable assets

Management reviewed the useful lives of depreciable assets at 31 December 2017. Management estimates the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Notes 7 and 8. However, the factual results may differ due to the technological obsolescence.

3.12 Financial risk management

3.12.1 Credit risk

Credit risk is the risk of financial loss to KPST-O if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from KPST-O deposits with banks, cash and cash equivalents, as well investments in Kosovo Treasury debt instruments if any.

3.12.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funds through adequate credit facilities and ability to collect timely - within the terms established - the amounts due from third parties.

The following table presents the remaining contractual maturities of financial assets and liabilities of KPST-O. The table is prepared on the basis of undiscounted cash flows.

	As at December 31 2017			As at December 31 2016		
	1-3 months	3-6 months	6-12 months	1-3 months	3-6 months	6-12 months
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash in hand and at banks	789,206	-	-	1,359,344	-	-
Deposits	-	606,181	4,503,492	-	-	4,503,039
Account receivables	474,657	-	-	428,498	-	-
	1,263,863	606,181	4,503,492	1,787,842	-	4,503,039
Financial Liabilities						
Account payables	1,057,664	-	-	1,088,168	-	-
	1,057,664	-	-	1,088,168	-	-
Maturity gap	206,199	606,181	4,503,492	699,674	-	4,503,039

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial risk management (continued)

3.12.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the income of KPST-O or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising returns.

Foreign exchange risk

Assets and liabilities of KPST-O are not exposed to the foreign exchange rate movement since all of the transactions and balances are in local currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. KPST-O management is primarily responsible for monitoring daily the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch. At the financial position date KPST-O has no interest-bearing assets of a floating interest rate, or funds borrowed from local or foreign financial institutions.

	As at December 31 2017		As at December 31 2016	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR

Interest-bearing

Fixed rate

Deposits	5,109,673	-	4,503,039	-
Total	5,109,673	-	4,503,039	-

3.12.4 Financial instruments that are not presented at fair value

The following table summarises the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value as at December 31, 2017 and 2016.

	As at December 31 2017		As at December 31 2016	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR

Financial assets

Cash in hand and at banks	789,206	789,206	1,359,344	1,359,344
Deposits	5,109,673	5,109,673	4,503,039	4,503,039
Account receivables	474,657	474,657	428,498	428,498
	6,373,536	6,373,536	6,290,881	6,290,881

Financial Liabilities

Account payables	1,057,664	1,057,664	1,088,168	1,088,168
	1,057,664	1,057,664	1,088,168	1,088,168

4 CASH IN HAND AND AT BANKS

	As at December 31 2017	As at December 31 2016
	EUR	EUR
ProCredit Bank - Current account	567,710	1,239,006
Raiffeisen Bank Kosovo - Current account	220,811	119,740
NLB Prishtina - Current account	252	252
Banka Kombëtare Tregtare - Dega Prishtinë – Current account	16	-
Banka për Biznes – Current account	3	-
Cash in hand	414	346
Total cash in hand and at banks	789,206	1,359,344

The current accounts of KPST-O do not provide any interest.

5 DEPOSITS

Bank Rate Placed Maturity	As at December 31 2017	As at December 31 2016
	EUR	EUR
BKT 1.45 15.12.2016 15.12.2017	-	4,503,039
BPB 1.60 10.05.2017 10.05.2018	606,181	-
BPB 1.84 15.12.2017 15.12.2018	2,201,885	-
BKT 1.50 15.12.2017 17.12.2018	2,301,607	-
Total deposits	5,109,673	4,503,039

As at December 31, 2017, term deposits are placed with local banks with an original maturity of 1 year.

6 ACCOUNT RECEIVABLES

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Receivables from KPST-PA	398,541	375,095
Rebates receivable from open-end funds	76,116	53,403
Total account receivables	474,657	428,498

As at December 31, 2017 the balance of receivables from KPST-PA amounting EUR 398,541 consists of fees charged on participants' accounts amounting EUR 396,359 as well as differences from refunds of erroneous contributions amounting EUR 2,182 (2016: EUR 373,958, and EUR 1,137 respectively); which were received after reporting date.

7 PROPERTY, PLANT AND EQUIPMENT

	Computers and related equipment	Furniture, fixtures and equipment	Other office equipment	Motor Vehicles	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
As at January 1, 2016	286,880	21,870	70,931	53,365	433,046
Additions for the year	2,250	690	1,470	-	4,410
Disposals for the year	(8,014)	(146)	(3,242)	-	(11,402)
As at December 31, 2016	281,116	22,414	69,159	53,365	426,054
Additions for the year	46,690	-	-	-	46,690
Disposals for the year	(7,858)	-	(10,209)	-	(18,067)
As at December 31, 2017	319,948	22,414	58,950	53,365	454,677
Accumulated depreciation					
As at January 1, 2016	(227,565)	(18,718)	(42,218)	(53,365)	(341,866)
Charge for the year	(43,516)	(824)	(8,959)	-	(53,299)
Eliminated through disposals	8,014	146	3,242	-	11,402
As at December 31, 2016	(263,067)	(19,396)	(47,935)	(53,365)	(383,763)
Charge for the year	(21,608)	(905)	(8,068)	-	(30,581)
Eliminated through disposals	7,858	-	10,209	-	18,067
As at December 31, 2017	(276,817)	(20,301)	(45,794)	(53,365)	(396,277)
Net book value					
As at December 31, 2017	43,131	2,113	13,156	-	58,400
As at December 31, 2016	18,049	3,018	21,224	-	42,291

During 2017 KPST has written off fully depreciated assets.

As at 31 December 2017 and 2016, there are no encumbrances over KPST-O assets.

8 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2016	372,831
Additions for the year	20,949
Disposals for the year	(523)
As at December 31, 2016	393,257
Additions for the year	19,631
Disposals for the year	-
As at December 31, 2017	412,888
Accumulated amortisation	
As at January 1, 2016	(249,079)
Charge for the year	(76,653)
Eliminated through disposals	523
As at December 31, 2016	(325,209)
Charge for the year	(40,698)
Eliminated through disposals	-
As at December 31, 2017	(365,907)
Net book value	
As at December 31, 2017	46,981
As at December 31, 2016	68,048

9 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Payables for investment activities	910,184	953,546
Accruals for printing and mailing member account statements	121,213	118,267
Other accounts payable and accruals	26,267	16,355
Total accounts payable	1,057,664	1,088,168

As at December 31, 2017 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 909,441 as well as brokerage fees in the amount of EUR 743 (2016: EUR 952,803 and EUR 743 respectively).

10 SURPLUS

	2017			2016		
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Income for the year						
Income from fees charged	1,245,535	6,043,149	7,288,684	1,083,849	5,239,165	6,323,014
Non-fee income	87,004	5,567	92,571	227,939	-	227,939
	1,332,539	6,048,716	7,381,255	1,311,788	5,239,165	6,550,953
Expenses for the year	(1,181,697)	(5,704,214)	(6,885,911)	(1,216,569)	(4,780,644)	(5,997,213)
Surplus for the year	150,842	344,502	495,344	95,219	458,521	553,740
Surplus at the start of the year	231,229	122,325	353,554	136,010	103,804	239,814
Return of surplus to KPST-PA	-	(385,000)	(385,000)	-	(440,000)	(440,000)
Surplus at the end of the year	382,071	81,827	463,898	231,229	122,325	353,554

During 2017 the Governing Board decided to refund EUR 385,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a total net surplus balance of EUR 463,898 as of December 31, 2017 (During 2016 the Governing Board decided to refund EUR 440,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a net surplus balance of EUR 353,554 as of December 31, 2016).

11 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Fees charged for investment activities	6,043,149	5,239,165
Fees charged for operational activities	1,245,535	1,083,849
Total fees charged on pension assets	7,288,684	6,323,014

Fees are accrued on daily basis according to the formula:

$$\text{Fee} = [\text{Gross Participants' Assets}] * [\text{Rate}] / [\text{Number of calendar days in a year}].$$

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2017 amounted EUR 7,288,684 (2016: EUR 6,323,014).

Applicable fees for the reporting period, as approved by the Assembly of the Republic of Kosovo in accordance with Law Nr. 04/L-168, were as follows:

Date from	Date to	Fees for investment activities	Fees for operational activities	Total fees
January 1, 2016	February 21, 2016	0.400% p.a.	0.085% p.a.	0.485% p.a.
February 22, 2016	December 31, 2016	0.398% p.a.	0.082% p.a.	0.480% p.a.
January 1, 2017	December 31, 2017	0.393% p.a.	0.081% p.a.	0.474% p.a.

12 OTHER INCOME

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Interest income on deposits	71,876	3,039
Differences from refunds of erroneous contributions	15,128	147,311
Interest income on held to maturity investments	-	74,826
Other income from operational activities	-	2,763
Other income from investment activities	5,567	-
Total other income	92,571	227,939

A single Kosovo Treasury 1-year bill, which matured on December 7, 2016, was part of held-to-maturity investments during the year ended December 31, 2016 which provided the interest income from held to maturity investments in the amount of EUR 74,826.

13 OPEN-END VEHICLE NET FEES

	Year ended December 31 2017			Year ended December 31 2016		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	910,863	(454,909)	455,954	872,731	(418,909)	453,822
BNY Mellon – RRF	798,961	-	798,961	1,212,352	-	1,212,352
AXA – GILB	384,576	(48,072)	336,504	369,104	(46,138)	322,966
Schroders – SISF	51,528	-	51,528	91,476	-	91,476
Schroders - GDG	520,466	-	520,466	112,627	-	112,627
Nordea 1 – GSEF	747,430	-	747,430	510,394	-	510,394
Nordea 1 – SRF	1,342,831	-	1,342,831	1,142,434	-	1,142,434
AXA - WFOI	428,939	-	428,939	306,265	-	306,265
Pictet - HDS	317,056	-	317,056	268,573	-	268,573
BNP Paribas – PDP	616,751	(89,046)	527,705	74,306	(10,604)	63,702
Amundi - RPI2	119,881	-	119,881	6,587	-	6,587
Amundi – 3M I	15,950	(2,396)	13,554	-	-	-
KBI – IDEF ¹	-	-	-	216,798	(11,225)	205,573
Tobam - ABWEF ¹	-	-	-	51,132	(28,811)	22,321
Total open-end vehicle net fees	6,255,232	(594,423)	5,660,809	5,234,779	(515,687)	4,719,092

¹ Fully redeemed during 2016.

14 STAFF COSTS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Staff salaries	454,008	440,566
Cost of the Collective Agreement	43,379	55,305
Employer's pension contributions	62,426	47,718
Overtime, bonuses and retention fees	38,032	9,697
Health insurance	1,128	6,949
Total staff costs	598,973	560,235

15 GOVERNING BOARD EXPENSES

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Trustees honoraria	102,382	106,100
Meetings (Travel/Hotel/Other costs)	28,154	36,621
Fiduciary Insurance	22,882	21,731
Employer's pension contributions	8,461	7,292
Total Governing Board expenses	161,879	171,744

16 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Design and public relation related services	1,555	4,068
Translation and proofreading services	1,116	1,716
Notary / Legal and other services	297	227
Total Professional services/Consultants/Contractors	2,968	6,011

17 EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2017.

ANNEX

8

KOSOVO PENSION SAVINGS TRUST PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2017

INDEPENDENT AUDITOR'S REPORT	1-2
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Grant Thornton

Independent Auditor's Report

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To the Board of Governors of Kosovo Pension Savings Trust

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Opinion

We have audited the accompanying financial statements of Kosovo Pension Savings Trust – Pension Assets (the “KPST”), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in net participants’ assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kosovo Pension Savings Trust – Pension Assets as at 31 December 2017, and its financial performance and its cash flows for the year then 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the KPST in accordance with 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 Kosovo and we have fulfilled our other 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.

Other matter

The financial statements of Kosovo Pension Savings Trust – Pension Assets for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2017.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 KPST’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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the KPST'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 Institution'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 KPST's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 Institution 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.

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.

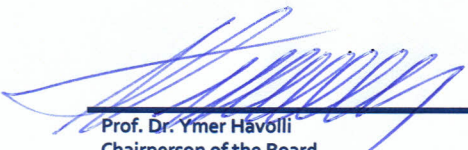
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Prishtina, Kosovo
03 April 2018

	Notes	As at December 31 2017	As at December 31 2016
		EUR	EUR
Assets			
Cash at bank	4	13,667,252	15,935,612
Contribution and other receivables	5	18,243,910	9,790,897
Available for sale investments	6	1,478,150,510	1,303,741,649
Held to maturity investments	7	95,045,140	78,697,947
Deposits	8	50,579,411	20,013,089
		1,655,686,223	1,428,179,194
Liabilities			
Liabilities towards KPST-O	9	398,541	375,094
Liabilities for repurchased shares	10	10,435,361	269,595
Non-contributions	11	49,298	22,099
Interest payable	4	3,618	8,195
		10,886,818	674,983
Net participants' assets		1,644,799,405	1,427,504,211

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 30 March 2018.



Prof. Dr. Ymer Havolli
 Chairperson of the Board



Mr. Adrian Zalli
 Managing Director



Mr. Vërshim Hatipi
 Deputy Director - Finance | Investments and Risk | IT

The accompanying notes from 1 to 17 form an integral part of these financial statements

	Notes	Year ended December 31 2017	Year ended December 31 2016
		EUR	EUR
Income			
Revaluation of available for sale investments – net	6	100,372,243	61,977,235
Interest income from held to maturity investments	7	1,464,839	2,108,199
Interest income from deposits	8	465,940	92,002
Other income	12	385,000	440,000
		102,688,022	64,617,436
Expenses			
Interest expenses on cash at CBK	4	(130,341)	(57,152)
Fees charged on participants' accounts	13	(7,288,684)	(6,323,013)
		(7,419,025)	(6,380,165)
Increase in net participants' assets		95,268,997	58,237,271

The accompanying notes from 1 to 17 form an integral part of these financial statements

	Participants' Contributions	Retained Earnings	Total
	EUR	EUR	EUR
As at January 1, 2016	1,043,128,879	194,962,853	1,238,091,732
Contributions	152,278,668	-	152,278,668
Repurchases due to withdrawal of savings	(16,014,169)	(3,194,406)	(19,208,575)
Repurchases due to refunds	(1,747,575)	(147,310)	(1,894,885)
Increase in net participants' assets	-	58,237,271	58,237,271
As at December 31, 2016	1,177,645,803	249,858,408	1,427,504,211
Contributions	160,375,531	-	160,375,531
Repurchases due to withdrawal of savings	(22,083,346)	(5,656,301)	(27,739,647)
Repurchases due to return of unallocated funds	(7,026,365)	(2,941,618)	(9,967,983)
Repurchases due to refunds	(626,576)	(15,128)	(641,704)
Increase in net participants' assets	-	95,268,997	95,268,997
As at December 31, 2017	1,308,285,047	336,514,358	1,644,799,405

The accompanying notes from 1 to 17 form an integral part of these financial statements

	Notes	Year ended December 31 2017	Year ended December 31 2016
		EUR	EUR
Cash flows from operating activities			
Increase in net participants' assets		95,268,997	58,237,271
<i>Adjustments for:</i>			
Interest income – net	4,7,8	(1,800,438)	(2,143,049)
		93,468,559	56,094,222
Interest received - net		1,693,972	2,071,893
		95,162,531	58,166,115
<i>Movement of working capital:</i>			
Increase in liabilities for fees	9	22,402	97,358
Increase in liabilities for non-contributions	11	27,199	6,070
Net cash flows from operating activities		95,212,132	58,269,543
Cash flows from investing activities			
(Increase) in available for sale investments		(304,947,316)	(456,293,476)
Decrease in available for sale investments		130,538,455	237,284,777
(Increase) in held to maturity investments		(74,895,335)	(53,848,736)
Decrease in held to maturity investments		50,649,709	64,613,688
(Increase) in deposits		(50,401,000)	(20,000,000)
Decrease in deposits		20,000,000	6,000,000
Net cash flows (used in) investing activities		(229,055,487)	(222,243,747)
Cash flows from financing activities			
Participants' contributions received		159,757,519	151,503,736
Withdrawal of savings		(27,590,720)	(20,528,202)
Refunds		(591,804)	(1,971,736)
Net cash flows from financing activities		131,574,995	129,003,798
(Decrease) in cash and cash equivalents		(2,268,360)	(34,970,406)
Cash and cash equivalents at the beginning of the year		15,935,612	50,906,018
Cash and cash equivalents at the end of the year	4	13,667,252	15,935,612

The accompanying notes from 1 to 17 form an integral part of these financial statements

1 GENERAL

The Kosovo Pension Savings Trust (hereinafter "KPST"), registered at address: Rr. Agim Ramadani No. 182-184, 10000 Prishtina, Republic of Kosovo, with registration number 90000225; was created by UNMIK Regulation 2001/35 on 22 December 2001, later amended to Regulation No. 2005/20, further amended by Law No. 03/L-084 of the Republic of Kosovo, further amended by Law No. 04/L-101 of the Republic of Kosovo, the latter complemented by additions and changes of Law No. 04/L-168 and No. 05/L-116; as a not-for-profit, financial institution whose sole and exclusive purpose is to administer and manage individual accounts for savings pensions, assuring the prudent investment and custody of pension assets, and paying the proceeds of individual accounts to purchase annuities for savings pensions, as management trustee acting on behalf of participants' and beneficiaries.

Law No. 04/L-101 provides for a pension savings program, funded by contributions of both employees and their employers, and administered and invested through the KPST. Under this defined contribution system, all employed residents of Kosovo and their employers are required to make pension contributions (except for foreign employees with temporary stay in Kosovo). KPST is maintaining individual accounts for each participant to which contributions as well as investment returns are credited.

The KPST is overseen by a Board of Governors, which is comprised of investment and pension experts, as well as employee and employer representatives from Kosovo. One non-voting member represents the interests of the Government.

These financial statements are for KPST Pension Assets (or "KPST-PA") which consist of contributors' pension savings (pension assets). The financial statements for KPST Operations (or "KPST-O"), which is the entity managing and administering contributors' pension savings (pension assets), are prepared separately from the financial statements for pension assets.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of KPST-PA have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Basis of preparation

KPST-PA maintains its accounting records and prepares its statutory financial statements under the historical cost convention as modified by the revaluation of available for sale financial assets. Current and comparative data stated in these financial statements are expressed in Euro, which is the functional and presentation currency of KPST-PA. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3 Changes in accounting policies and disclosures

i) Initial application of new standard and amendments to the existing standards effective for the current reporting period

The following new standard and amendments to the existing standards issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017);

The adoption of this new standard and these amendments to the existing standards has not led to any material changes in the KPST-PA's accounting policies.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

ii) New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

KPST-PA has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. KPST-PA anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the valuation of financial assets and on financial statements of the KPST-PA in the period of initial application.

Implementing IFRS 9 “Financial Instruments”

Implementing IFRS 9 will impact the classification and measurement of financial assets held as at January 1, 2018 as follows:

- Term deposits with local banks of KPST-PA that are classified as loans and receivables and measured at amortised cost under IAS-39, shall in general continue to be measured at amortised cost under IFRS 9;
- Kosovo Treasury debt instruments of KPST-PA that are classified as held-to-maturity and measured at amortised cost under IAS-39, shall in general continue to be measured at amortised cost under IFRS 9;
- Investments in open-end mutual funds of KPST-PA that are classified as available-for-sale and measured at fair value under IAS-39, shall continue to be measured at fair value through profit and loss under IFRS 9.

Impairment of financial assets measured at amortised cost will utilise the Expected Credit Loss model (ECL) – which is not yet fully finalised.

As the present investments into loans and receivables are investments with an original maturity of between 12 and 24 months, and are placed with banks which have healthy liquidity metrics as well as no history of default or delay in paying out to debtors the proceeds of term deposit obligations, it is not expected for the ECL model to materially impact valuations or the impairment of investments into term deposits with local banks.

Similarly, investments into Kosovo Treasury debt instruments are guaranteed by law. In addition, there has been no history of default or delay by Kosovo Treasury in paying out proceeds of debt instrument obligations. And with the overall public debt of Kosovo as a percentage of GDP being low (17%), it is not expected for the ECL model to materially impact valuations or the impairment of investments into Kosovo Treasury debt instruments.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue and expense recognition

Revenues consist of gross returns of financial instruments whose recognition and measurement is disclosed in the respective accounting policies included in this note, with interest on bank deposits recognised on accrual basis.

Expenses consist of fees accrued on daily basis by specified rates being charged by KPST Operations on the gross daily pension assets.

3.2 Contributions

Contributions from participants are accounted for on accrual basis.

3.3 Withdrawals of savings and refunds

Withdrawals of savings, or benefit payments, which are payable to members or their successors, as well as refunds of erroneous contributions, are accounted for in the period in which the redemption of respective units occurs.

3.4 Financial instruments

Financial assets and liabilities carried on the statement of financial position include investments, cash, cash equivalents, receivables, and liabilities. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies included in this note. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the related contractual arrangement. Interest, gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense. Financial instruments are offset when KPST-PA has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3.5 Financial Assets

All purchases and sales of securities are recognised at the trade date. Trade date is the date on which KPST-PA commits to purchase or sell the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. For KPST-PA investments into loans and receivables are represented by term deposits placed with commercial banks in Kosovo and other receivables. Loans and receivables are initially recognised at fair value plus transaction costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest is calculated on accrual basis and interest receivable is reflected in the valuation of the instrument.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity, with the exception of loans and receivables. For KPST-PA investments into held-to-maturity instruments are represented by investments in Kosovo Treasury bills and bonds.

Kosovo Treasury bills and notes at the time of acquisition are valued at their fair values with subsequent valuations done at amortised cost.

Held-for-trading investments

A held-for-trading security refers to debt and equity investments that are purchased with the intent of selling them within a short period of time. These investments are measured at fair value through profit and loss.

KPST-PA has not engaged in held-for-trading investments as at 31 December 2017 and 2016.

Available for sale investments

Available for sale investments consist of all other investments not classified as Loans and receivables, Held-to-maturity or Held-for-trading. These investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After the initial recognition, investments in available for sale securities are re-measured at fair value on the basis of quoted market prices at the close of trading.

Investment securities in the open-end mutual funds held by KPST-PA are classified as available-for-sale. The revaluation of open-end mutual funds based on market prices is recognised as income in the statement of comprehensive income.

Determining fair values

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial Assets (continued)

Financial instruments measured at fair value

The financial assets measured according to the fair value in the statement of financial position are presented in accordance with the hierarchy of the fair value. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices); and
- Level 3: incoming data on the asset or liability that are not based on data available for market observing.

As of the reporting dates, the financial instruments of KPST-PA measured at fair value are explained as follows:

Class of investment	Level	As at	As at
		December 31 2017	December 31 2016
		EUR	EUR
Available for sale investments	1	1,478,150,510	1,303,741,649

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2017 and 2016.

Financial instruments that are not presented at fair value

The following table summarises the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value as at December 31, 2017 and 2016.

	As at December 31 2017		As at December 31 2016	
	Carrying Value	Fair value	Carrying Value	Fair value
EUR				
Financial assets				
Cash at bank	13,667,252	13,667,252	15,935,612	15,935,612
Held to maturity investments	95,045,140	95,045,140	78,697,947	78,697,947
Deposits	50,579,411	50,579,411	20,013,089	20,013,089
Contribution and other receivables	18,243,910	18,243,910	9,790,897	9,790,897
	177,535,713	177,535,713	124,437,545	124,437,545
Financial liabilities				
Account payables	10,886,818	10,886,818	674,983	674,983
	10,886,818	10,886,818	674,983	674,983

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial Assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively. Those individually significant assets which are not identified as impaired are subsequently included in the basis for collective impairment assessment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss for debt securities classified as available for sale decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.6 Cash and cash equivalents

For cash flow purposes, cash and cash equivalents consist of cash at bank, cash on hand and short term deposits with an original maturity of up to three months. Bank deposits that require a notice to be given prior to their withdrawal, but which the Governing Board has no intentions of redeeming are excluded from cash and cash equivalents.

3.7 Taxation

KPST pension assets are exempt from the payment of corporate profit taxes.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management

The liabilities towards contributors of KPST-PA are always equal to the value of participants' net assets, i.e. no financing gap for future benefits exists, which is why no actuarial valuations are performed by KPST-PA. KPST-PA liabilities do not consist of any financial instruments, e.g. funds borrowed from other financial institutions, which is why risk management for liabilities part of KPST-PA is not deemed necessary.

When it comes to assessing the risk of financial instruments which form part of assets of KPST-PA, the overwhelming majority of investments are through Open-end vehicles, which effectively means that the day-to-day risk management function is outsourced to the providers of Open-end vehicles. As a result the KPST-PA financial assets are directly exposed to only a limited number of risks (namely price risk) and with a limited portion of assets, which the Governing Board seeks to manage through its investment policy.

The investment policy above all requires for invested assets, whether directly or indirectly, to be highly diversified across issuers and asset classes as well as across investment approach of Open-end vehicles themselves. Further, as a way to manage the direct risks the policy sets limits as to the proportion of assets that can be invested in instruments of a given asset class (Pure equity vehicles: 56%; Multi-asset class vehicles: 55%; Pure debt securities vehicles including Kosovo treasury bonds: 34%; and money markets and Kosovo treasury bills: 12%); as well as limits as to the proportion of assets that can be invested in instruments of a given investment approach (Directional return/Non risk adjusted vehicles: 60%; Risk targeted/Risk managed/ Absolute return vehicles: 68%; and Pure income vehicles: 25%).

Within this framework the Governing Board makes decisions whether to increase or reduce exposure to a certain Open-end vehicle depending on vehicle's performance, underlying holdings, or its correlation with other Open-end-vehicles, as well as beliefs for the short and medium term prospect for the given asset class and investment style of the Open-end vehicle. KPST itself does not engage in forward contracts, swaps or derivatives in order to manage and control these risks to assets of KPST-PA.

The Investment and Risk Department of KPST on regular basis analyses the compliance of direct investments, as well as indirect investments through underlying holdings of open-end vehicles, with the Investment Policy of KPST. The risks and volatility of both direct and indirect holdings are also assessed on regular basis. The findings are reviewed by the Investment Committee of the Governing Board of KPST and serve as an aide for investment decisions.

Presented below are standard risks to which KPST-PA financial assets were directly exposed to on reporting dates:

3.8.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at reporting date KPST-PA had direct investments in held to maturity instruments (Kosovo Treasury debt instruments) and loans and receivables (term deposits) with a fixed interest rate, whereas there were no direct investments in floating interest rate securities.

	As at December 31 2017		As at December 31 2016	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Fixed rate				
Held to maturity investments	95,045,140	-	78,697,947	-
Deposits	50,579,411	-	20,013,089	-
Total	145,624,551	-	98,711,036	-

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.2 Price risk

Despite the moderately reduced sensitivity to changes in the fair value of available-for-sale investments through Open-end vehicles, price risk remains the most significant direct risk factor of KPST-PA invested assets. KPST-PA through its investment policy attempts to manage this risk by diversifying investments in uncorrelated Open-end vehicles which in turn hold within their portfolios different classes of assets and have different investment styles and objectives.

Sensitivity Analysis of price changes in Open-end vehicles

Had the prices of Open-end vehicles been 5% higher/lower on reporting date, net participants' assets would have been increased/decreased by EUR 73,906,856 (2016: EUR 65,186,521).

The maximum drawdown for the KPST-PA portfolio for the 1 year period ending December 31, 2017 was 2.1%, and for the 3 year period it was 9.1% (2016: 5.3% and 9.1% respectively).

The ratio of performance vs volatility for the 1 year period ending December 31, 2017 was 2.18; where the annualised volatility was 3.0% and the performance 6.48% (2016: 0.87, 5.1% and 4.44% respectively). On the other hand the ratio for the 3 year period was 0.87; where the annualised volatility was 5.1% and the annualised performance 4.38% (2016: 0.81, 5.3% and 4.32%, respectively).

3.8.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funds through adequate credit facilities and ability to collect timely - within the terms established - the amounts due from third parties.

The average monthly redemptions from KPST-PA through withdrawals of savings and refunds for the year ended December 31, 2017 amounted to EUR 2,365,113 (2016: EUR 1,874,995). Average monthly incoming contributions for the year amounting EUR 13,313,127 (2016: EUR 12,625,311) continued to be well in excess of monthly outgoings.

Investments through Open-end vehicles can all be redeemed within 1-10 days, and all the investments of KPST-PA assets in Kosovo Treasury debt securities have an original maturity of up to seven years whereas term deposits with banks have an original maturity of between 1 and 2 years.

The table below presents the remaining contractual maturities of financial assets and liabilities of KPST-PA.

	As at December 31 2017		As at December 31 2016	
	Current Up to 1 year	Non-current 1-7 years	Current Up to 1 year	Non-current 1-7 years
	EUR	EUR	EUR	EUR
Financial assets				
Cash at bank	13,667,252	-	15,935,612	-
Available for sale investments	-	1,478,150,510	-	1,303,741,649
Held to maturity investments	51,826,755	43,218,385	58,726,197	19,971,750
Deposits	37,490,865	13,088,546	20,013,089	-
Contribution and other receivables	18,243,910	-	9,790,897	-
	121,228,782	1,534,457,441	104,465,795	1,323,713,399
Financial liabilities				
Account payables	10,886,818	-	674,983	-
	10,886,818	-	674,983	-
Maturity gap	110,341,964	1,534,457,441	103,790,812	1,323,713,399

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.4 Currency risk

As at reporting dates the direct investments in Kosovo Treasury debt securities and term deposits were all EUR denominated. As a way to manage the currency risk through Open-end vehicles, the investment policy of KPST allows only up to 10 percent of KPST-PA assets to be invested in Open-end vehicles which are not denominated in EUR and provide no EUR hedging.

The Open-end vehicles through which KPST invested on reporting date were all EUR denominated or EUR hedged; whereby managers of Open-end vehicles use currency derivatives to manage and control the currency risk.

As a result of there being no direct currency risk exposure on reporting dates no sensitivity analysis is performed on the effects of currency shifts on the comprehensive income for the year ended December 31, 2016 and 2017.

3.8.5 Credit risk

Credit risk is the risk of financial loss to KPST-PA if a customer or counterparty to financial instruments fails to meet its contractual obligations.

On reporting date KPST-PA assets were exposed to credit risk either via direct investments or indirectly via fixed income and money-market instruments open-end mutual funds.

Description	Applicable ratings	Percentage of KPST assets as at December 31 2017	Percentage of KPST assets as at December 31 2016
Direct investments			
Kosovo Treasuries	-	5.78%	5.55%
Term deposits	-	3.07%	1.41%
		8.85%	6.96%
Indirect fixed income investments			
Prime	AAA	7.96%	12.00%
High	AA+ , AA, AA-	5.69%	5.76%
Upper medium	A+ , A, A-	1.78%	0.85%
Lower medium	BBB+ , BBB, BBB-	4.72%	2.22%
Non-investment speculative	BB+ , BB, BB-	1.12%	0.80%
Highly speculative	B+ , B, B-	0.35%	0.45%
Substantial risk	CCC+	0.03%	0.03%
Extremely speculative	CCC	0.00%	0.00%
In default with little prospect of recovery	CCC- , CC, C	0.00%	0.00%
In default	D	-	-
Not rated	-	0.15%	-
		21.80%	22.11%
Indirect money-market investments			
High	AA+ , AA, AA-	0.06%	-
Upper medium	A+ , A, A-	0.66%	-
Lower medium	BBB+ , BBB, BBB-	0.35%	-
Highly speculative	B+ , B, B-	0.03%	-
		1.10%	-
Total		31.75%	29.07%

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.6 Exposure through indirect holdings

The majority of KPST-PA assets are invested through Open-end vehicles which trade in different asset classes and employ varying investment and risk policies. As a result, KPST-PA assets are exposed to different risks for its indirect investments depending on the assets invested with a given Open-end vehicle.

When all investments, direct and indirect, are taken into account, the exposure of KPST-PA assets as at December 31, 2017 was as follows:

Currency - EUR: 40.4%; USD: 37.1%; GBP: 7.0%; JPY: 3.9%; DKK: 2.3%; CAD: 2.2%; CHF: 1.9%; Others (net): 5.2%.

Asset class - Equities: 66.6%; Treasury debt: 18.1%; Corporate debt: 10.6%; Money markets: 7.7%; Net derivatives: -1.8%.

The main risks to which Open-end vehicles themselves were exposed to as at December 31, 2017 were as follows:

Fund	Main risks
Vanguard - GSIF	Price Country/political Index tracking
AXA - GILB	Credit Counterparty Interest rate
BNY Mellon - RRF	Price Credit Counterparty Interest rate Currency
Schroders - GDG	Price Counterparty Credit Currency Derivatives Interest rate Leverage
Schroders - SISF	Credit Counterparty Currency Derivatives
Nordea 1 - GSEF	Price Counterparty Country/Political
Nordea 1 - SRF	Price Credit Counterparty Country/Political Derivatives
AXA - WFOI	Credit Counterparty
Pictet - HDS	Price Counterparty Currency Country/Political
BNP Paribas – PDP	Credit Liquidity Counterparty Operating and Custody Derivatives
Amundi – RPI2	Credit Liquidity Counterparty Derivatives
Amundi – 3M-I	Credit Counterparty

Full set of risks exposed to by each of these funds can be obtained from each respective fund prospectus.

3.9 Significant estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Allowance for impairment of available-for-sale equity investments

KPST-PA determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, KPST-PA evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investor, industry and sector performance, changes in technology, and operational and financing cash flows.

4 CASH AT BANK

	As at December 31 2017	As at December 31 2016
	EUR	EUR
At Central Bank of Republic of Kosovo	13,667,252	15,935,612
Total cash at bank	13,667,252	15,935,612

From January to July 2016 there was no interest on the KPST-PA cash account with the Central Bank of Kosovo. Starting from August 1, 2016 a negative interest of -0.40% p.a. was applied on the daily account balance. The total interest expenses for the year ending December 31, 2017 were EUR 130,341 of which EUR 3,618 were payable to the CBK on reporting date. The total interest expenses for the year ending December 31, 2016 were EUR 57,152 of which EUR 8,195 were payable to the CBK on reporting date.

5 CONTRIBUTION AND OTHER RECEIVABLES

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Contributions receivable	10,151,350	9,533,337
Matured bonds and coupon payments receivable	8,092,560	257,560
Total contribution and other receivables	18,243,910	9,790,897

Contributions receivable relate to contributions received in the collection account up to the 18th of the month following the reporting dates and not unitised on reporting dates.

Matured bonds and coupon payments receivable relate to Kosovo Treasury debt instruments maturing - or with coupons due - on reporting dates. Due to reporting dates being a non-working days, the payments were received after reporting dates.

6 AVAILABLE FOR SALE INVESTMENTS

a) Available for sales investments in EUR

							2017
Fund	Note	As at January 1	Additions	Revaluation	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	395,450,768	27,456,685	58,193,281	(910,863)	(112,000,000)	368,189,871
BNY Mellon – RRF	6.2	138,826,337	-	3,113,730	-	(33,000,000)	108,940,067
AXA – GILB	6.3	85,653,672	14,047,394	1,234,152	(384,576)	-	100,550,642
Schroders – SISF	6.4	10,209,928	-	65,366	-	-	10,275,294
Schroders – GDG	6.5	50,872,418	56,000,000	6,427,772	-	-	113,300,190
Nordea 1 – GSEF	6.6	170,162,279	-	3,804,576	-	(27,000,000)	146,966,855
Nordea 1 – SRF	6.7	232,257,002	-	10,311,077	-	-	242,568,079
Amundi – 3M-I	6.8	-	100,001,771	(43,973)	(15,950)	(71,999,794)	27,942,054
AXA – WFOI	6.9	61,183,827	56,005,568	5,213,420	(428,939)	(12,000,000)	109,973,876
Pictet – HDS	6.10	58,778,067	-	1,359,578	-	(27,000,000)	33,137,645
BNP Paribas – PDP	6.11	50,091,736	72,500,000	8,035,218	(616,751)	-	130,010,203
Amundi – RPI2	6.12	50,255,615	33,501,954	2,658,046	(119,881)	-	86,295,734
Total available for sale investments		1,303,741,649	359,513,372	100,372,243	(2,476,960)	(282,999,794)	1,478,150,510

							2016
Fund	Note	As at January 1	Additions	Revaluation	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	348,579,355	20,415,236	27,328,908	(872,731)	-	395,450,768
BNY Mellon – RRF	6.2	170,643,379	30,000,000	3,182,958	-	(65,000,000)	138,826,337
AXA – GILB	6.3	95,816,363	46,661	8,159,752	(369,104)	(18,000,000)	85,653,672
Schroders – SISF	6.4	111,573,428	-	(1,363,500)	-	(100,000,000)	10,209,928
Schroders – GDG	6.5	-	50,000,000	872,418	-	-	50,872,418
Nordea 1 – GSEF	6.6	57,695,077	99,000,000	13,467,202	-	-	170,162,279
Nordea 1 – SRF	6.7	145,649,845	80,000,000	6,607,157	-	-	232,257,002
AXA – WFOI	6.9	27,877,091	30,000,000	3,613,001	(306,265)	-	61,183,827
Pictet – HDS	6.10	32,956,868	22,000,000	3,821,199	-	-	58,778,067
BNP Paribas – PDP	6.11	-	50,000,000	166,042	(74,306)	-	50,091,736
Amundi – RPI2	6.12	-	49,999,649	262,553	(6,587)	-	50,255,615
KBI – IDEF		58,909,446	7,010,252	(617,772)	(216,798)	(65,085,128)	-
Tobam – ABWEF		35,032,098	-	(3,522,683)	(51,132)	(31,458,283)	-
Total available for sale investments		1,084,732,950	438,471,798	61,977,235	(1,896,923)	(279,543,411)	1,303,741,649

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Available for sales investments in Units

					2017
Fund	Note	As at January 1	Additions	Redemptions	As at December 31
		Units	Units	Units	Units
Vanguard – GSIF	6.1	23,965,116	1,500,733	(6,347,346)	19,118,503
BNY Mellon – RRF	6.2	110,319,721	-	(25,692,931)	84,626,790
AXA – GILB	6.3	550,332	89,181	-	639,513
Schroders – SISF	6.4	65,229	-	-	65,229
Schroders – GDG	6.5	314,894	332,622	-	647,516
Nordea 1 – GSEF	6.6	7,017,001	-	(1,117,087)	5,899,914
Nordea 1 – SRF	6.7	12,888,846	-	-	12,888,846
Amundi – 3M-I	6.8	-	92	(68)	24
AXA – WFOI	6.9	449,617	385,380	(83,039)	751,958
Pictet – HDS	6.10	331,649	-	(151,151)	180,498
BNP Paribas – PDP	6.11	355,437	486,762	-	842,199
Amundi – RPI2	6.12	10	7	-	17

					2016
Fund	Note	As at January 1	Additions	Redemptions	As at December 31
		Units	Units	Units	Units
Vanguard – GSIF	6.1	22,732,448	1,232,668	-	23,965,116
BNY Mellon – RRF	6.2	138,385,677	24,197,451	(52,263,407)	110,319,721
AXA – GILB	6.3	668,036	306	(118,010)	550,332
Schroders – SISF	6.4	734,036	-	(668,807)	65,229
Schroders – GDG	6.5	-	314,894	-	314,894
Nordea 1 – GSEF	6.6	2,648,993	4,368,008	-	7,017,001
Nordea 1 – SRF	6.7	8,468,014	4,420,832	-	12,888,846
AXA – WFOI	6.9	209,713	239,904	-	449,617
Pictet – HDS	6.10	202,003	129,646	-	331,649
BNP Paribas – PDP	6.11	-	355,437	-	355,437
Amundi – RPI2	6.12	-	10	-	10
KBI – IDEF		3,869,003	498,833	(4,367,836)	-
Tobam – ABWEF		2,499	-	(2,499)	-

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.1 Vanguard Investment Series plc - Global Stock Index Fund Euro hedged (ISIN: IE00B03HD316)

The fund seeks to provide long term growth of capital by tracking the performance of Morgan Stanley Capital International (MSCI), World Free Index (the "Index"), a market capitalisation weighted index of common stocks of companies in developed countries. Global Stock Index Fund investment policy is to remain substantially invested in common stocks. KPST investments in the fund are subscribed based on the Net Asset Value per share on the relevant business day. The fund does not pay any dividend therefore all gains were reflected in the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +16.71% (2016: +7.61%). The management fee is calculated daily, at an annualised rate of 0.25% of assets (2016: 0.25%). The fund gives out 0.12% as rebate on the management fee (2016: 0.12%) which is reinvested in the following month, making net management fees charged by the fund 0.13% of assets p.a. (2016: 0.13% of assets p.a.). The redemption of EUR 112,000,000 from this fund during 2017 included realised gains of EUR 43,089,430.

6.2 BNY Mellon - Real Return Fund (ISIN IE00B504KX99)

The BNY Mellon Real Return Fund is an absolute return vehicle investing the funds in a mixture of cash, bonds and equities. The fund does not pay a dividend therefore all the gains and income are reflected on the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +2.30% (2016: +2.05%). The management fee was calculated daily at an annualised rate of 0.60% of assets (2016: 0.60% of assets) and was paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2017 amount to EUR 798,961 (2016: EUR 1,212,352). The redemption of EUR 33,000,000 from this fund on September 2017 included realised gains of EUR 4,475,675.

6.3 AXA - Global Inflation Linked Bonds Eur (ISIN LU0227145629)

Global Inflation Linked Bond fund of AXA, a leading global asset manager, is an absolute return vehicle investing funds in inflation protected sovereign and corporate bonds. The fund does not pay a dividend, and all the gains and income were reflected in the Net Asset Value of the fund. The unit price change for the year ending December 31, 2017 was +1.02% (2016: +8.51%). The management fee is calculated daily at an annualised rate of 0.40% of assets (2016: 0.40%); however, when value of assets is in excess of EUR 50 million, a rebate at an annualised rate of 0.05% of assets is accrued daily and reinvested in the following month, making net fees charged by the fund 0.35% of assets p.a. There were no redemptions from this fund during 2017.

6.4 Schroders - International Strategic Bond Euro Hedged (ISIN LU0201624265)

Schroders International Strategic Bond fund is a Luxembourg based mutual fund which operates through investments in a portfolio of bonds and other fixed and floating rates securities denominated in various currencies issued by governments, government agencies, supra-national and corporate issuers worldwide. The fund does not pay a dividend therefore all the income is reflected in the bid price of the fund. The unit price change for the year ended December 31, 2017 was +0.64% (2016: +2.98%). The management fee is calculated quarterly, at an annualised rate of 0.50% of assets (2016: 0.50%), and was paid separately through an invoice, i.e. not reducing the net asset value. However, for the value of assets in excess of EUR 100 million, the annualised fee rate is 0.45% of assets. Total fees charged by the fund manager for the year ended December 31, 2017 amount to EUR 51,528 (2016: EUR 91,476). There were no redemptions from this fund during 2017.

6.5 Schroders - Global Diversified Growth Fund (ISIN LU0776411141)

Schroders Global Diversified Growth Fund is a fund with a mixture of asset classes in its portfolio. The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +8.31% (August-December 31, 2016: +2.25%). The management fee is calculated quarterly at an annualised rate of 0.65% of assets, and was paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2017 amount to EUR 520,466 (2016: EUR 112,627). There were no redemptions from this fund during 2017.

6.6 Nordea 1 - Global Stable Equity Fund (ISIN LU0257969260)

Nordea 1 - Global Stable Equity fund is an active fund that primarily contains stocks of global corporations which have stable: returns, dividends and cash flows. The fund may however hold up to 1/3 of assets in cash or invest them in bonds or other debt instruments in order to manage risk. The fund does not pay a dividend therefore all the gains were reflected on the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +2.72% (2016: +11.34%). The management fee is calculated daily at an annualised rate of: 0.43% of assets, and is paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2017 amount to EUR 747,430 (2016: EUR 510,394). The redemption of EUR 27,000,000 from this fund on September 2017 included realised gains of EUR 4,075,596.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.7 Nordea 1 –Stable Return Fund X EUR (ISIN LU0539147214)

Nordea 1 - Stable Return fund is an active fund that contains global corporations' stocks and bonds and government securities, aiming to generate return from both asset classes and at the same time to manage risks through the strategic use of financial derivative. The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The return for the year ended December 31, 2017 was +4.44% (2016: +4.77%). The management fee is calculated daily at an annualised rate of: 0.56% of assets and is paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2017 amount to EUR 1,342,831 (2016: EUR 1,142,434). There were no redemptions from this fund during 2017.

6.8 Amundi – 3M (I) (ISIN FR000703813)

During July 2017 the Governing Board invested pension assets in the Amundi – 3M (I) fund which invests in money market instruments and seeks to provide high liquidity and security and serves as an alternative to keeping the funds in the Central Bank of Kosovo. The fund does not pay a dividend therefore all the losses were reflected on the Net Asset Value of the fund. The unit price change since the initial investment in July and up to December 31, 2017 was -0.19%. The management fee is calculated daily at an annualised rate of: 0.057% of assets and is withheld from the fund, thereby reducing the net asset value. When the average value of assets in a given calendar quarter is in excess of EUR 50,000,000 the fund gives out a 0.012% of assets p.a. as rebate on fees which is typically reinvested. The redemption of EUR 71,999,794 from this fund included realised losses of EUR 31,469.

6.9 AXA – Optimal Income I EUR (ISIN: LU0184635471)

AXA – Optimal Income fund is an active fund that contains corporate stocks and bonds and government securities, mainly from Europe, aiming to generate an absolute return in long-term from both these classes of financial instruments. For the sake of risk management, small scale use of derivatives is allowed. The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +7.47% (2016: +2.37%). The management fee is calculated daily at an annualised rate of: 0.55% of assets (2016: 0.55%), and is withheld from the fund, thereby reducing the net asset value. The redemption of EUR 12,000,000 from this fund on June 2017 included realised gains of EUR 1,458,235.

6.10 Pictet – High Dividend Selection – Z Euro (ISIN: LU0650147423)

Pictet – High Dividend Selection fund is an active fund that primarily contains stocks with stable dividends of global corporations. The fund does not pay a dividend therefore all the gains were reflected on the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +3.59% (2016: +8.63%). The management fee is calculated daily at an annualised rate of: 0.63% of assets and is paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2017 amount to EUR 317,056 (2016: EUR 268,573). The redemption of EUR 27,000,000 from this fund on September 2017 included realised gains of EUR 3,300,748.

6.11 BNP Paribas IP – Parvest Diversified Dynamic (ISIN: LU0102035119)

BNP Paribas IP – Parvest Diversified Dynamic is a fund with a mixture of asset classes in its portfolio. The fund does not pay any dividend therefore all gains were reflected in the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +9.54% (October-December 2016: +0.14%). The management and other fees are calculated daily, at an annualised rate of 0.76% of assets and are withheld from the fund, thereby reducing the net asset value. The fund gives out 0.11% of assets as rebate on the fees, making net fees charged by the fund 0.65% of assets p.a. There were no redemptions from this fund during 2017.

6.12 Amundi – Amundi Rendement Plus I2 (ISIN: FR0011027283)

Amundi Rendement Plus I2 is a fund with a mixture of asset classes in its portfolio. The fund does not pay any dividend therefore all gains were reflected in the Net Asset Value of the fund. The unit price change for the year ended December 31, 2017 was +4.55% (December 6-31, 2016: +0.61%). The management and other fees are calculated daily, at an annualised rate of 0.20% of assets and are withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2017.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.13 Open-end vehicle fees and rebates

		Year ended December 31 2017			Year ended December 31 2016		
		Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	910,863	(454,909)	455,954	872,731	(418,909)	453,822
BNY Mellon – RRF	6.2	798,961	-	798,961	1,212,352	-	1,212,352
AXA – GILB	6.3	384,576	(48,072)	336,504	369,104	(46,138)	322,966
Schroders – SISF	6.4	51,528	-	51,528	91,476	-	91,476
Schroders – GDG	6.5	520,466	-	520,466	112,627	-	112,627
Nordea 1 – GSEF	6.6	747,430	-	747,430	510,394	-	510,394
Nordea 1 – SRF	6.7	1,342,831	-	1,342,831	1,142,434	-	1,142,434
Amundi – 3M I	6.8	15,950	(2,396)	13,554	-	-	-
AXA – WFOI	6.9	428,939	-	428,939	306,265	-	306,265
Pictet – HDS	6.10	317,056	-	317,056	268,573	-	268,573
BNP Paribas – PDP	6.11	616,751	(89,046)	527,705	74,306	(10,604)	63,702
Amundi – RPI2	6.12	119,881	-	119,881	6,587	-	6,587
KBI – IDEF ¹		-	-	-	216,798	(11,225)	205,573
Tobam – ABWEF ¹		-	-	-	51,132	(28,811)	22,321
Total open-end vehicle fees and rebates		6,255,232	(594,423)	5,660,809	5,234,779	(515,687)	4,719,092

¹ Fully redeemed during 2016.

7 HELD TO MATURITY INVESTMENTS

ISIN Rate Maturity	2017				
	As at	Placements	Interest	Matured /	As at
	January 1		earned	Coupons	December 31
	EUR	EUR	EUR	EUR	EUR
KV1206110619 2.80 31.03.2017	352,222	-	2,678	(354,900)	-
KV1206520656 3.20 29.05.2018	7,015,942	-	227,166	(224,000)	7,019,108
KV1206710671 2.80 30.06.2017	10,001,342	-	138,658	(10,140,000)	-
KV1207130716 4.90 31.08.2020	4,305,757	-	232,969	(211,680)	4,327,046
KV1207210725 2.80 30.09.2017	10,070,623	-	209,377	(10,280,000)	-
KV1207610763 2.60 31.12.2017	7,942,503	-	214,197	(8,156,700)	-
KV1208030808 3.50 26.02.2021	4,607,972	-	182,084	(162,400)	4,627,656
KV1108540856 0.50 17.05.2017	7,865,058	-	14,942	(7,880,000)	-
KV1108640860 0.40 14.06.2017	12,507,095	-	22,905	(12,530,000)	-
KV1208710879 0.70 30.06.2018	4,042,078	-	40,448	(28,420)	4,054,106
KV1108940891 0.20 16.08.2017	9,987,355	-	12,645	(10,000,000)	-
KV1210321032 0.80 26.05.2020	-	4,965,244	24,989	(21,000)	4,969,233
KV1110441048 0.40 13.06.2018	-	5,826,435	12,936	-	5,839,371
KV1210511057 0.50 30.06.2019	-	10,000,000	25,205	(25,000)	10,000,205
KV1210631062 1.20 04.07.2022	-	4,541,347	35,811	-	4,577,158
KV1110741079 0.27 15.08.2018	-	14,958,407	15,641	-	14,974,048
KV1210841085 3.20 30.08.2024	-	6,184,186	27,807	-	6,211,993
KV1210931093 1.30 30.09.2022	-	2,661,226	10,485	-	2,671,711
KV1111021101 0.15 11.10.2018	-	12,460,551	4,204	-	12,464,755
KV1211121117 0.90 16.11.2020	-	5,825,506	7,878	-	5,833,384
KV1111241123 0.35 05.12.2018	-	7,473,552	1,814	-	7,475,366
	78,697,947	74,896,454	1,464,839	(60,014,100)	95,045,140

Held to maturity investments of KPST-PA consist of Kosovo Treasury debt instruments with an original maturity of between 6 months and 7 years. Kosovo Treasuries are not rated. It is the intention of the Governing Board to hold to maturity all its investments of KPST-PA assets in such instruments.

7 HELD TO MATURITY INVESTMENTS (CONTINUED)

ISIN Rate Maturity	2016				
	As at January 1	Placements	Interest earned	Matured / Coupons	As at December 31
	EUR	EUR	EUR	EUR	EUR
KV1204610466 2.60 30.06.2016	6,003,271	-	74,729	(6,078,000)	-
KV1205110510 2.90 30.09.2016	7,050,844	-	152,156	(7,203,000)	-
KV1205510558 2.90 01.12.2016	7,517,445	-	200,055	(7,717,500)	-
KV1105940594 2.00 10.02.2016	9,977,475	-	22,525	(10,000,000)	-
KV1206110619 2.80 31.03.2017	351,189	-	10,833	(9,800)	352,222
KV1106440648 1.50 18.05.2016	9,942,683	-	57,317	(10,000,000)	-
KV1206520656 3.20 29.05.2018	7,012,258	-	227,684	(224,000)	7,015,942
KV1206710671 2.80 30.06.2017	10,000,956	-	280,386	(280,000)	10,001,342
KV1207130716 4.90 31.08.2020	4,284,956	-	232,481	(211,680)	4,305,757
KV1207210725 2.80 30.09.2017	10,070,235	-	280,388	(280,000)	10,070,623
KV1107420749 1.60 20.04.2016	4,418,238	-	21,762	(4,440,000)	-
KV1107540754 1.60 07.12.2016	5,072,929	-	77,071	(5,150,000)	-
KV1207610763 2.60 31.12.2017	7,934,622	-	214,581	(206,700)	7,942,503
KV1208030808 3.50 26.02.2021	-	4,544,972	153,370	(90,370)	4,607,972
KV1108420848 0.30 19.10.2016	-	14,977,284	22,716	(15,000,000)	-
KV1108540856 0.50 17.05.2017	-	7,840,363	24,695	-	7,865,058
KV1108640860 0.40 14.06.2017	-	12,479,527	27,568	-	12,507,095
KV1208710879 0.70 30.06.2018	-	4,042,077	20,346	(20,345)	4,042,078
KV1108940891 0.20 16.08.2017	-	9,979,819	7,536	-	9,987,355
	89,637,101	53,864,042	2,108,199	(66,911,395)	78,697,947

8 DEPOSITS

					2017	
Bank Rate Placed Maturity	As at January 1	Placements	Interest gained / accrued	Matured	As at December 31	
	EUR	EUR	EUR	EUR	EUR	
BPB 1.80 15.12.2016 15.12.2017	8,006,707	-	137,293	(8,144,000)	-	
BKT 1.45 16.12.2016 18.12.2017	8,005,071	-	111,551	(8,116,622)	-	
TEB 1.00 20.12.2017 20.12.2017	4,001,311	-	38,685	(4,039,996)	-	
BKT 1.10 14.07.2017 16.07.2018	-	4,000,000	20,614	-	4,020,614	
BKT 1.50 14.07.2017 15.07.2019	-	5,000,000	35,137	-	5,035,137	
NLB 1.10 14.07.2017 14.07.2018	-	4,000,000	20,614	-	4,020,614	
NLB 1.50 14.07.2017 14.07.2019	-	5,000,000	35,137	-	5,035,137	
TEB 1.20 14.07.2017 14.07.2018	-	5,000,000	28,109	-	5,028,109	
TEB 1.30 14.07.2017 14.07.2019	-	3,000,000	18,271	-	3,018,271	
BPB 1.80 31.07.2017 31.07.2018	-	501,000	3,805	-	504,805	
NLB 1.10 13.12.2017 13.12.2018	-	3,700,000	2,119	-	3,702,119	
BPB 2.11 15.12.2017 15.12.2018	-	8,300,000	8,157	-	8,308,157	
BKT 1.60 18.12.2017 18.12.2018	-	8,000,000	4,909	-	8,004,909	
TEB 1.20 20.12.2017 20.12.2018	-	3,900,000	1,539	-	3,901,539	
	20,013,089	50,401,000	465,940	(20,300,618)	50,579,411	

					2016	
Bank Rate Placed Maturity	As at January 1	Placements	Interest gained / accrued	Matured	As at December 31	
	EUR	EUR	EUR	EUR	EUR	
BKT 1.70 28.10.2015 27.10.2016	3,009,082	-	41,803	(3,050,885)	-	
BPB 1.50 28.10.2015 28.10.2016	3,008,014	-	37,110	(3,045,124)	-	
BPB 1.80 15.12.2016 15.12.2017	-	8,000,000	6,707	-	8,006,707	
BKT 1.45 16.12.2016 18.12.2017	-	8,000,000	5,071	-	8,005,071	
TEB 1.00 20.12.2016 20.12.2017	-	4,000,000	1,311	-	4,001,311	
	6,017,096	20,000,000	92,002	(6,096,009)	20,013,089	

Term deposits are with an original maturity of 1 or 2 years and fixed interest rates. The banks are all commercial banks licensed and operating in the Republic of Kosovo (BKT - Banka Kombëtare Tregtare – Dega Kosovë; BPB - Banka për Biznes; TEB – Turkish Enterprise Bank; and NLB – NLB Prishtina).

9 LIABILITIES TOWARDS KPST-0

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Fees charged on participants' accounts and rebates - payable	396,359	373,957
Difference from refunds of erroneous contributions - payable	2,182	1,137
Total liabilities towards KPST-0	398,541	375,094

As at December 31, 2017 the balance of payable fees amounting EUR 396,359 relates to KPST fees charged to the participants' accounts which were not transferred to KPST-0 as of reporting date (2016: EUR 373,957).

When a pension contribution is proven to have been paid in error, the nominal amount is refunded to the payer. As per KPST policies in effect the difference of the refunded amount and the value of redeemed shares on the day of the refund, is to be treated as other income (or expense) of KPST-0. As at December 31, 2017 the balance of payable differences from refunds was EUR 2,182 (December 31, 2016: EUR 1,137).

10 LIABILITIES FOR REPURCHASED SHARES

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Liabilities for refunds	125,497	76,640
Liabilities for the withdrawal of savings	341,881	192,955
Liabilities for the return of unallocated funds	9,967,983	-
Total liabilities for repurchased shares	10,435,361	269,595

As at December 31, 2017 the balance of funds redeemed through refunds and withdrawal of savings (benefit payments) not transferred to respective beneficiaries as of reporting date amounts to EUR 467,378 (2016: EUR 269,595).

In accordance with paragraph 3 of Article 3 of the Law No. 05/L-116 amending paragraph 7.11 of the Article 7 of the Law No. 04/L-101 on Pension Funds in Kosovo, contributions received more than 6 years ago which remained unallocated due to lack of complete and/or correct information – more precisely contributions received during the period of August 2002 and up to September 2011 - were redeemed in December 2017, they were payable to the Kosovo's consolidated budget on reporting date, with the payment executed during January 2018. The value of the redemption amounted EUR 9,967,983 and was comprised of nominal contributions amounting EUR 7,026,365 of net gains amounting EUR 2,941,618.

11 NON-CONTRIBUTIONS

Incoming transfers to KPST's collection account with CBK, which at the time of processing a bank statement are identified to have been paid in error and are not pension contributions, are classified as non-contributions and are not unitised. In all other cases incoming contribution transfers are unitised, and subsequently redeemed as Refunds when proven to have been made in error. As at December 31, 2017 the balance of non-contributions not yet returned as of reporting date amounts to EUR 49,298 (2016: EUR 22,099).

12 OTHER INCOME

During the year ending December 31, 2017 the Governing Board of KPST had decided to refund EUR 385,000 to pension assets from the KPST-O surplus for investment activities (2016: EUR 440,000).

13 FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Fees for investment activities	6,043,149	5,239,164
Fees for operational activities	1,245,535	1,083,849
Total fees charged on participants' accounts	7,288,684	6,323,013

Fees are accrued on daily basis according to the formula:

$$\text{Fee} = [\text{Gross Participants' Assets}] * [\text{Rate}] / [\text{Number of calendar days in a year}].$$

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2017 amounted EUR 7,288,684 (2016: EUR 6,323,013).

Applicable fees for the reporting period, as approved by the Assembly of the Republic of Kosovo in accordance with Law Nr. 04/L-168, were as follows:

Date from	Date to	Fees for investment activities	Fees for operational activities	Total fees
January 1, 2016	February 21, 2016	0.400% p.a.	0.085% p.a.	0.485% p.a.
February 22, 2016	December 31, 2016	0.398% p.a.	0.082% p.a.	0.480% p.a.
January 1, 2017	December 31, 2017	0.393% p.a.	0.081% p.a.	0.474% p.a.

14 INDIVIDUAL PARTICIPANTS' ACCOUNTS

	As at December 31 2017	As at December 31 2016
	Number of Accounts	Number of Accounts
Accounts with no withdrawals of savings	553,015	508,537
Accounts with withdrawals of savings	38,512	33,386
Total accounts	591,527	541,923

An account with withdrawals of savings represents accounts from which pension savings have been withdrawn due to: (i) the contributor retiring by reaching the pension age of 65 years old or by becoming permanently disabled; or (ii) successors, deemed as rightful heirs, inheriting the pension savings of a deceased participant. Out of 591,527 contributors for whom KPST has opened a pension savings account, 352,849 had contributions belonging to the year ended December 31, 2017 (2016: 312,672 out of 541,923 opened accounts).

Pension contributions are paid to KPST by employers on behalf of employees who are residents in Kosovo at the rate of at least 5% of total employee gross income for each, employee and employer part of contributions. Together with voluntary contributions, the maximum employee and employer can each contribute 15% of total employee gross income.

Employers are obliged to submit payroll data to TAK web portal in order to obtain the payment document for a given month. The self-employed make payments on quarterly basis. TAK makes the information available to KPST and is also responsible for the compliance by employers and enforcing such compliance by way of fines issued to delinquent employers.

Mainly due to the imperfect nature of collection and reporting process in force prior to the fourth quarter of 2012, when the TAK portal was introduced, funds collected have not been fully allocated to individual participants accounts. Since the portal was introduced the overwhelming majority of contributions are being allocated to individual accounts on the same day as payments are being processed. Predominantly due to employer non-reporting for prior periods, an amount of EUR 2,288,327 was not allocated to individual participants' accounts as at December 31, 2017 (December 31, 2016: EUR 9,445,896).

During 2017 KPST attributed the amount of EUR 299,699 to individual accounts from the amount outstanding as of December 31, 2016 and redeemed as unallocated assets contributions amounting EUR 7,026,365.

The nature and reason of contributions not allocated to participants' individual accounts is provided below:

Reason	As at December 31 2017	As at December 31 2016
	EUR	EUR
Employers have not submitted contribution reports	2,041,184	8,291,067
Payment not posted to employer account	18,870	635,365
Invalid contributor ID and Name/Surname combination	228,273	519,464
Total un-allocated contributions	2,288,327	9,445,896
Cumulative contributions unitised up to reporting date	1,422,168,517	1,262,410,998
Un-allocated contributions as percentage of unitised contributions up to reporting date	0.16%	0.75%

14 INDIVIDUAL PARTICIPANTS' ACCOUNTS (CONTINUED)

Another way to view the progress of reconciliation process is by comparing allocated funds and net unitised assets under management, as provided below:

	Notes	As at December 31 2017	As at December 31 2016
		Value EUR	Value EUR
Net participants' assets		1,644,799,405	1,427,504,211
Contribution receivables not unitised on reporting date	5	(10,151,350)	(9,533,337)
Net unitised participants' assets		1,634,648,055	1,417,970,874
Balance of funds in individual accounts		1,631,759,860	1,405,721,979
Percentage of net unitised participants' assets in individual accounts		99.82%	99.14%

15 PHASED WITHDRAWAL BENEFIT PAYMENTS

As per the Rule for the withdrawal of pension savings, amended by CBK in August 2016 participants retiring with balances above the threshold of EUR 3,000 in their KPST accounts, must withdraw their savings in phases but have the option to receive 20% of their balance in a lump-sum payment (2016: threshold of EUR 3,000). Participants receive monthly payments amounting 1% of the balance of their account upon retirement from KPST or EUR 200, whichever is greater (2016: 1% or EUR 200 whichever is greater). The phased withdrawal rules are conditional until such time as annuities shall be available in Kosovo. Upon retirement the balance of participants' KPST account, minus the portion received in lump-sum, is transferred to the commercial bank contracted to provide the phased withdrawal service, and such assets are no longer accounted for as KPST-PA assets. Persons retiring with balances under the threshold get their proceeds in a lump-sum payment.

16 STATEMENT OF SHARE MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	Notes	2017	2016
		Units	Units
As at January 1		1,030,807,350	933,353,972
Units issued for received contributions		111,815,014	113,214,950
Units redeemed through withdrawal of savings		(19,436,297)	(14,364,666)
Units redeemed due to return of unallocated funds		(6,798,515)	-
Units redeemed through refunds		(446,350)	(1,396,906)
As at December 31		1,115,941,202	1,030,807,350
Net unitised participants' assets	14	1,634,648,055	1,417,970,874
NAV per share on reporting date		EUR 1.4648	EUR 1.3756

17 EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2017.

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