

Trusti
ANNUAL
REPORT
2020

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Kosovo Pension Savings Trust

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KEY FACTS

INVESTMENT PERFORMANCE FOR THE LAST 10 YEARS

Period	1-Year	2-Years	3-Years	4-Years	5-Years	6-Years	7-Years	8-Years	9-Years	10-Years
Investment return (in millions)	€72.1	€232.8	€147.8	€250.4	€314.9	€344.5	€411.2	€482.4	€536.6	€539.9

INVESTMENT	2020	2019
Share price at the end of the year	€1.5564	€1.5106
Share price increase during the year	+3.03%	+8.87%
Gross investment return for the year	€70,484,003	€158,459,907
Other returns for the year	€1,660,384	€2,300,000

ASSETS UNDER MANAGEMENT (AUM)

Net AUM at the end of the year	€1,986,814,077	€1,966,185,319
Increase in net AUM during the year	€20,628,758	€285,807,658

CONTRIBUTIONS AND CONTRIBUTORS

Contributions received during the year	€194,364,329	€186,612,628
Contributions received since inception	€1,975,810,503	€1,781,446,174
Accounts opened during the year	37,437	43,286
Account-holders at the end of the year	707,388	669,973
Active contributors during the year	387,526	379,827

Note: 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 of €12.50m (2019: €12.27m).

RETIREMENT	2020	2019
Newly withdrawn accounts during the year	7,078	7,808
Value of withdrawals for the year	€49,608,754	€52,583,934
Withdrawn accounts since inception	58,390	51,755
Value of withdrawals since inception	€253,012,649	€203,403,895

WITHDRAWING OF 10%

	2020	2019
Successful applications for the period from 11 December - 31 December 2020	397,557	--
Amount Withdrawn	€185,418,786	--

FEES AND EXPENSES

Investment / Operating fees during the year*	0.330% / 0.065%	0.370% / 0.069%
Amount of fees charged for the year	€8,363,834	€8,235,843
Investment expenses for the year	€5,732,566	€4,702,557
Operating expenses for the year	€1,201,023	€1,205,928

UNALLOCATED CONTRIBUTIONS AND SERVICES

Unallocated contributions at the end of the year	€1,589,207	€2,405,299
Number of services provided during the year	208,603	159,355
Number of eTrusti accounts	255,903	129,960

*Details of withheld fees for 2020 are disclosed in the financial statements attached to this report.

WITHDRAWAL OF 10% [from 11 to 31 December 2020]

KPST, according to legal changes in the Law on Economic Recovery (No. 07/L-016, Article 12A), has prepared the necessary infrastructure to enable all contributors who want to apply for the withdrawal of 10% from their accounts. The Law entered into force on December 7th, 2020. KPST has completed all preparations, after receiving all requested bank accounts from the CBK.

Therefore, on December 11th, 2020, the application platform was launched. The application procedure, as defined in Article 12A, point 2., may only be done electronically, i.e. from distance. Distance-enabled application (online) was designed in a technological architecture with superior security and unlimited number of applications simultaneously.

Applications by amounts withdrawn

AMOUNT OF WITHDRAWAL	NO. OF APPLICANTS	IN %	POTENTIAL NO. OF PERSONS APPLYING	% OF POTENTIAL PERSONS
Up to €10	10,198	2.6%	99,800	10.2%
€11 to €50	55,876	14.1%	135,211	41.3%
€51 to €100	50,884	12.8%	80,547	63.2%
€101 to €200	66,899	16.8%	88,495	75.6%
€201 to €500	94,265	23.7%	109,791	85.9%
€501 to €1,000	68,459	17.2%	73,026	93.7%
€1,001 to €2000	39,277	9.9%	43,851	89.6%
€2,001 to €4,000	9,790	2.5%	11,568	84.6%
Over €4,000	1,925	0.5%	2,293	84.0%
TOTAL	397,573*	100.0%	644,582	61.7%

Note: KPST will prepare a separate report for the entire application period for the withdrawal of 10%.

Applications by age of contributors

AGE OF CONTRIBUTORS	NUMBER	IN %
Up to 25 years	58,489	14.7%
26 to 30 years	59,836	15.0%
31 to 35 years	56,561	14.2%
26 to 40 years	50,994	12.8%
41 to 45 years	45,577	11.5%
46 to 50 years	40,416	10.2%
51 to 55 years	35,433	8.9%
56 to 60 years	31,038	7.8%
61 to 65 years	18,973	4.8%
Over 66 years	256	0.1%
TOTAL	397,573*	100.0%

*There is a difference between number of applicants and the number of actual payments: because the applicant may not have had a withdrawal balance, may have retired in the meantime, may have had technical issues with bank account or there has been a merger of marital accounts.

Daily applications statistics – from 11.12.2020 to 31.12.2020

DATE	NUMBER OF APPLICANTS	VALUE OF 10%	NUMBER OF UNITS	NOMINAL CONTRIBUTIONS	AVERAGE AMOUNT PER PERSON	AVERAGE PROFIT
11.12	219,729	€112,236,401	72,551,001	€90,757,918	€511	23.7%
12.12	64,727	€26,922,290	17,402,902	€21,752,023	€416	23.8%
13.12	22,263	€9,681,406	6,258,181	€7,791,174	€435	24.3%
14.12	24,907	€11,421,447	7,375,813	€9,146,079	€459	24.9%
15.12	12,672	€5,155,421	3,332,097	€4,129,514	€407	24.8%
16.12	7,825	€3,103,619	2,001,173	€2,481,829	€397	25.1%
17.12	5,148	€2,037,394	1,312,331	€1,630,117	€396	25.0%
18.12	4,483	€1,830,165	1,178,470	1,460,413	€408	25.3%
19.12	2,458	€949,556	611,433	764,022	€386	24.3%
20.12	1,910	€671,567	432,432	538,449	€352	24.7%
21.12	6,916	€2,751,413	1,775,220	2,211,188	€398	24.4%
22.12	6,372	€2,364,231	1,524,523	1,883,886	€371	25.5%
23.12	4,539	€1,584,470	1,021,580	1,261,971	€349	25.6%
24.12	3,472	€1,166,968	751,622	924,784	€336	26.2%
25.12	1,732	€579,880	373,490	460,587	€335	25.9%
26.12	984	€337,295	217,245	270,382	€343	24.7%
27.12	841	€266,693	171,772	213,832	€317	24.7%
28.12	2,076	€769,543	495,329	605,195	€371	27.2%
29.12	1,904	€686,792	440,929	540,179	€361	27.1%
30.12	1,612	€517,537	332,415	406,976	€321	27.2%
31.12	987	€384,699	247,172	303,503	€390	26.8%
TOTAL	397,557	€185,418,786	119,807,130	€147,193,953	€466	26.0%

INVESTMENTS IN 2020

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 2020	GROSS INVESTMENT RETURN FOR THE YEAR 2020
BNY Mellon Real Return Fund (X) ISIN: IE00B504KX99	€357,973,238	€27,536,267
Nordea 1 Stable Return Fund (X) Euro ISIN: LU0539147214	€336,904,158	€6,102,714
Amundi 3M-I ISIN: FR000703813	€265,370,148	[€774,943]
AXA Global Inflation Linked Bonds (I) Eur ISIN: LU0227145629	€154,357,691	€5,164,846
BNP Paribas - PDP Parvest Diversified Dynamic (I) ISIN: LU0102035119	€109,423,312	[€1,307,307]
Invesco QQQ Trust ETF ISIN: US46090E1038	€39,024,092	€13,413,416
Nordea 1 Global Stable Equity Fund ISIN: LU0257969260	€33,945,261	[€9,789,506]
Vanguard Investment Series plc Global Stock Index Fund Euro hedged ISIN: IE00B03HD316	€33,673,844	€6,782,245
iShares Edge MSCI Europe Min Vol ETF ISIN: IE00B86MWN23	€12,340,471	€9,032,524
iShares Edge S&P 500 Minimum Volatility UCITS ETF EUR Hedged ISIN: IE00BYX8XD24	€9,149,305	€6,574,645
Schroders Global Diversified Growth Fund ISIN: LU0776411141	--	[€2,312,036]
AXA Optimal Income I EUR ISIN: LU0184635471	--	[€2,575,571]
Amundi Rendement Plus I2 ISIN: FR0011027283	--	[€3,118,598]
iShares Core € Corp Bond UCITS ETF EUR (Dist) ISIN: IE00B3F81R35	--	[€1,148,829]
Amundi IS EURO Corporates ETF-C EUR ISIN: LU1681039647	--	[€986,165]
iShares Edge MSCI USA Quality Factor ETF ISIN: US46432F3394	--	[€3,735,894]
iShares S&P 500 EUR Hedged UCITS ETF (Acc) ISIN: IE00B3ZWOK18	--	€5,860,355
iShares EURO STOXX 50 UCITS ETF (DE) ISIN: DE0005933956	--	€4,314,218
Treasury securities The Government of the Republic of Kosovo	€449,848,742	€8,317,671
Term deposits BKT, NLB, TEB, PCB, BPB, BEK	€129,504,216	€2,638,627
Other income – dividends from open funds (ETF)	--	€495,324
TOTAL	€1,931,514,478	€70,484,003

INVESTMENTS

2020

KPST received a significant award [from IPE Awards] ranked among the most successful in Europe for 2020 in "Active Management of Investments".

Net return for this year was +3.0% while assets under management by the end of the year increased by 1.1%.

2019

Investments in the ETF funds have been initiated for the first time, and investments in Kosovo reached a record value of almost €500 million.

Net return for this year was + 8.9%, while assets under management increased by +17.0%.

2018

The process for selecting an investment broker in ETF was successfully completed. Gradual derisking of the portfolio was initiated.

Net return for the year was -5.3% while assets under management increased by 2.2%.

2018

Account statements sent by e-mail numbered 178 thousand. The number of eTrusti accounts reached 102,000, whereas 10,000 services were provided on social networks.

Unallocated contributions were reduced to 0.08% of the contributions collected.

2019

e-Trusti accounts reached almost 130 thousand, thus constituting around 30% of active accounts. Electronic e-Kiosk has been put in service, and contributors can print the statement any time [24/7].

Unallocated contributions rose slightly to 0.14% of the contributions collected.

2020

Online application process was prepared for the withdrawal of 10% and during December 397,557 people successfully applied. The number of accounts in eTrust doubled [to 255,903] thus constituting 36% of all accounts.

Unallocated contributions were reduced to 0.08% of the contributions collected.

ACRONYMS

ASSEMBLY	Assembly of the Republic of Kosovo
CBK	Central Bank of the Republic of Kosovo
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]
ISA	Information Society Agency

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

61.7%

INCREASE IN NET PENSION ASSETS

18.2%

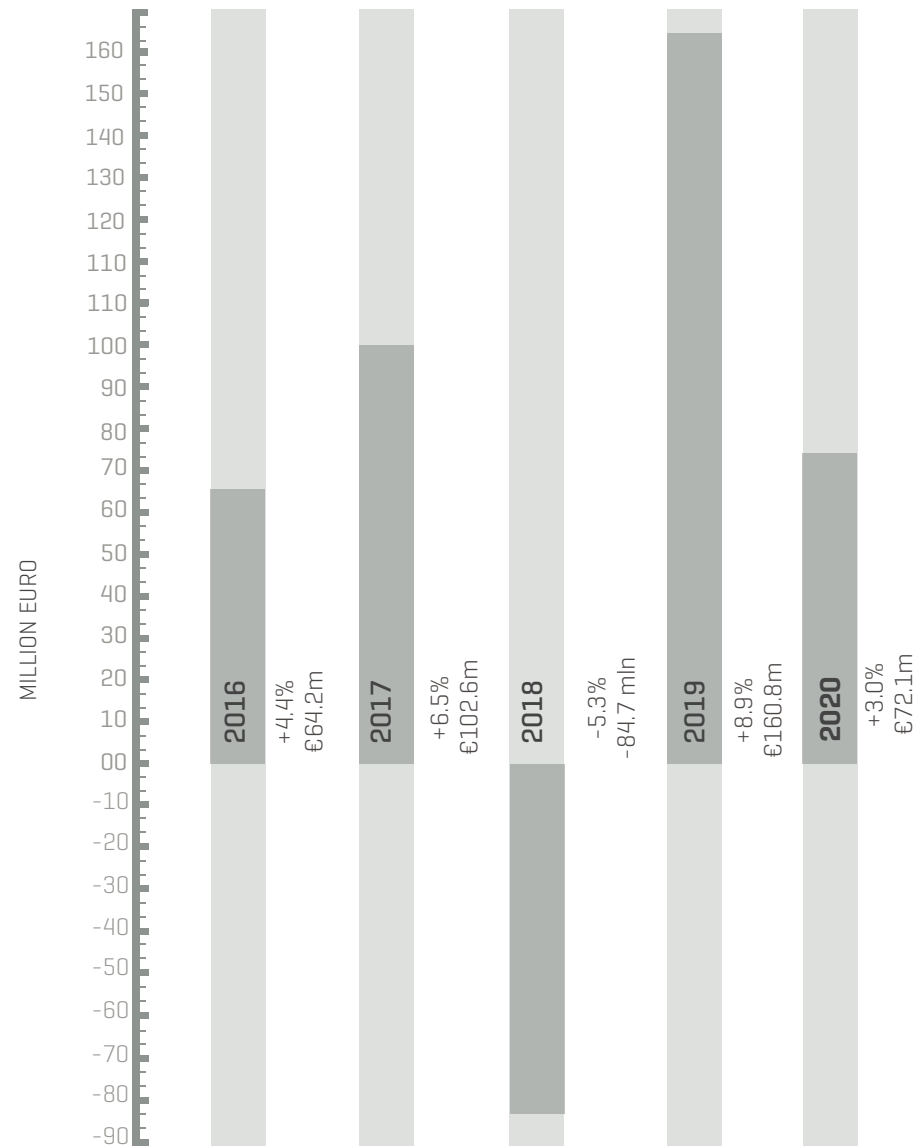
INCREASE OF SHARE PRICE

€314.9m

GROSS RETURN

GROSS RETURN

UNIT PRICE ANNUAL INCREASE/DECREASE



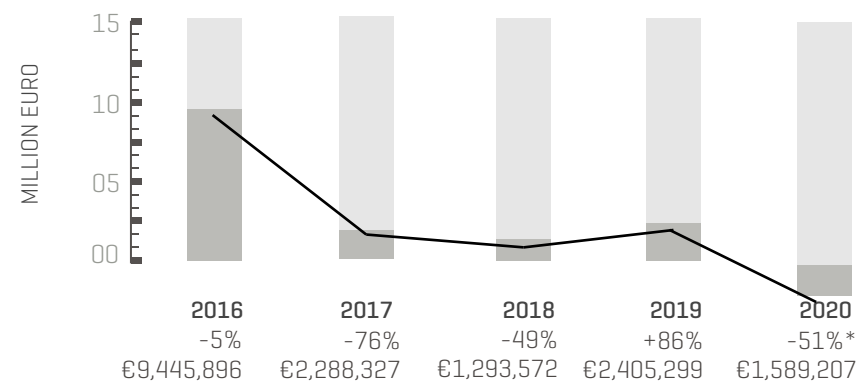
NUMBER OF ACCOUNT-HOLDERS AND ACTIVE CONTRIBUTORS

YEAR	TOTAL ACCOUNTS					ACTIVE ACCOUNTS				
	(A)	(B)	(B)/(A)	(C)	(C)/(A)	(D)	(E)	(E)/(D)	(F)	(F)/(D)
2016	541,923	377,192	69.6%	164,371	30.4%	312,672	213,331	69.2%	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%
2018	626,687	426,960	67.9%	199,727	32.1%	344,453	229,515	66.6%	114,938	33.4%
2019	669,973	450,845	67.3%	219,128	32.7%	379,827	248,618	65.5%	131,209	34.5%
2020	707,388	469,286	66.3%	238,102	33.7%	387,526	249,355	64.3%	138,171	35.7%

KPST NET AUM VS ANNUAL GDP OF KOSOVO

	2016	2017	2018	2019	2020
Net AUM	€1,417,970,874	€1,634,648,056	€1,681,148,926	€1,966,956,583	€1,986,814,077
Real GDP of Kosovo	€6,070,200,000	€6,282,200,000	€6,659,000,000	€7,006,000,000	€6,810,000,000*
Net AUM vs Kosovo GDP	23.4%	26.0%	25.2%	28.1%	29.2%

CUMULATIVE UNALLOCATED CONTRIBUTIONS



CHANGE IN UNALLOCATED CONTRIBUTIONS AS A PERCENTAGE OF TOTAL CONTRIBUTIONS

*More information on this extraordinary fall in the unallocated contributions in 2018 can be found on page 45 of this Annual Report

KPST NET AUM AT THE END OF 2020 REACHED

29.2%

OF REAL GDP OF KOSOVO

* AS EVALUATED BY THE KOSOVO AGENCY OF STATISTICS FOR THE PERIOD OF Q4 2020

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

The 2020 Annual Report, together with the attached financial statements, is the most important annual publication of the institution, through which we disclose the main issues on investments and operations.

2020 was an extraordinary year. It was a year of a global pandemic, the toughest in a century, a global recession, but also of unprecedented actions of governments; and a year, which for us ended with the possibility of early withdrawal for about 650 thousand contributors – known as the 10% withdrawal. It was a year, when, each of us faced difficult challenges but also when the institutions discovered what they really were, and sometimes, what can be done in the future.

Seeing the events unfolding throughout the year, we have focused on what we could do as an institution to serve. It all began in February, initially in China and later on around the world as at first the pandemic strongly affected our investments in international financial markets. As a solution, the Board decided to take safeguards for all those who reached retirement age this year, moving them to a portfolio that is less sensitive to common investment fluctuations.

At the same time, there was a need for an urgent decrease in risk (prior to the effects of the pandemic) of investments in instruments with significant risk/return. The withdrawn funds were directed to money market funds and bonds – including securities of the Treasury of the Republic of Kosovo. These decisions, as confirmed by the positive performance for 2020, turned out to be accurate and efficient. The main organization in Europe for pension funds, IPE Awards deemed them as such, and it awarded the KPST with “High Acknowledgment” in the field of “Active Management of Investments”. There is no way we cannot feel fulfilled and proud of these achievements!

All decisions of the institution, as always, took into account the four basic principles set by law, which are: i) security of pension assets, ii) diversification of investments, iii) maximum return in relation to the security of pension assets, and iv) maintaining sufficient liquidity.

Based on these principles, as well as constantly looking for new investment opportunities, but sparing no tools that help in achieving the objectives, the KPST concluded another successful year in investments. The gross return on investment for 2020 was over €72 million, and the share price increased by +3.0%.

The Governing Board, assisted by the Management and the Investment and Risk Unit, this year again focused on the allocation of more funds in Kosovo and the reduction of those abroad, as long as the financial markets operate in turmoil. Consequently, at the end of the year we had about €580 million in Kosovo, which is almost 30% of all assets under management. A year ago we had about €484 million in Kosovo, which was about 25% of the funds. About 78% of investments in Kosovo were in Government securities and the rest in bank deposits. Deposits with Kosovo banks during the year had a reduction, both due to maturities and also because banks reduced their demand for deposits.

On the operations side, the entire second half of the year passed in preparing for the passage of the legal changes to withdraw the 10%. Such a situation disrupted the normal flow of the annual work plan in the institution, causing a constant work overload.

Following entry into force of the Law (on December 7th, 2020), it took our IT staff less than four days to finalize technical preparations to enable an unlimited number of applications at the same time. All this via the internet, with an easy procedure but without ever compromising data security.

The day the application was launched, December 11th, over two hundred and twenty thousand people successfully applied within eight hours, while within three weeks the numbers went to 397,557 contributors, which were paid without delay. In total over €185 million were payments for this period; with an average of each beneficiary withdrawing €446, ensuring 26% return on investment. These calculations do not include around €50 million on ordinary retirement, and this year we had 7,078 such beneficiaries. Despite these withdrawals, assets under management increased again by €21 million by the end of 2020, and reached €1.99 billion.

As if the above were not enough, the number of requests for online access to the account (via eTrust) multiplied, and tens of thousands of phone calls, emails and messages on social networks had to be handled in a timely manner and completely. The number of eTrust accounts has increased by almost 130 thousand (or by 97%), the number of Facebook followers tripled (to almost 45 thousand) and tens of thousands of e-mail addresses were provided, to send the annual statements correctly and with no costs.

Under these conditions, the institution continued to have a staff of only 28 people with a permanent contract, and few others with a temporary contract mainly at IT and Customer Relations Unit. At the same time, the institution managed not to close or restrict its services even for a single day during 2020; as, fortunately, we had no mass infections of staff.

Even under these unusual circumstances, it turns out the KPST has always complied with applicable legal provisions and regulations. Therefore, we are pleased with the fact that this year as well the KPST Financial Statements are completely clean, in the opinion of the External Auditor. Clearly, these challenges brought us to a new stage of institutional maturity and growth, which is widely appreciated by contributors, various institutions, the media and the public.

In conclusion, we are proud of what the institution has achieved collectively and individually. We want to underline our appreciation for the outstanding achievements of the KPST staff, Management and the Governing Board! We managed to implement in successful manner (given the conditions) the largest and most voluminous project since our establishment.

On this occasion, we sincerely thank the CBK, the management and staff of the banks in the country, the media and the ISA for their cooperation. We also want to thank the Assembly of Kosovo for their constructivity and proactive oversight in advancing the institution. We are grateful to you all!

**SAFER
TOGETHER!**



01

ORGANISATION AND FINANCES

Organisation, Board and organogram
Board members at year-end
Investment Decision Making Cycle
Governing Board Committees
Administration
Supervision and audit
Financing
Expenses

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 26 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 portfolio was reintroduced in 2017 through the engagement of the Amundi - 3M I fund. In 2018, the process of selecting a broker for investment in ETF funds was completed in order to provide more investment opportunities. In 2020, for the second year in a row, the KPST reduced its investments in financial markets. First investment in Kosovo happened in 2008 through bank deposits. The first investment in securities of the Government of Kosovo was made in 2012 in treasury bills. During 2014/2015, investments in bonds issued by the Government of Kosovo with a medium-term started. In 2020, investments in Kosovo Government securities reached record levels, close to € 450 million. The legal changes, which entered into force on December 7th, 2020, enabled contributors to withdraw 10% of their balance from the KPST. This was a challenge for the institution, which was faced and managed in an excellent manner. Also this year, the KPST was awarded "High Acknowledgment" [by IPE Awards] in "Active Management of Investments".

GOVERNING BOARD

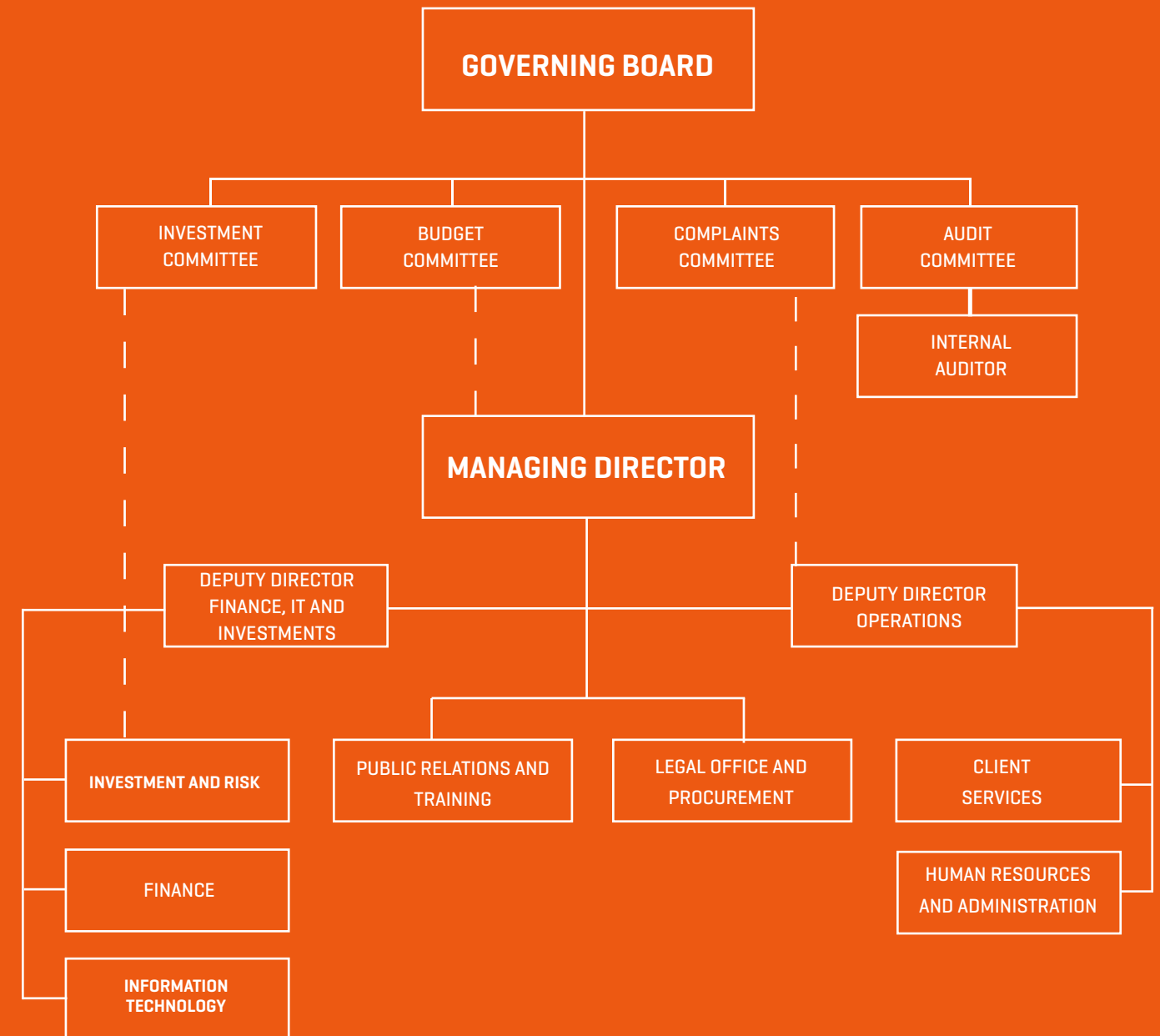
KPST is governed by the Governing Board, whose members are appointed by the Assembly as fiduciaries of pension assets. The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, and its subsequent amendments [with Law No. 04/L-168 and Law No. 05/L-116], provides for a detailed list of 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.

During 2020, the Governing Board was complete in its composition with members with the right to vote, having five professional members and two representative members. The Government has not appointed a representative member, without the right to vote, to the Governing Board yet. This lack of appointment is apparent from 2008, and we have constantly mentioned this in our annual reports.



BOARD MEMBERS AT YEAR-END



MR. RUZHDI MORINA

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

Doctor in Legal sciences in the international field. With long experience as Legal Advisor at the Union of Independent Syndicates of Kosovo, and with proven knowledge of pension schemes.

ROLE ON THE BOARD:

Professional

APPOINTED:

May 2009

CURRENT MANDATE:

Fourth



MR. FREDERICK ARTESANI

Chairman of the Investment Committee and member of the Budget Committee

An economist and an Independent Financial Advisor with over 37 years of experience in financial markets.

Professional

October 2008

Fourth



MR. BEHXHET HALITI

Chairman of the Audit Committee and member of the Investment Committee

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

Professional

December 2015

Second



MR. HAJDAR KORBI

Member of the Investments and Complaint Committees

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.

Professional

November 2017

First



MR. VALDRIN KASUMAJ

Chairman of the Complaints Committee and member of the Audit Committee

Master of Science In Management & Informatics and Master of Science in Mechanical Engineering. Work experience at Kosovo Chamber of Commerce.

Employer representative

November 2017

First



MR. DRITON QEHAJA

Member of the Investment and the Budget Committees

An associate professor at the University of Prishtina "Hasan Prishtina" with PhD in economic and social sciences

Professional

August 2012

Second



MR. YMER YMERI

Member of the Audit and the Complaints Committees

Graduated from the Faculty of Mathematical and Natural Sciences and received a master degree in Management. For 15 years he has been a teacher and since 2000 has been engaged in SBASHK trade union.

Employee representative

December 2018

First

KPST'S INVESTMENT 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 openend 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.

The Investment and Risk Department, together with the Board's Investment Committee, and within the guidance of KPST's Investment Manual, help manage actively KPST investment assets through different recommendations which encompass economic forecasts, financial policy changes, fluctuating market behavior, published company and sectors results, changes in regulations and any other factor affecting existing or potential investments. These recommendations are aimed at improving risk-adjusted returns for KPST within its prudent long-term investment mandate.

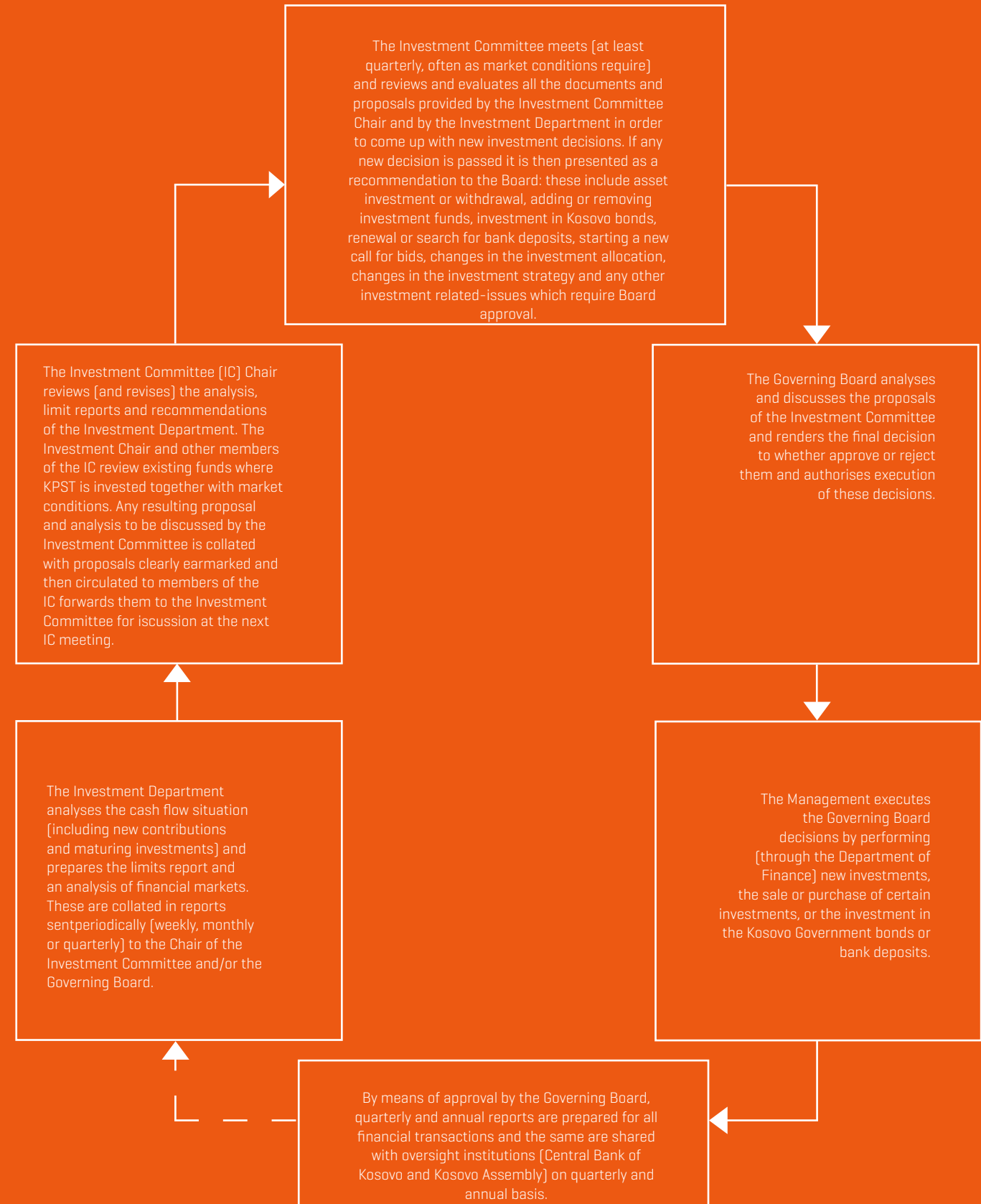
Prior to engaging any investment fund, there is a timeconsuming process of selection (from the opening of the international call for bids to the detailed study and detailed interviewing of these funds) which includes: a detailed analysis of fund metrics and of investment indicators, as well as a detailed 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 open-end 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.

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.

CHAIRMAN: Frederick Artesani

Behxhet Haliti

MEMBERS:

Ruzhdi Morina
Behxhet Haliti
Hajdar Korbi
Driton Qehaja

Valdrin Kasumaj
Ymer Ymeri
Anëtare e Jashtme:
Mirlinda Ahmeti

MEETINGS HELD:

Eight

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.

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.

CHAIRMAN:

Valdrin Kasumaj

Ruzhdi Morina

MEMBERS:

Hajdar Korbi
Ymer Ymeri

Frederick Artesani
Driton Qehaja

MEETINGS HELD:

Four

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.

For 2020, there were 27 permanent employees, while with part-time was 1 employee (in 2019: 27 permanent employees and 1 part-time employee).

As part of the project for the development of the internal system for account management, the IT Department hired two staff members on a two-year contract. The same hires have also been engaged in the technological preparation for the application for the withdrawal of 10%.

We have engaged temporary staff on a four-month contract to support the customer service for the process of 10% withdrawal however because over 90% of the applications got completed in three weeks, there was no need to engage everyone for a longer period

Over the past year, we have engaged students as interns, as needed, in order to get experience and provide services to clients and the Finance Department.

Employees belonging to minorities made up 7% of the workforce (8% of those who declared ethnicity). Women made up 30% of the staff (2019: 30%); 89% of the staff are older than 35 years (2019: 85%), and 4% of the staff are permanently physically disabled (2019: 4%). Since we had no changes in the permanent staff, the average age has increased by one year, to 44.7 years (2019: 43.7 years).

MANAGEMENT

1 MANAGING DIRECTOR

UNIT

CLIENT SERVICES	INFORMATION TECHNOLOGY	FINANCE	INVESTMENT AND RISK
------------------------	-------------------------------	----------------	----------------------------

PERMANENT EMPLOYEES

9	4	3	3
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POSITIONS

1 manager 7 pension advisors 1 receptionist	1 manager 1 programmer/developer 1 network administrator 1 database administrator	1 certified accountant 2 finance officers	1 manager 2 investment and risk analyst
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DESCRIPTION

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. 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 the retirement.	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. Ensure that the disaster recovery plan is actionable every day and that the plan is tested on regular basis.	Perform all financial transactions, including investing and redeeming funds in financial markets; bookkeeping and accounting for pension funds and KPST's operations. 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, liaison with fund managers.	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.
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2 DEPUTY DIRECTORS

HUMAN RESOURCES AND ADMINISTRATION	LEGAL OFFICE AND PROCUREMENT	INTERNAL AUDIT	PUBLIC RELATIONS, TRAININGS, TRANSLATIONS
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3	1	1	1
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1 human resources officer 1 housekeeper 1 security officer	1 legal officer	1 internal auditor	1 public relations officer, coordinator for translations and trainings
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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. 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.	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. 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.	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. Performs regular quarterly audits and provides recommendations to resolve issues raised. Auditor reports are reviewed by the Audit Committee and the Governing Board.	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.
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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 2020. 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.

Until now, historically, each independent auditor that has audited the financial statements of the KPST (operational and pension assets), which are selected through Kosovo public procurement procedures and have been approved as such by the Central Bank of Kosovo, did not provide a qualified opinion on those statements. The External Auditor, through a Management Letter, may also make recommendations for better functioning of KPST processes.

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 2020.

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 2018, where a vast number of documents was reviewed; from minutes of Board and Committee meetings to all other documents related to the administration. CBK reports its findings to the Governing Board of KPST. The Board reviews the report and gives its comments.

During 2020, the CBK conducted a general inspection. In case of serious findings, the CBK should also report to the Assembly, an action, which has not been necessary so far. In addition to findings, the CBK makes recommendations to the Governing Board. The KPST shall notify the CBK on all Board decisions relating to contributors, fund governance, and other matters.

KPST has an internal auditor who reports at least four times a year to the Audit Committee of the Board on all aspects of institution's activities. In addition, in 2019, an external member of the Audit Committee has started work in the Audit Committee, as requested by CBK. This was done in accordance to Law no. 05/L-116 on amending and supplementing the Law No. 04/L-101 on Pension Funds of Kosovo which states that at least one audit committee member shall be an external expert in the field of accounting or auditing, and shall be independent from the KPST Management and Governing Board.

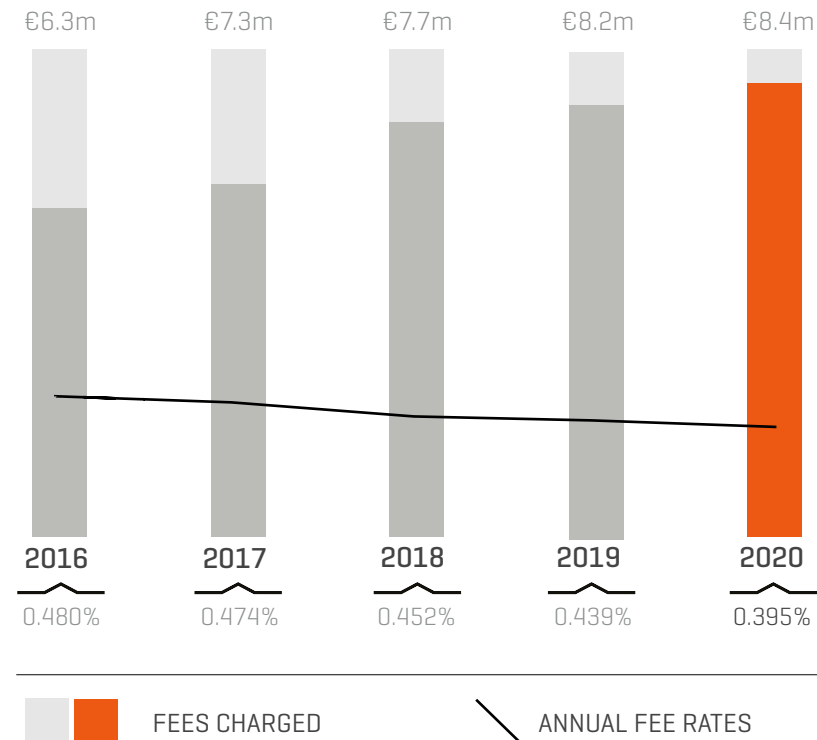
Also, the internal auditor, an expert in the field of IT auditing, conducted an audit on internal information technology processes in the KPST for 2019, while there was no such audit for 2020

ISSUES AND RECOMMENDATIONS RAISED BY EXTERNAL AUDITOR AND INTERNAL AUDITOR FOR 2020 AND THEIR STATUS

	RECOMMENDATION	FOLLOW UP/COMMENT
EXTERNAL AUDITOR	There may be vulnerabilities in terms of internal network security and KPST servers, of which IT administrators may not be aware of vulnerabilities, so we recommend performing penetration testing.	KPST agrees with this recommendation, and has already planned to engage a company to conduct a penetration test during 2022.
	Complete data + system repair is made every quarter of the year. This interval exceeds 12 cycles of full backup copies made each week by the main system. We recommend checking if the complete data + system repair every quarter is at the right frequency.	The KPST will move to the bimonthly repair of the main system and database as of January 2022.
INTERNAL AUDITOR	During compilation of the list of contributors in Q1 2020, which belonged, according to the date of birth, to the portfolio for protection of contributors reaching the age of 65, some persons were included in this list, who, in the data system had their date of birth noted incorrectly. Therefore, it is not known exactly whether such persons belong to the category of contributors for who, the KPST Governing Board has decided that their contributions be protected at the unit price set in Q1 2020 onwards.	The Management deems that the list on which the KPST staff is based to separate the protected contributors (i.e. reaching the age of 65) has been obtained from the Civil Registration Agency. In this case it was about 10 contributors, who had incorrectly entered their date of birth in the system. However, for these contributors to be able to apply for the withdrawal of pension savings, they would have to prove their date of birth, so the risk that they would be mistakenly paid a protected price was low. Also, upon identification of these persons by the auditor, it turned out that no one withdrew the funds, and all were under the age of 64, which means that they were removed from the list of protected contributors.
	The recommendation is for the Management to make the necessary adjustments in the list of protected contributors as to remove all those persons who do not belong to this category, according to the decision of the Governing Board.	
	In the internal policies and procedures in paragraph 7.1 is required that of the Risk and Investment Department, inter alia: "Compile, develop and enrich scenarios of possible expectations for return or risk of investment" although the requirement concerned is met through reports and other analysis. Also, the KPST is equipped with professional investment trends tracking platforms (such as Bloomberg) which can conduct immediate analysis, while there is no sensitive analysis on an annual basis on relevant portfolio risks, such as: risk credit, foreign exchange risk and others.	The Management will work throughout 2021 to meet this recommendation of the Internal Auditor.
	The IT Department should develop procedures for regular system updates, and patches and updates should apply at least three times a year. There should also be a list of priority of these updates, due to the importance of the issue.	Current procedures require that: [1] urgent security patches be installed immediately; [2] install less urgent patches twice a year; and [3] once a year all others.
	It is recommended that all patches and updates are first to be tested in an isolated environment.	We consider that this has been enough. However, all the technical details of the recommendations will be analyzed and, if need be, the necessary corrections will be made.

FINANCING

On average KPST charged its participants with operating fees of €0.15 per month



Annual fees charged on pension assets for 2020 are reduced to a total of 0.395% of assets (2019: 0.439%). The investment fee decreased from 0.370% to 0.330% while the operating fee decreased from 0.069% to .065%.

But at nominal value, the fees charged on pension assets slightly increased by 1.6%, or by €127,991 - due to increase in assets under management.

However, even this year KPST has not spent the revenues generated from these fees. Of the unspent funds, €1,200,000 was returned as a surplus to the contributors fund.

Charged fees generated revenues of €8,363,834 of which €5,732,566 earmarked to cover investment costs and €1,201,023 operating expenses.

The KPST non-tariff revenues for the year were €138,616, making the total KPST revenues for 2020 to be €8,502,450, or 1.1% higher than a year before (2019: €8,409,873).

About 88% of non-tariff revenues were from revenues from other investments, and 12% were from other revenues from investment activities, incorrectly paid refunds and other operating revenues.

KPST is financed as 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.

Compared to 2019, for 2020, the KPST has reduced the fees charged (in percentage) for both investment and operational activities.

The KPST operating tariff, already at 0.065% per annum, continues to be the lowest compared to all similar operators in the region but is also among the lowest globally.

On the other hand, the annual investment fee of 0.330% 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.

It is worth mentioning that for the entire year of 2020, the total operating costs of this institution have cost to the KPST account holders on average €1.85 (2019: € 2.09).

- | | |
|--|--|
| <p>1 direct service at the office (service, counseling, information) every working day from 08:00 to 16:00;</p> | <p>8 free retirement application and no charges by KPST for bank transfers;</p> |
| <p>2 delivery of account statement at home or via e-mail;</p> | <p>9 free maintenance on accounts with local commercial banks for the phased withdrawal of savings;</p> |
| <p>3 unlimited printing of account statements at KPST office or TAK regional offices;</p> | <p>10 above average interest rate on savings in the phased withdrawal program;</p> |
| <p>4 complete maintenance of the pension savings account;</p> | <p>11 a portion of the investment costs (selection of asset managers, the Governing Board expenses etc).</p> |
| <p>5 standby backup servers in a different location;</p> | <p>12 the ability to print the account statement at any time through the e-Kiosk outside the KPST office in Prishtina.</p> |
| <p>6 electronic service on-line access to personal pension account, and the service of direct communication through Facebook platform;</p> | <p>13 possibility of online application for withdrawal of 10% (without any fees).</p> |
| <p>7 notice by regular mail for retirement;</p> | |

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.

Further, potential returns also have an impact on management fees. Money market investment funds e.g. charge lower management fees than funds in stock markets or even bonds.

Investment expenses accounted for 82.7% of the KPST expenses for 2020 (2019: 79.6%). In nominal value, those were €5,732,566 (2019: €4,702,557). Assets invested outside Kosovo, during 2020 were (on average) €1,394.0 million compared to 2019 with €1,399.5 million.

It should be noted that investment funds usually charge an average around 1% for fund management, while the KPST has managed to ensure through individual agreements and prudent selections that the fees paid to investment funds, through which it invests pension assets, are reduced further even in 2020, dropping to around 0.330%.

Investment expenses were realized at 81.7% of the planned revenues from the investment fee (2019: 67.7%), making that the surplus from investment activities in 2019 to be € 1.3 million; (from 2019: € 2.3 million). Compared to the previous year, we had a decrease in the surplus, or an increase in investment expenses, more due to the positioning of assets in lower risk active investments, which also have higher rates of management fees. While adding of new investment funds had less effect.

The Governing Board, at the end of 2020, decided to return the surplus from investment activities (of €1,200,000) to the contributors' fund. In this way the optimal spending of management fees is done, without charging the contributors unnecessarily.

It should not be forgotten in this analysis that at the moment when the investment tariff is forecast for the next year, the goal of KPST is to be as close as possible to the needs of institution. However, it is extremely difficult to predict either the performance of investments or the strategic allocation of funds (due to external factors that may influence both the markets and the decision-making of the Board regarding investments), which makes surplus (or deficit) inevitable.

Due to the frequent sales of positions in the financial markets, investment costs have fluctuations in the percentage of utilization from planning for several years, but this has no effect on contributors, as the surplus was returned to the account holders in the KPST.

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.

The aim of active funds is to exceed the indices in the long-run, providing protection during the downturn in the financial markets and at the same time tending to benefit in periods when the value of assets in the markets is rising. While passive investment funds, which follow (replicate) a certain index in stock exchanges, have lower management fees, which in the case of the KPST are part: Vanguard - GSIF, S&P 500 Minimum Volatility ETF, MSCI EU Minimum Volatility ETF, Amun EurCorp ETF, MSCI USA Qual ETF, S & P500 Eur (H) ETF, EuroStoXX 50 ETF, MSCI Minvol ETF and Invesco QQQ ETF.

Open-end funds	Annual net fee rate	2020	Annual net fee rate	2019
		Fees charged		Fees charged
Vanguard - GSIF	0.11% to 0.18%	69,934	0.14% to 0.25%	197,970
BNY Mellon - RRF	0.60%	1,825,958	0.60%	1,246,615
AXA - GILB	0.35% to 0.40%	328,930	0.35% to 0.40%	144,484
Schroders - GDG	0.65%	131,056	0.65%	293,788
Nordea 1 - GSEF	0.43%	340,965	0.43%	414,968
Nordea 1 - SRF	0.56%	1,657,538	0.56%	1,129,320
Amundi - 3M I	0.55% to 0.57%	59,337	0.55% to 0.57%	136,274
AXA - WFOI	0.55%	53,467	0.55%	238,363
BNP Paribas - PDP	0.54% to 0.76%	591,132	0.54% to 0.76%	344,077
Amundi - RPI2	0.20%	80,665	0.20%	161,370
Corp Bond Eur ETF	0.20%	57,879	0.20%	46,473
S&P500 Minvol ETF	0.25%	77,913	0.25%	64,637
Amun EurCorp ETF	0.16%	46,375	0.16%	37,062
MSCI USA Qual ETF	0.15%	11,766	0.15%	2,768
S&P500 Eur(H) ETF	0.20%	7,091	0.20%	--
EuroStoXX 50 ETF	0.10%	3,572	--	--
MSCI Minvol ETF	0.25%	67,276	--	--
Invesco QQQ ETF	0.20%	84,051	--	--
TOTAL FEES		€5,494,905		€4,558,953
Transfer and other fees by CBK		€42,075		€91,952
Brokers, custodians and pledges		€195,586		€51,652
TOTAL INVESTMENT EXPENDITURE		€5,732,566		€4,702,557

82.7%

2020

79.6%

2019

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 2020, operating expenses were €1,201,023 [2019: €1,205,928] and account for 17.3% of total KPST expenses [2019: 20.4%]. As can be seen, operating expenses were slightly lower this year [by 4,905 euros] than last year, or by -0.4% less.

In 2020, the projected operational budget for goods and services was implemented at the rate of 89.0% [2019: 93.2%].

The main factor reducing budget execution was the pandemic, limiting some activities planned for last year. However, as in the case of pension assets, parts of the operating surplus as well, by decision of the Governing Board, return to the account holders of the KPST.

The staff costs increased by 5.3% compared to 2019, mainly due to new development projects initiated by the institution this year. The effect of adding temporary staff, which would only serve for the 10% withdrawal realization period, also had an effect. The staff costs this year accounted for more than half of all operating expenses [51.2%], from 48.5% a year earlier.

The budget expenses line for the Board has decreased significantly from 2019, and this year accounted for 13.7% of all expenses [2019: 16.0%]. While the line with the largest decrease was expenses for printing and distribution of statements, which was reduced by 32.5%. This was due to the strong increase in the number of contributors opening accounts in eTrust and of new e-mail addresses.

In a large percentage, but not at significant amount, the category of training, travel and other staff costs saw a decrease also due to the effect of the pandemic.

Details for each budget line are presented in the table on the following page, with additional explanations in the attached financial statements.

17.3%
2020

20.4%
2019

⁽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	2020		2019	
Staff costs	615,285	51.2%	584,453	48.5%
Governing Board expenses	165,184	13.7%	193,275	16.0%
Account statements and correspondence for beneficiaries	93,379	7.8%	138,368	11.5%
Software maintenance	99,791	8.3%	87,368	7.2%
Depreciation and amortisation	112,477	9.4%	92,696	7.7%
Office operating expenses	26,859	2.2%	22,595	1.9%
CBK supervision charges	20,238	1.7%	19,413	1.6%
Professional services/Contractors/Consultants	17,498	1.5%	11,259	1.3%
Lease interest for the year	10,229	0.9%	10,540	0.9%
External audit	10,200	0.8%	9,050	0.9%
Public education and advertising	9,492	0.8%	1,060	0.8%
Communication	6,342	0.5%	7,263	0.6%
Bank charges	1,995	0.2%	1,744	0.5%
Training, travel and other staff expenses	1,300	0.1%	16,057	0.1%
Other costs	10,754	0.9%	4,187	0.1%
Disaster recovery - rent and other associated costs	--	--	6,600	0.5%
TOTAL OPERATIONAL EXPENDITURE	1,201,023	100%	1,205,928	100%

02

ACTIVITIES

Activities
Account management
Contribution allocation
Client services

ACTIVITIES

THE GOVERNING BOARD

Also, during 2020, the KPST Governing Board has operated in full composition. Upon beginning of this year, the effects of the pandemic led to lockdown measures, initially in China and later around the world. The institution faced a new situation, both unpredictable and with many risks. One of the first measures the Board took was to protect all contributors who reached retirement age during 2020. They would be protected by a set unit price, and the costs of financing this protection would be covered from the reserve fund of the institution.

At the same time, the Board decided to move assets from investment funds with higher risk [mainly stocks] to ones with lower risk [money market funds and bonds]. These decisions, as seen at the end of the year, have been decisive in avoiding strong volatility of the portfolio and achieving a positive result for 2020.

These tactical rebalances, to better adapt investment policy to market movements, brought about the movement of almost two billion euros throughout the year, with a net effect of around 214 million withdrawn from global markets.

Withdrawals of funds from open end investment funds, together with new contributions, enabled more investments in Kosovo, mainly in Government securities. At the end of 2020, investments in Kosovo increased to 29.1% of total assets under management, the highest ever. Of these, about €450 million were in Government securities and about €130 million in bank deposits. As investments in securities have increased, those in bank deposits declined, due to maturing deposits and less interest from banks themselves.

This year, the increase in investments within the country came, as a result of Government of Kosovo to borrow more and, the willingness of the KPST Board to increase the presence of investments within the country, whenever possible.

In addition to numerous investment decisions and meetings in record numbers for the year, the Board also held regular meetings with members of the Assembly of Kosovo and the Central Bank of Kosovo. Due to the pandemic situation, the Board has not been able to hold meetings with fund managers this year, but has maintained constant communication with them through remote interaction.

MANAGEMENT

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 online service eTrusti which numbers over 250 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 of the Board in investment decision-making [inside and outside the country]; b) preparation of technological infrastructure, human capacities and informing the contributors to enable the withdrawal of 10% from a distance; c) staffing of the department of information technology and customer service; d) granting access to the eTrust service to about 130 thousand requests in 2020; e) supporting processes for increasing investments in banks operating in Kosovo f) continuous advancement of internal information technology and full digitalization of processes; and g) meeting all the requirements of the CBK and the external auditor for the entire operating chain of the institution.

ACCOUNT MANAGEMENT

Over 583 thousand account statements were sent by regular mail and e-mail.

For the 2020 cycle, we sent out 583,200 statements, of which 407,118 by e-mail and 176,082 by mail [2019: 172,450 by e-mail and 253,258 by mail]. This year the number of new accounts has increased by about 37 thousand, but at the same time, the number of users of the eTrust service has increased by about 129 thousand, and we were provided a large number of e-mail addresses, making it possible to send out statements easy and fast via internet. Excluded from this annual submission list are the statements of account holders who have not had any transactions in the last three years [such were 52,811 cases]. Even for those who lack valid addresses [which were 22,138] we could not send out statements this year either.

Due to the retirement [or death] of contributors, 5,029 accounts were newly "withdrawn" during 2020. The total number of permanently withdrawn accounts reached 56,784. We do not send out account statements to this category of account holders either.

KPST opened 37,437 new individual accounts [2019: 43,286], bringing the total number of accounts opened since its establishment to 707,388. Of the new accounts opened during the year [i.e. from 37,437] 35,260 of them were for initial contributors, i.e. who started their contribution in 2020, while the rest were cases of contributions for previous years, for which the KPST has received both payment and information during 2020.

During the year there were 35,916 employers and 25,671 self-employed who had paid contributions for the reporting year [2019: 33,317 and 22,890, respectively].

In addition to them, there were 4,918 employers and 5,241 self-employed who had paid contributions in the previous year but not in 2020 [2019: 3,893 and 4,002, respectively].

In total, for 2020, there were 4.41 million transactions posted in the accounts of contributors and over 503 thousand in the accounts of employers [2019: 3.74 million, 515 thousand, respectively].

Included in the transactions of employer accounts are 36,863 cases [2019: 37,679] of refunds of: a) incorrectly paid contributions or overpayments; and b) fines from TAK. For information, penalties constitute fines and interest charged by the TAK on employers [and the self-employed] for late payment or inaccurate declaration of pension contributions - and for which employers have paid it together with pension contribution.

These refundable transactions in over 99% of cases were overpayments [transactions] made by employers during the same year, in this case during 2020. In 2019 they accounted for 99% of cases, while in 2018 they accounted for 98%.

Employers on average have declared and paid contributions for 8.48 [or 70.7%] months of 2020, with a significant decrease from the previous year [2019: 9.56]; and the self-employed for 3.14 [or 78.5%] quarters of 2020, also decreased from the previous year [2019: 3.37].





CONTRIBUTION ALLOCATION

Unallocated contributions reduced to 0.08% of all the contributions collected.

The KPST, at the beginning of 2020, has returned to TAK overpayments and fines, but due to the reporting period, they were not shown for 2019, while during 2020, it has returned a part of fines and interest paid incorrectly to the KPST account.

This made unallocated contributions as of 31 December 2020 €1,589,207 (2019: €2,405,299).

However KPST when returning funds to TAK, only after it has previously proven that the possibilities of finding information are exhausted. This due to several reasons: employers have not saved individual payment information or have paid with wrong data, businesses have closed or changed activity, and/or have wrongly paid taxes and fines as well as pension contributions.

However, it is worth saying that even when transferring funds from KPST to TAK (for the reason of not finding the information to whom they belong), the law in force has preserved the right of contributors that whenever they provide information on these contributions they will be reimbursed at the value of the contribution, adding to the average return on investment of the KPST for the period from the moment of their transfer to TAK.

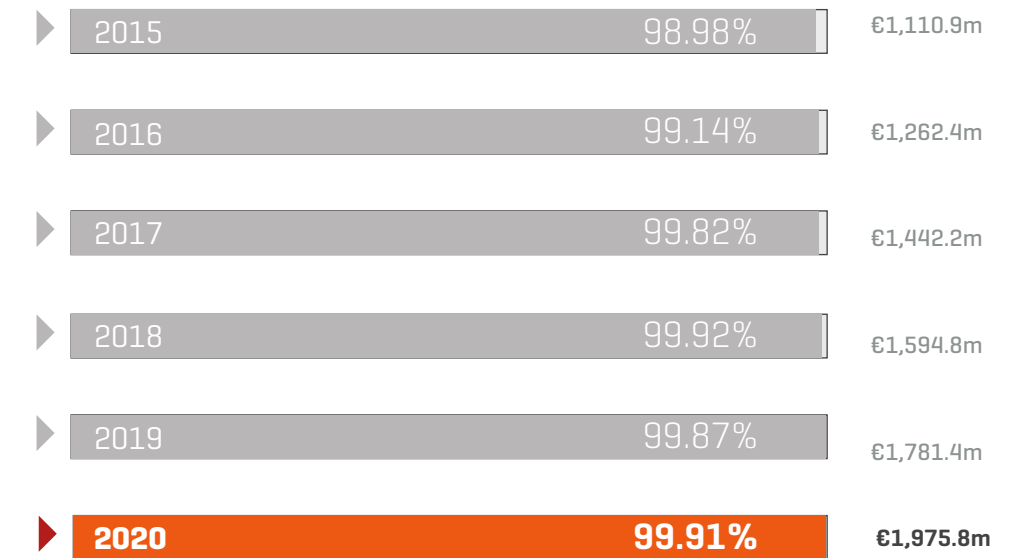
The Governing Board and the Management of KPST continue to have in the list of commitments the reconciliation of funds for periods less than six years, especially for payments of the last year.

Thus, for 2020, the Board had set the targets for unallocated funds, giving this process a continuation of attention in the daily operations of the institution.

It should be noted here that in addition to the fact that the accuracy of reporting pension contributions has significantly improved (through the EDI portal at TAK), it is also noted that contributors are increasingly taking care of the state of pension savings, thus reflecting increased awareness of the importance of pension contribution.

In addition to these positive changes, KPST will continue its commitment to ensure that the information and payments are complete, in order to avoid in maximum the possibility of damaging contributors' interest.

CUMULATIVE CONTRIBUTIONS RECONCILED AND COLLECTED



CLIENT SERVICES

The year 2020, due to legal changes that enabled the withdrawal of 10% from pension savings, but also due to the pandemic, was challenging regarding KPST services. While there was a multiplication of contributors' requests for some of the KPST services, internal human resources capacity in some cases was reduced and was limited due to the pandemic.

The total number of services provided by the KPST offices during 2020 to individuals and employers was 208,603, while from the TAK offices in the regions, through pension officers, 54,635 additional services were provided. Therefore, in total, 257,797 services were provided this year, not including thousands of calls to the KPST office. This, compared to last year an increase of 62% in the number of services provided.

The number of printed (free) account statements for visiting contributors fell to 98,958 (2019: 109,648), which related to the restriction of movement from the pandemic, but also the closure of visa services by embassies - which meant fewer requests for statements needed for visa applications. Therefore, this most requested service from a year ago (2019: 69%), in 2020 decreased to 38.4%.

While in the TAK regional offices, through pension officers, there were fewer services this year as well. There were 49,194 services versus 61,100 in 2019. This seems to have been affected due to the closure caused by the pandemic. The KPST continuously maintains contacts and consultations with these offices to provide the best services to contributors.

The most requested service from the KPST this year was the distinct requests for access to eTrust. This year, 125,943 such requests were authorized, thus increasing the number of eTrust accounts by 97%. A year ago, there were 27,233 authorized claims. Thus, this service accounted for 48.9% of all services provided by the KPST.

The main reason that led to the multiplication of requests for access to eTrust was promotion of the idea of allowing the withdrawal of 10% from the KPST. Although this strong increase was an overload on staff, it brought a long-term and multifaceted benefits to the institution. Above all, already 36.2% of all KPST accounts have access to this service.

The eTrusti portal provides contributors with easy and free access to the pension savings account, and enables continuous improvement of services, reduced costs and increased transparency. eTrusti users can check their account balance and transactions. Contributors there can check the total balance of pension savings, the daily unit price, the number of shares, all payments of contributions by each employer from the moment of opening the account; but may also send questions to KPST staff.

In addition to all services provided in the office, the KPST has prepared and sent out to all active contributors their annual statements of contributors.

Also, this year we had an extraordinary increase in communications with contributors through social networks, where we answered over 10 thousand questions and comments from contributors. At the same time, over 45 thousand contributors already follow the KPST Facebook page, which is an increase compared to a year ago (2019: about 18 thousand followers).

In terms of services provided by the contributors themselves, due to the application for 10% and additional interest, the number of these services increased by 604,042 (2019: 13,237). Of these 397,557 were applications for 10%, while the rest were updated/changed entries in eTrust accounts.

ACCOUNT STATEMENTS PRINTED FOR CONTRIBUTORS IN THE KPST OFFICE

54,635

TOTAL NUMBER OF SERVICES PROVIDED FROM THE KPST OFFICE AND TAK OFFICES - FOR INDIVIDUALS AND EMPLOYERS

2020
257,797

2019
159,355

INCREASE OF NUMBER OF ACCOUNTS IN e-TRUSTI

2020:
▲ 97%

2019:
▲ 27%

#eTRUSTI is an onlinebased service, to all contributors since 2010.

Registration procedures are performed online, verifying the identity of the contributor and confirming the e-mail.

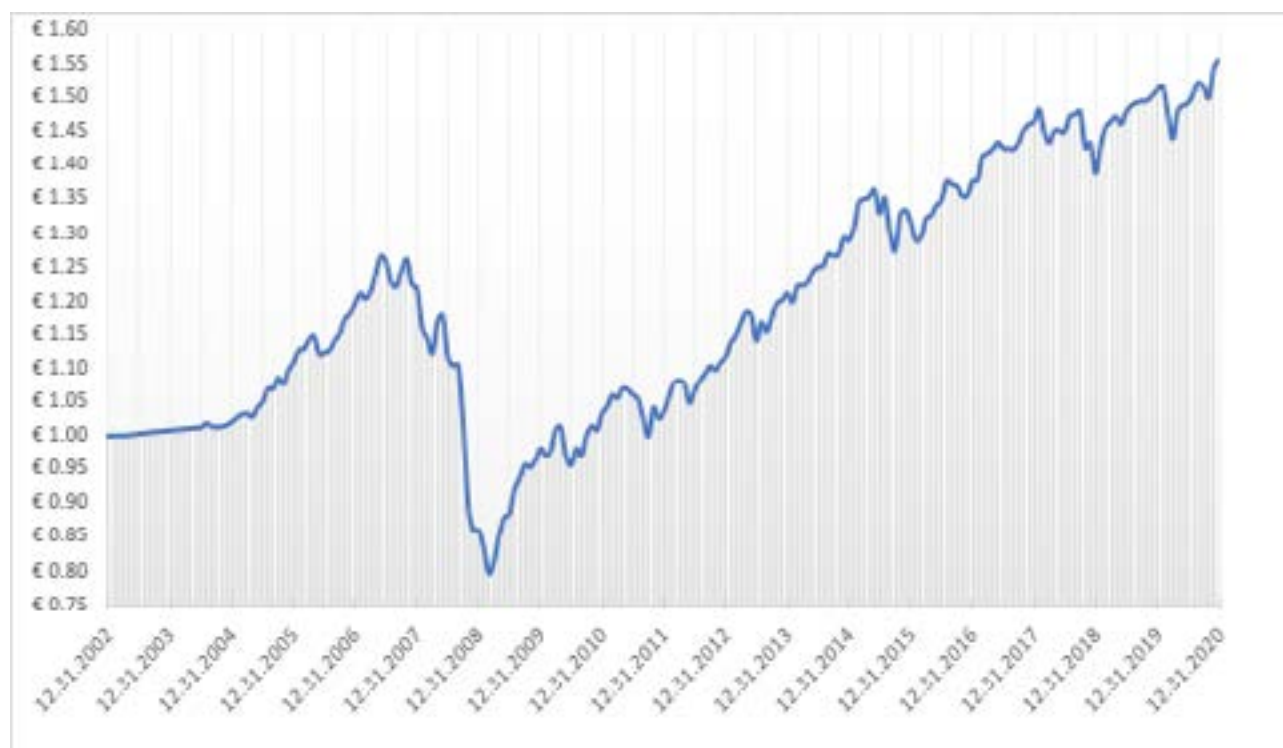
03

INVESTMENT OF PENSION ASSETS

Investment principles and policy
Asset allocation
Geographic allocation
Main issuers
Asset classes and currencies
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) 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, recognizing 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.

Even during 2020, the positioning of the KPST investments was more towards protecting investments from short-term movements, based on the strong shocks that the markets had at the end of the first quarter of 2020. As a result, despite the maintenance of a generally conservative portfolio, a satisfactory return on investment has been achieved, stemming from strong risk management and tactical positions through marketable funds or ETFs.

The Board every quarter (but sometimes more often), examines the asset allocation limits framework, and confirms whether there is any breach in the asset classes or in the investment strategy that fund managers apply. Given the unprecedented situation with Covid-19, IC met eight times during 2020 to assess the risk position and developments in the financial markets.

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 a minimum and maximum of investments allowed in them.

KPST continued to increase its investment presence in Kosovo, making maximum use of legal opportunities and financial potential to invest funds, and currently there are only two investment options: investing in Government bonds and bank deposits. Activities in the government bond secondary market also increased during the year.

The table below shows the combination of asset classes and respective strategies, actual allocations as of December 31, 2020 as well as respective limits in force on that day as set by the Governing Board.

ASSET CLASS	STRATEGY	CURRENT ALLOCATION	LIMITS
Cash/Kosovo T-bills/Deposits	Interest bearing	22.6%	1%-50%
Kosovo T-bonds	Interest bearing	22.7%	0%-20%
Debt Instruments	Directional	7.8%	0%-25%
Multi-assets	Managed/Targeted risk	40.4%	25%-55%
Equities	Managed/Targeted risk	1.7%	0%-20%
Equities	Directional	4.8%	0%-35%

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

When it comes to protect the the investment strategy, these risk managed funds change the allocation to equities and bonds and to lower risk subsets within each asset class; they can also 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 complementing risk management with risk targeting determine a risk level (target) for the volatility of the investment portfolio and on regular basis they reallocate assets to restore the expected volatility to that established level of 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.

Directional investments do not have an accompanying risk management element and represent a direct participation in the risks and rewards of financial markets. The information as to where each direct placement of KPST falls, is provided in the next page.

ASSET ALLOCATION

€579.4m the value of investments in Kosovo: in government debt securities and term deposits

At the end of the year, invested KPST assets, of €1,989.5 million, were distributed as follows: € 1,352.2 million were invested in global financial markets through investment funds [2019: € 1,480.0 million]; €449.9 million were invested in Kosovo Government bonds [2019: €298.5 million]; €129.5 million were term deposited with banks BKT, NLB, TEB, PCB, BPB and BEK [2019: €185.6 million in BKT, NLB, TEB, ISB, PCB, RBK, BPB and BEK]; meanwhile €57.0 million were in the CBK uninvested [2019: €3.0 million] and €0.9 million were in the account of the broker Erste Bank Austria [2019: €0.3 million].

The Governing Board during the year took a total of 26 decisions to withdraw or increase funds within current investment funds [2019: 22 decisions]. Of these, there were eight decisions to fully withdraw investments from the following funds: Schroders GDG, AXA WFOI, Amundi - RPI2, Corp Bond EUR ETF, Amun EurCorp ETF, MSCI USA Qual ETF, S&P EUR (H) ETF and EuroStoxx 50 ETF. New funds during the year were added to: MSCI Minvol ETF, Invesco QQQ ETF, S&P EUR (H) ETF and EuroStoxx 50 ETF. The latter two [S&P EUR (H) ETF and EuroStoxx 50 ETF], as seen, are new investments this year, but the same were withdrawn in full before the end of 2020, for reasons of tactical rebalancing.

The Board has generally maintained a more focused conservative position, reducing exposure to higher risk instruments. During 2020, on average, we had invested €1,393,978,894 in the international financial markets. This was only five million euros less than the previous year, but this has been significantly affected by the withdrawal of 10% during December 2020.

Thus at the end of 2020: 22.7% of assets were in cash [2019: 24.8%], 30.5% in debt instruments [2019: 21.6%], 40.4% in multiassets [2019: 39.7%] and only 6.4 % in investment equity funds [2019: 13.9%].

During the year, maturing investments in the Kosovo Treasury were €77.5 million, while the Board added € 228.7 million to this instrument during the year. At the end of the year, KPST investments in the Kosovo Treasury were €449.8 million, thus accounting for 22.6% of total investments, a significant increase from the previous year [2019: 15.3%]. Throughout the year this instrument accounted for an average of total investments of 19.5%.

Meanwhile, deposits in banks operating in Kosovo decreased to €129.5 million at the end of 2020, from €185.7 million a year earlier. This year, €140.7 million matured in bank deposits, while new placements were €84.2 million [BKT, NLB, TEB, PCB, BPB and BEK]. The year ended having 6.5% of KPST assets in deposits, with a significant decrease from the previous year [2019: 9.4%]. Throughout the year, investments in this instrument were on average 9.4%.

Regarding uninvested assets kept in the KPST account at the CBK, they were € 57.9 million at the end of the year, accounting for 2.9% of total assets. It should be clarified here that this account also includes assets in transition, those that may have just been received from new contributions, or withdrawn investments or investments awaiting execution/exit.

INVESTMENT	ASSET CLASS / STRATEGY	ASSETS	ALLOCATION
VANGUARD - GSIF	Equities / Directional	€33,673,844	1.7%
BNY MELLON - RRF	Multi-assets / Absolute return	€357,973,238	18.0%
AXA - GILB	Debt instruments / Directional	€154,357,691	7.8%
NORDEA 1 - GSEF	Equities / Managed risk	€33,945,261	1.7%
NORDEA 1 - SRF	Multi-assets / Managed risk	€336,904,158	16.9%
AMUNDI - 3M-I	Money market / Income	€265,370,148	13.3%
BNP PARIBAS - PDP	Multi-assets / Managed risk	€109,423,312	5.5%
S&P500 MINVOL ETF	Equities / Directional	€9,149,305	0.5%
MSCI MINVOL ETF	Equities / Directional	€12,340,471	0.6%
INVESCO QQQ ETF	Equities / Directional	€39,024,092	2.0%
KOSOVO TREASURY	Kosovo T-bonds&bills / Interest income	€449,848,742	22.6%
BKT, NLB, TEB, PCB, BPB, BEK	Deposits / Interest income	€129,551,910	6.5%
TOTAL OF INVESTED ASSETS		€1,931,562,172	97.1%
Uninvested assets [assets in CBK and money market in transition]		€57,905,959	2.9%

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

EUROPE
€1,241,580,062
66.51%

AMERICAS
€493,368,280
26.43%

ASIA
€116,140,623
6.22%

OCEANIA
€8,995,769
0.48%

AFRICA
€6,654,146
0.36%



NO.	COUNTRIES	%	ASSETS
1.	Kosovo	32.2%	€580,611,948
2.	USA	26.1%	€471,266,183
3.	France	16.8%	€302,532,052
4.	UK	5.8%	€104,945,246
5.	Germany	2.6%	€47,130,855
6.	Canada	2.3%	€41,611,074
7.	Italy	2.1%	€37,744,837
8.	Japan	2.1%	€37,203,272
9.	Switzerland	1.2%	€21,000,211
10.	Denmark	1.2%	€20,971,035
11.	Sweden	1.1%	€19,045,884
12.	India	0.6%	€10,957,149
13.	South Korea	0.5%	€9,418,509
14.	Spain	0.5%	€8,866,785
15.	British Islands	0.5%	€8,260,186
16.	Hong Kong	0.4%	€7,583,626
17.	Australia	0.4%	€7,448,267
18.	Netherlands	0.4%	€7,267,387
19.	South Africa	0.4%	€6,654,146
20.	Mexico	0.3%	€5,766,810
21.	Luxemburg	0.3%	€5,634,888
22.	Ireland	0.3%	€5,457,309
23.	Israel	0.3%	€4,785,963
24.	Belgium	0.2%	€3,084,838
25.	Taiwan	0.2%	€3,075,805
26.	Austria	0.1%	€2,701,397
27.	Indonesia	0.1%	€2,611,678
28.	Norway	0.1%	€2,244,823
29.	Poland	0.1%	€2,207,233
30.	Brazil	0.1%	€1,925,802
31.	Finland	0.1%	€1,686,253
32.	Thailand	0.1%	€1,685,467
33.	New Zealand	0.1%	€1,547,502
34.	Singapore	0.1%	€1,111,557
35.	Turkey	0.1%	€1,058,890
36.	Philippine	0.0%	€768,546
37.	Hungary	0.0%	€744,673
38.	Romania	0.0%	€743,815
39.	Malaysia	0.0%	€739,668
40.	Colombia	0.0%	€565,628
41.	Other\	0.5%	€8,731,352

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 1,677 issuers globally (2019: 2,705).

NOTE: CASH ASSETS AND FUNDS WITH CBK WERE NOT INCLUDED IN CALCULATIONS.

MAIN ISSUERS

KOSOVO TREASURY CONVINCINGLY WITH THE HIGHEST ALLOCATION

The list of top 25 issuers (out of a total of 1,677) is presented below. KPST is exposed to these issuers indirectly, through investment funds, while placements in the Kosovo Treasury, long-term deposits (in local and international banks) are direct.

Kosovo Treasury is convincingly at the top of the list of top individual investments with 22.7% of allocated funds, with a strong increase of 15.2% from the previous year. Cash investments in various banks (7.8%) were second, while the US Treasury (4.1%), from 2019 (2.7%), was third.

Legal restrictions require that KPST not exceed the following placements: a) not more than 30% in the Kosovo Treasury; b) not more than 20% of the assets in debt bonds of a single issuer rated AA or higher; c) 10% on bonds rated A or higher; d) 5% on bonds rated BBB or lower; e) not more than 5% of the assets in a single issuer for shares; and f) up to 1% on bonds rated BB + or lower.

KPST has not exceeded any of these limits for investments in a single issuer as of 31 December 2020.

ISSUER	ASSETS	ASSET ALLOCATION
1. Kosovo Treasury	€451,060,040	22.7%
2. Cash at various funds	€154,608,519	7.8%
3. US Treasury	€81,097,996	4.1%
4. Alternative mutual funds	€54,009,240	2.7%
5. Mutual funds - bonds	€47,039,441	2.4%
6. UK Treasury	€41,978,716	2.1%
7. Mutual funds - equities	€40,931,192	2.1%
8. Money market	€33,093,521	1.7%
9. BKT Bank Kosovo	€32,766,873	1.6%
10. France Treasury	€29,754,495	1.5%
11. PCB Bank Kosova	€28,492,747	1.4%
12. NLB Bank Kosova	€25,725,108	1.3%
13. UniCredit SpA	€20,237,500	1.0%
14. Groupe BPCE	€19,286,162	1.0%
15. Groupe Credit Mutuel	€18,550,120	0.9%
16. Societe Generale SA	€17,699,232	0.9%
17. BEK Bank Kosova	€16,018,419	0.8%
18. BPB Bank Kosova	€15,114,446	0.8%
19. BNP Paribas SA	€13,653,225	0.7%
20. Alphabet Inc	€13,270,230	0.7%
21. Microsoft Corp	€13,125,973	0.7%
22. Italian Treasury	€12,740,861	0.6%
23. Svenska Handelsbanken AB	€11,555,929	0.6%
24. TEB Bank Kosova	€11,434,315	0.6%
25. Medtronic PLC	€10,256,723	0.5%

BONDS ACCOUNTED FOR 40.7% OF INVESTED ASSETS

The invested assets of the KPST, directly and indirectly, at the end of the year accounted for 40.7% in debt instruments. Of which 32.2% were in treasury bonds of public debt and the rest (8.5%) in corporate bonds. In equities were 32.4%, in money market cash 22.6% and in derivatives net 4.2%.

From investments held in debt instruments, including those in Kosovo and ETF funds (with no ratings), 96.3% of them were in instruments that were not classified as high risk. While only 2.4% were marketable funds (ETF), which are with no ratings, and 1.3% were in instruments with low credit rating.

Investments in Kosovo are only investments in securities issued by Government of the Republic of Kosovo, despite not having a rating, are assessed de facto by the law a high-ranking security to be invested.

As for currencies, direct and indirect placements at the end of the year, were on the instruments of the world's major currencies, as follows: EUR 58.1%, and hedged as follows: USD 25.8%; GBP 4.8%; DKK 1.1%, HDK 1.0%, JPY 1.0% and others 8.1% net.

RATING OF PLACEMENTS ON DEBT INSTRUMENTS AND INDIRECT CASH INSTRUMENTS

RISK	RATING	QUALITY OF PLACEMENT	PERCENTAGE OF DEBT INSTRUMENTS AND CASH
	--	Investments in Kosovo	22.6%
	--	Outside Kosovo (unrated)	2.4%
	AAA	Prime	2.9%
	AA	High	7.3%
	A	Upper middle tier	1.9%
	BBB	Lower middle tier	2.3%
	BB	Speculative	1.0%
	B	Highly speculative	0.3%
	C and below	High risk	0.0%

INVESTMENT PERFORMANCE

The gross return from investment for the year was € 70.5 million; the unit price was up by 3.0%.

Together with the surplus returned from unspent fees for 2020, the gross return went to € 72.1 million.

Despite the unforeseen situation, with severe effects caused by the COVID-19 pandemic, KPST managed to conclude 2020 with a very satisfactory return [under the circumstances] from investments. In gross return the return was €70.5 million, and together with the surplus returned from the fees held for investments and operations, the gross return reached €72.1 million. Meanwhile, the share price increased by 3.0% and reached €1.5564 [end of 2019: €1.5106].

This was achieved while always respecting the four principles set out in the Law on Pension Funds, which are: 1) the security of the pension assets; 2) diversity of investment; 3) maximum return consistent with security of the pension assets, and 4) maintenance of adequate liquidity.

The first quarter of the year, especially during February and March, was hit hard by the outbreak of the pandemic and the lockdowns from China, which brought consequences and fear in the financial markets. Therefore, investment performance at the end of Q1 went to -4.7%. All other quarters had positive results. Q2 increased by 3.5%, Q3 by 1.5% and Q4 by 2.8%. The main contribution to this performance has been clearly given by investments in foreign financial markets, where about 70% of assets were invested, which brought 93.4% of the return on investment.

ALLOCATION	AVERAGE ALLOCATION	GROSS RETURN
BNY Mellon	€357,973,238	€27,536,267
Nordea 1 SRF	€336,904,158	€6,102,714
Amundi - 3M (I)	€265,370,148	(€774,943)
AXA GILB	€154,357,691	€5,164,846
BNP Paribas IP PDP	€109,423,312	(€1,307,307)
Nordea 1 GSEF	€33,945,261	(€9,789,506)
Vanguard Investment Series plc	€33,673,844	€6,782,245
iShares Edge S&P 500 Min. Vol. UCITS ETF EUR	€9,149,305	€6,574,645
AXA OI	--	(€2,575,571)
Schroders GDG	--	(€2,312,036)
Amundi RP2	--	(€3,118,598)
iShares Core € Corp Bond UCITS ETF	--	(€1,148,829)
Amundi IS EURO Corporates ETF-C	--	(€986,165)
iShares Edge MSCI USA Quality Factor ETF	--	(€3,735,894)
iShares S&P 500 EUR Hedged UCITS ETF	--	€5,860,355
iShares EURO STOXX 50 UCITS ETF	--	€4,314,218
iShares Edge MSCI Europe Min Vol ETF	€12,340,471	€9,032,524
Invesco QQQ Trust ETF	€39,024,092	€13,413,416
Bonds (Government of the Republic of Kosovo)	€449,848,742	€8,317,671
Term deposits (BKT, NLB, TEB, PCB, BPB, BEK)	€129,504,216	€2,638,627
Other income - dividends from open funds (ETF)	--	€495,324
TOTAL	€1,931,514,478	€70,484,003

The same year, the KPST managed to reap success in international presentations. Thus, the institution was appraised in the most important professional award ceremony for public and private pension sector in Europe, organized by the IPE Awards, in the category of Active Management. The Trust rating was a high achievement, ranking alongside Swedish giant AP4 and category winner, Belgian fund Amonis OFP.

The Active Management category is considered the most challenging one, as there were more than 70 European pension funds in competition. This category focuses on various aspects of active portfolio management, such as: dynamic investment in different asset classes, portfolio risk management and resilience, investment strategy and tactical approach, investment fund selection, marketable fund engagement etc..

This important international award was the best, independent and professional indicator of all investment decision-making throughout 2020, undertaken by the KPST Governing Board, assisted by the Management and the Investment and Risk Unit. Link to IPE: http://www.trusti.org/wp-content/uploads/2021/01/price_IPEAwards_202101.png

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 positive return on the KPST investments of + 3.0% significantly exceeded the average level of inflation for 2020, which was -0.5%. In this way, the KPST continued to be significantly better than its benchmark since its establishment in 2002. For this period, the KPST had a unit price increase of 55.6% versus a 39.1% increase in CPI in Kosovo.

COMPARISON OF KPST UNIT PRICE AND CPI SINCE KPST ESTABLISHMENT UNTIL THE END OF 2020



04

CONTRIBUTION AND RETIREMENT

First-time contributing and dormancy
Contributions
When and how can pension savings be withdrawn?
Retirements and benefit payments

FIRST-TIME CONTRIBUTING AND DORMANCY

Annual paid contributions increased by 4.1%. Benefit payments (excluding the withdrawal of 10%) decreased by 5.7%. First-time contributors were 9.1% of active contributors.

The KPST calls active contributors persons who pay contributions for the reporting year, in this case for 2020. On the other hand, first time contributors in the KPST for 2020 were 9.1% of all active accounts [2019: 11.0%].

First-time contributors numbered a total of 35,260, while there were another 27,325, or 7.1% of active contributors, who ceased contributing [contributed in 2019 but not in 2020]; this number does not include 7,078 contributors whose saving accounts were withdrawn during 2020. Meanwhile, 14.6% of first-time contributors were employed⁽¹⁾ for the first time at the age of 40+ [2019: 11.4%].

The average age of the first-time contributors was 27 years old, while 61% of them were 25 years old or younger [2019: respectively 26 and 65% of them were 25 years old or younger].

The self-employed, who accounted for about 2.1% of the first-time contributors [2019: 1.7%], continued to be on average, older. Their average age was just over 34 years old, and 54% of them were 33 years old or younger. The share of women first-time contributors was 52.5% for the employed [2019: 44.9%]; and 29.7% [2019: 34.6%] for the self-employed.

On the other hand, women became passive this year at lower rates compared to the ones who started contributing, thus constituting 39.5% of the employed and 25.3% of the self-employed who became passive [2019: respectively 35.6% and 21.3%].

The passivity of the contributors this year mostly happened to the age groups 19-24 years [2019: 20-25 years]. Furthermore, 50% of 2019 contributors who were passive during the year, were 26 years old or younger among employees and 38 years old or younger among the self-employed [2018: 50% of contributors 29 and 40 years old, respectively]. This data [consistent over the years] form the basis to conclude that there is less job stability for younger ages and/or their engagement is seasonal.

The percentage of contributors [excluding the self-employed] who became passive in 2019 but returned to the contribution scheme in 2020, was much lower than the previous year, of only 10.3% [2018: 28.3%].

Data analysis for the last five years reveals that 201,167 employed contributors, and 18,585 self-employed contributors, have contributed at least one month in each of these five years [2019: 192,078 and 19,806].

CONTRIBUTIONS

There are €1,975.8 million collected contributions received since the inception of the institution and €1,986.8 million in total for assets under management.

The total contributions collected during 2020 were €194.4 million [2019: €186.6 million], which are payments of pension contributions made by employees and the self-employed during 2020.

Contributions collected during 2020 increased by 4.1% compared to the previous year. In 2019 they had increased by 7.9% and in 2018 by 8.1%.

Contributions that are not under management are withdrawn due to benefit payments or refunds, and are no longer part of the fund. New employers, which were 5,569, which marked a large increase of 14.8% compared to the previous year [2019: 4,853].

New employers are considered to be businesses, institutions and others, which for the first time contribute for their employees.

While we had an increase of new employers by almost 15%, the number of employers who became passive during 2020 increased by 27.5%, or 5,032 [2019: 3,948]. The main factor for this very high increase in passivity would have been the pandemic.

Employers who become passive - the KPST considers businesses or institutions or organizations that have contributed for employees during the previous year, but not in the reporting year.

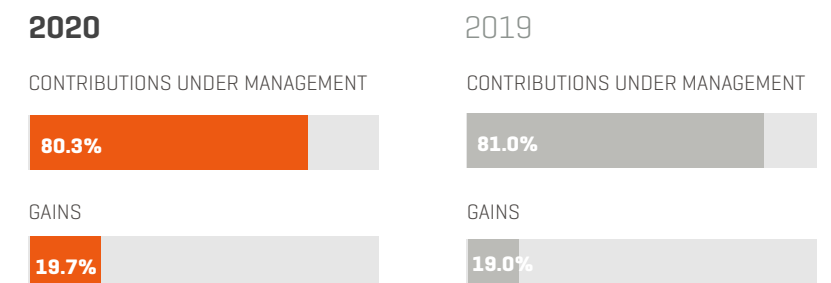
On the other hand, the number of active contributors at the end of 2020 reached 387,526, which was only by 2.0% higher than last year [2019: 379,827].

At the end of the year, the average balance for all contributors' pension savings accounts was €3,486 [2019: €3,284].

CONTRIBUTIONS AND AUM

PERIOD	RECEIVED [million]	AUM [million]
2002-2016	€1,262.3	€1,416.9
2017	€159.8	€216.8
2018	€172.7	€46.6
2019	€186.6	€285.9
2020	€194.4	€20.6
CUMULATIVE	€1,975.8	€1,986.8

COMPOSITION OF NET ASSETS UNDER MANAGEMENT



(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;
 c) dies having not withdrawn pension savings, in which case his/her legal beneficiaries inherit the balance;
 d) in cases where foreign nationals have paid pension contributions without being legally obliged; and
 e) At the end of 2020, legal changes enabled all contributors to withdraw 10% of their balance of KPST savings, as part of the Covid-19 Pandemic Recovery Package that the Government undertook. The deadline for withdrawing the 10% expires on April 6, 2021.

Phased Withdrawal Program (PWP)

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

Participants can choose one of four banks to offer them the PWP service: TEB, NLB Prishtina, Banka Për Biznes or Banka Ekonomike, thus taking advantage from specific treatment, as per KPST contract with those banks.

RETIREMENTS AND BENEFIT PAYMENTS

During 2020, realised gains were in average 21.2% for retired accounts (excluding withdrawals of 10%). In 2019 this figure was 20.4%.

The profit realised for the 10% withdrawals for the period December 11-31 was 25.3% on average.

In 2020 we had two types of withdrawals: 1) ordinary pensions (old-age pensions, deaths, disability, and non-residents), and 2) 10% withdrawals. For clarification but also for annual comparison, we are publishing these figures separately.

For regular retirement, the administration has approved 7,078 applications in Kosovo (2019: 7,808). The total funds paid for savings withdrawals for these categories was €49.6 million, which consisted of nominal contributions of €39.1 million and realized profits of €10.5 million (2019: €52.6 million, €41.9 million and €10.7 million respectively). The total number of accounts with permanent withdrawals since the establishment of KPST amounted to 58,390.

The number of persons who withdrew funds during 2020 after reaching retirement age (65 years) was 4,997 or 70.6% of approved applications (2019: 4,938, or 63.2%).

In addition, there were 1,110 cases that withdrew savings from the heirs of contributors who died before withdrawing their funds from the KPST (2019: 880), accounting for 15.7% of approved applications (2019: 8.5%). While due to disability there were 928 persons, or 13.1% of approved applications (2019: 1,430 or 8.5%).

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.

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

Contributors, with the status of non-resident citizens of Kosovo, who withdrew pension savings this year were 43 cases or 0.6% of retired accounts (2019: 32 cases and 0.3% of the total). As for the second category, the withdrawal of 10%, came from changes in the law (as part of the Recovery Package) that gave the opportunity to all non-retired contributors of the KPST to be able to apply for the withdrawal of 10%. In just three weeks of application (from 11 to 31 December 2020) 397,557 contributors had successfully applied and the amount withdrawn was € 185.4 million.

Contributors that withdrew 10% of savings during this period reaped an average profit of 25.3%, and on average they withdrew €384. Data on 10% withdrawal applications for the period from 1 January to 6 April 2021 will be presented in the 2021 Annual Report.

Calculated altogether, ordinary retirement withdrawals and those of 10%, in 2020 a total of €235 million were paid for pension withdrawals. Of this amount, about €178 million were contributions paid by the contributors themselves and the rest, €57 million, was a value added from the investments, which the contributors realized as profits.

WITHDRAWALS

PERIOD	CONTRIBUTIONS (million)	ASSETS (million)	PROFIT ACHIEVED (million)
2004-2015	€66.0	€72.6	€6.6
2016	€16.0	€19.2	€3.2
2017	€22.1	€27.7	€5.6
2018	€24.8	€31.3	€6.5
2019	€41.9	€52.6	€10.7
2020	€188.7	€235.0	€46.3
TOTAL	€359.5*	€438.4*	€78.9

* The figures for 2020 also include funds withdrawn of 10%, in the amount of €149.6 for contributions and €185.5 as total assets.

05

CONTRIBUTOR DEMOGRAPHICS

Contributors
Geographic distribution of contributors
Contributors age
Contributors by type of enterprise
Average contributions
Level of contributing
“How much should you save?”

CONTRIBUTORS

This chapter summarises main demographic data for participants of KPST in 2020 and compares them to the previous year.

It is important to note that this chapter presents the results of the analysis only for the active contributors, and not all KPST account holders, who at the end of 2020 were 707,387 in number.

This year there were 387,529 active contributors (2019: 379,827). With at least one contribution as an employee during the year there were 361,858, and as self-employed 6,813 individuals; in these double-counted figures are 18,858 contributors, who appear during 2020 both as employees and as self-employed. This year, because the Government has also helped the self-employed with the Emergency Package due to the pandemic, we have a radical change in the numbers of the self-employed compared to a year ago. Thus, we have a decrease in the number of those who appear only as self-employed (who have not received assistance from this Package) and an increase in the number of those who appear as both self-employed and employed, where the assistance executed by the relevant Ministry makes them appear technically as their employees.

In 2020 we had mainly an increase in the number of active contributors, and in just two months (March and April) we had fewer active contributors than the previous year.

The average balance of active accounts at the end of 2020 amounted to €4,963 (2019: €4,603), or an increase of 7.8%, while the average balance of all accounts increased by 6.2% to 3,486 (2019: €3,284). These are considered low balances in order to ensure a secure retirement, as they can finance, if withdrawn in phases of 200 euros per month, about 2 years for active retirees and only 1 year and a half all other retiree.

It is important to make some comparisons between the number of the active working population and active contributors. According to the Kosovo Agency of Statistics, in the report of Q4 2020 for the labour market in the country, the working age population in the country (aged 15 to 64 years) is 1,214,084. While the active workforce (according to KAS) is estimated at 506,622, while the rest is assessed as passive.

Under these conditions, it turns out that 387,529 employees and the self-employed who contributed to the KPST during 2020 account for 79.3% of the active workforce. This percentage then turns out to be lower compared to the average number of active contributors in the KPST for 2020 (331,910) with the active labor force (488,424). Thus it turns out that 68.0% of the active workforce were formally engaged in a job this year.

Therefore, from these comparative data, the most likely conclusion may be the still high level of informality in the country. And this particularly seems to be valid for the agriculture and construction sector, which sectors have a large discrepancy between employment statistics and the number of contributors to the KPST.

The KPST is pointing out these things while believing that it is fulfilling a part of its social responsibility: that every citizen of Kosovo to have saved enough for his/her own pension.

THE NUMBER OF ACTIVE CONTRIBUTORS FOR EVERY MONTH IN THE LAST FIVE YEARS

	2020	2019	2018	2017	2016
JANUARY	384,582	348,563	233,144	249,428	223,240
FEBRUARY	261,529	245,376	237,040	251,291	224,354
MARCH	275,102	267,092	264,573	276,991	251,045
APRIL	292,511	298,846	243,872	257,976	232,024
MAY	307,253	309,239	245,694	259,962	234,600
JUNE	319,811	317,408	273,306	284,804	258,103
JULY	336,283	328,746	266,564	263,527	236,259
AUGUST	343,379	337,859	249,513	263,255	236,899
SEPTEMBER	350,087	344,652	274,065	285,900	261,168
OCTOBER	358,954	352,653	268,030	262,775	235,655
NOVEMBER	365,894	366,797	257,866	259,977	232,732
DECEMBER	387,529	379,833	256,425	269,739	245,464
ANNUAL AVERAGE	331,910	324,755	255,841	265,469	239,295

GEOGRAPHIC DISTRIBUTION OF CONTRIBUTORS

Since a large chunk of active contributors (around a fifth), 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.

Out of 38 municipalities, in 25 we had an increase in the number of active contributors in 2020 compared to a year ago. The only exception were municipalities with a Serb majority population, where the number of contributors was shrinking. This may be related to the fact that in 2019 we had national elections and the temporary hires a year ago were not part of the 2020 contribution.

While in numbers, this year as well the increase in the number of active contributors was the highest in Prishtina, but in percentage it was Gjakova that saw the highest increase in numbers of active contributors - among the top ten municipalities. These municipalities this year had almost 66% of all active contributors.

Although this year was an extraordinary year, with the pandemic affecting almost the entire 2020, it turns out that the number of active contributors is higher than a year ago.



NO.	MUNICIPALITY	NUMBER OF CONTRIBUTORS	PARTICIPATION	CHANGES FROM 2019	
				IN NO.	IN %
1.	PRISTINA	71,461	18.4%	1,580	2.3%
2.	PRIZREN	31,605	8.2%	672	2.2%
3.	FERIZAJ	23,988	6.2%	977	4.2%
4.	GJILAN	22,351	5.8%	658	3.0%
5.	PEJA	21,434	5.5%	751	3.6%
6.	GJAKOVA	20,844	5.4%	1,031	5.2%
7.	PODUJEVA	18,336	4.7%	576	3.2%
8.	VUSHTRRI	15,851	4.1%	281	1.8%
9.	SOUTH MITROVICA	15,610	4.0%	-716	-4.4%
10.	LIPJAN	12,862	3.3%	289	2.3%
11.	GLLOGOC	12,668	3.3%	371	3.0%
12.	SUHAREKA	10,949	2.8%	186	1.7%
13.	FUSHE KOSOVE	10,420	2.7%	588	6.0%
14.	SKENDERAJ	10,073	2.6%	106	1.1%
15.	RAHOVEC	8,755	2.3%	87	1.0%
16.	MALISHEVA	8,041	2.1%	300	3.9%
17.	ISTOG	7,829	2.0%	52	0.7%
18.	VITI	7,689	2.0%	266	3.6%
19.	KLINA	6,434	1.7%	246	4.0%
20.	KAMENICA	6,373	1.6%	-77	-1.2%
21.	KACANIK	6,303	1.6%	386	6.5%
22.	OBILIQ	5,885	1.5%	70	1.2%
23.	DECAN	5,425	1.4%	60	1.1%
24.	SHTIME	5,246	1.4%	307	6.2%
25.	DRAGASH	4,225	1.1%	-154	-3.5%
26.	GRACANICA	2,056	0.5%	-127	-5.8%
27.	HANI I ELEZIT	1,590	0.4%	117	7.9%
28.	SHTERPCE	1,535	0.4%	-102	-6.2%
29.	LEPOSAVIQ	1,239	0.3%	-911	-42.4%
30.	NORTH MITROVICA	1,223	0.3%	-279	-18.6%
31.	ZUBIN POTOK	854	0.2%	-251	-22.7%
32.	ZVECAN	775	0.2%	-530	-40.6%
33.	JUNIK	605	0.2%	-8	-1.3%
34.	MAMUSHA	561	0.1%	-37	-6.2%
35.	NOVOBERDA	512	0.1%	-71	-12.2%
36.	KLLOKOT	456	0.1%	-45	-9.0%
37.	RANILLUG	423	0.1%	-81	-16.1%
38.	PARTESH	303	0.1%	-93	-23.5%
	OTHERS [‡]	4,744	1.2%	1,231	35.0%

[‡]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 all contributors in 2020 dropped slightly to 40.9 years from 41.0 in the previous year. While the median did not change, it remained at 38 years old like a year ago.

AVERAGE - MEN:

42.6



MEDIAN - MEN:

40.0



We had slight changes in the average men and very little change in the average age of women, while the median did not change this year either.

AVERAGE - WOMEN:

37.8



MEDIAN - WOMEN:

35.0



While the average age of all active contributors for 2020 was 38 years old and their median was 36 years old.

Regarding the age groups of active contributors (according to the following table) we had slight fluctuations compared to 2019, but 68.3% of them were under the age of 45 in 2020, which is a slight decrease compared to the previous year (2019: 68.7%).

The 15-24 age group was the most affected in 2020, decreasing to 16.0% (2019: 16.7%) from last year. With negative movements was also the age group of 25-34 years, while all other age groups moved up with a slight increase.

AGE GROUP	2020	2019
15-24	16.0%	16.7%
25-34	29.0%	29.1%
35-44	23.3%	22.9%
45-54	18.2%	17.9%
55-64	12.5%	12.4%
65+	1.0%	0.9%

CONTRIBUTORS BY TYPE OF ENTERPRISE

The type of enterprise is determined according to their registration in the Kosova 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.

In 2020, except for budget organizations and LLCs, all other types of enterprises had lower number of employees engaged. This is an indicator of the direct impact of the pandemic on the ongoing engagement of employees.

The explanation given below in the table applies to the strong fluctuation in the case of budget organizations. In the case of LLCs there is more likely to have a transition to formalization of employees, due to the impact of 10% but also due to support packages from the Government, rather than an actual increase in the number of employees.

In numbers and the coefficient of engagement, we mostly had a decrease in partnerships, which may also be due to the change in the legal status of enterprises. Of concern, are the declines in joint stock companies and the self-employed. At the same time, shrinking in the case of individual businesses was not small, but here at least we had an increase in the coefficient of engagement, which means less employees but more declared engagement.

ENTERPRISE TYPE	2020			2019		
	CONTRIBUTORS IN NUMBER	COEFFICIENT OF ENGAGEMENT	EQUIVALENT CONTRIBUTORS	CONTRIBUTORS IN NUMBER	COEFFICIENT OF ENGAGEMENT	EQUIVALENT CONTRIBUTORS
Budget organisations	353,364 ¹⁾	0.409	144,526	119,736	0.716	85,731
LLCs	179,829	0.576	103,582	168,289	0.602	101,310
Individual businesses	72,137	0.590	42,561	71,361	0.652	46,527
Self-employed	26,648	0.784	20,892	28,466	0.843	23,997
Joint stock companies	27,347	0.810	22,151	30,386	0.748	22,729
NGOs	22,510	0.380	8,554	22,726	0.377	8,568
Partnerships	3,160	0.599	1,893	4,234	0.611	2,587
Others	10,776	0.584	6,293	14,069	0.490	6,894

¹⁾ In 2020, due to measures taken by the Government through emergency packages, payments were made by the Ministry of Finance and the Ministry of Environment to the employees and the self-employed affected by the Covid-19 pandemic. This has led to a tremendous increase in the number of contributors in the sector of budget organizations, as well as a significant decrease in the coefficient of engagement.



AVERAGE CONTRIBUTIONS

The average (monthly) contribution for the category of employees saw the highest level of decrease in recent years to €42.85 - from €44.38 (previous year). While for the self-employed the average contribution decreased to €32.04 from €33.96 in the previous year. This is indicative that the pandemic affected and had an impact on the level of average contribution in all categories.

The decrease in the average monthly contribution is shown in the contribution table by age groups, where only the age 65+ had a slight increase, while all other age groups had a lower average contribution than a previous year. Even a more noticeable one is the decrease in the average monthly contribution by gender, where women saw a more evident decrease than men.

AVERAGE MONTHLY CONTRIBUTIONS

YEAR	EMPLOYED	SELF-EMPLOYED
2018	€44.84	€33.84
2019	€44.38	€33.96
2020	€42.85	€32.04

AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

AGE	2020		2019		2018	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
15-24	€27.62	€20.09	€28.81	€20.82	€28.54	€21.18
25-34	€38.57	€24.98	€41.00	€25.82	€40.63	€26.04
35-44	€47.86	€32.42	€51.09	€35.37	€50.83	€35.45
45-54	€49.02	€34.99	€51.30	€37.16	€50.80	€37.15
55-64	€54.58	€37.10	€57.02	€39.40	€56.42	€38.52
65+	€65.75	€40.31	€64.32	€36.43	€60.35	€41.83

AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

YEAR	WOMEN		MEN	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
2018	€41.39	€26.22	€46.65	€35.50
2019	€40.59	€26.53	€46.47	€35.63
2020	€40.07	€25.86	€44.41	€33.45

LEVEL OF CONTRIBUTING

The Law requires that the minimum contribution for the self-employed, as well as full-time employees, be based on Kosovo's minimum monthly wages, which are: €130 for persons up to 35 years of age; and €170 for ages over 35.

The number of employee contributors on whose behalf employers pay pension contributions below the allowed legal minimum has decreased significantly this year to 4.1% from 6.8% previous year. The decrease was especially more significant for those up to 35 years of age.

But in the category of self-employed we had more cases of payments below the minimum and the legal minimum allowed. In 2019, 46.5% of this category paid only the legal minimum, while in 2020 this figure went up to 48.4%. While below the legal minimum this year contributed 6.2%, an increase from 5.6% in 2019. Consequently, due to these movements we understand that less self-employed (2020: 45.5%) paid contributions above the legal minimum (2019: 48.0%).

THE LEVEL OF CONTRIBUTING BY THE EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS	1.52%	0.11%	46.48%
OVER 35 YEARS	2.61%	0.66%	48.62%

THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS	0.37%	9.70%	13.54%
OVER 35 YEARS	5.78%	38.65%	31.96%

“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. The 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.

06

LEGISLATION

Legal framework
Proposed changes

LEGAL 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.

At the end of 2020, we had amendments to the law that allowed an early withdrawal of 10% of the balance from the KPST. By the end of last year, about 400,000 contributors applied for this opportunity, and deadline for applications is April 6th, 2021.

While none of our proposals for legal amendments/changes presented in the Annual Report 2019 have not been reviewed yet, so we are reiterating the same ones on the next page of this annual report.

PROPOSALS FOR LEGAL AMENDMENTS/SUPPLEMENTS

1. WITHDRAWAL OF PENSION SAVINGS IN THE CASE OF RENUNCIATION OF CITIZENSHIP

The KPST staff received numerous requests and concerns by Kosovo citizens that are ready to, or have already renounced Kosovan citizenship, who have emigrated or are in the process of emigration, but currently have no legal right to withdraw pension savings from KPST. This issue requires detailed handling, based in experiences from other countries as well, as KPST does not have full legal clarity on how to treat this issue.

2. EARLY RETIREMENT

The number of contributors that are in early retirement, i.e. prior to reaching 65 year of age (either former TMK members, members of KSF, Trepça or police officers) is increasing and KPST has continuously received applications by such contributors requesting to withdraw pension savings from KPST. However, KPST has no legal grounds for issuing such decisions, since these categories are not foreseen or addressed under the current legislation for operation of KPST. Therefore, the relation of these beneficiaries and their KPST account has to be regulated, i.e. whether they can withdraw contribution from KPST or not.

3. INVESTMENTS

Allow KPST to invest in alternative investments via funds. This would provide increased diversification complementing quoted financial assets. Fund managers of alternative assets funds have a proven track record of higher returns, in part since they benefit from extracting an additional illiquidity premium over traditional quoted assets. Moreover they have a history of achieving better risk-adjusted returns over time. The life of these investments ranges from 5 to 10 years, thus fulfilling a long-term investment objective. These alternative investments cover different asset classes such as private equity, infrastructure or real estate. These investments are not allowed at the moment. Should such an asset class be contemplated in the future, the initial allocation would be low between 5% to 10% of assets under management.

4. WITHDRAWAL OF PENSION SAVINGS IN CASE OF DISABILITY OR SERIOUS DISEASE

There are numerous applications for early withdrawal due to contributors' diseases, either terminal or other, so it should be reviewed and determined whether the scope of the KPST should be only pension fund or disability, health fund, etc. These are some of the amendments that require immediate attention, while there are other small amendments that would improve progress and better functioning of the KPST. The KPST team is ready to give its contribution, should a working group on legal amendments are established.

5. PROTECTION OF CONTRIBUTORS REACHING RETIREMENT AGE

To avoid oscillations in international markets, which come as a consequence of various events in the world (as was the case of the COVID-19 Pandemic) as well as to protect contributors who are on the verge of retirement from these oscillations, we propose that legal amendments and supplements are prepared in the future to have portfolios with different composition, diversified by the KPST, specified for protection purposes, and by the age of the contributors.

ANEX
7

INDEPENDENT AUDITOR'S
REPORT AND FINANCIAL
STATEMENTS FOR KPST
OPERATIONS

KOSOVO PENSION SAVINGS TRUST OPERATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Kosovo Pension Saving Trust

Opinion

We have audited the financial statements of Kosovo Pension Saving Trust – Operations ("KPST-O"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in net assets attributable to KPST-O and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the KPST-O as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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-O in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon and we do not provide a separate opinion on these matters. Each audit matters and our respective responses are described below.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Key Audit Matter	How the matter was addressed in our audit
<p>Existence and accuracy of Investments in Kosovo Treasuries and Terms Deposits.</p> <p>As at 31 December 2020 the KPST-O investments represented 68% of the total assets of KPST-O. As at 31 Decembers 2020 the KPST-O investments represented 68% of the total assets of KPST-O.</p> <p>Further disclosures of financial assets are included in the notes to the financial statements.</p> <p>This was an area of focus and an area where significant audit effort was directed.</p>	<p>Our audit procedure includes the following:</p> <ul style="list-style-type: none"> • We have confirmed the year end balances with banks. • On sample basis we have tested the accuracy of accrued interest. • We have assessed the adequacy of KPST-O disclosure related to investments.

Other Matter

The financial statements of the KPST-O as at and for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 10 April 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report. The management report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and report the non-compliance.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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-O 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 KPST-O or to cease operations, or has no realistic alternative but to do so.

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-O 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-O 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-O 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on Other Legal and Regulatory Requirements as required by administrative instruction no 02/2019 on Independence of statutory audits and audit firms Issued by the Kosovo Financial Reporting Council

We were selected by an open bidding process and appointed on 7 July 2020 as auditors of the KPST-O for a one-year period.

We confirm that:

- Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the KPST-O.
- We have not provided prohibited non-audit services referred to in Article 5(1) of administrative instruction no 02/2019 and that we have remained independent of the KPST in conducting the audit.

RSM Kosovo Sh.p.k.
RSM Kosovo Sh.p.k

Prishtina, Republic of Kosovo

6 April 2021



Astrit Kelmendi

Engagement Partner

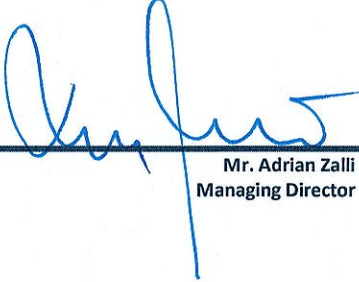
	Notes	As at December 31 2020	As at December 31 2019
		EUR	EUR
Assets			
Current Assets			
Cash in hand and at banks	4	738,772	143,678
Term deposits	5	3,004,880	5,268,026
Kosovo Treasuries	5	1,757,301	-
Accounts receivable	6	634,443	614,998
Prepaid expenses		32,406	21,556
		6,167,802	6,048,258
Non-current Assets			
Property, plant and equipment	9	692,674	702,473
Right-of-use assets	10	92,917	139,376
Intangible assets	11	38,627	54,900
		824,218	896,749
Total assets		6,992,020	6,945,007
Liabilities			
Current Liabilities			
Accounts payable and accruals	12	1,169,729	984,586
Lease liabilities	10	49,283	46,256
		1,219,012	1,030,842
Non-current Liabilities			
Lease liabilities	10	52,482	101,765
		52,482	101,765
Net assets of KPST Operations		5,720,526	5,812,400

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 31 March 2021.


 Mr. Ruzhdi Moftina
 Chairperson of the Board


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




 Mr. Adrian Zalli
 Managing Director

The accompanying notes 1 to 21 form an integral part of these financial statements

	Notes	Year ended December 31 2020	Year ended December 31 2019
		EUR	EUR
Income			
Fees charged on pension assets	14	8,363,834	8,235,843
Other income	15	138,616	174,030
Total income		8,502,450	8,409,873
Expenses			
<i>Investment expenses</i>			
Open-end vehicle net fees	16	(5,494,905)	(4,558,953)
CBK transfer and maintenance charges		(42,075)	(91,952)
Brokerage and custody expenses		(195,586)	(51,652)
Total investment expenses		(5,732,566)	(4,702,557)
<i>Operational expenses</i>			
Staff costs	17	(615,285)	(584,453)
Governing Board expenses	18	(165,184)	(193,275)
Account statements and correspondence for beneficiaries		(93,379)	(138,368)
Software maintenance		(99,791)	(87,368)
Depreciation and amortisation	9-11	(112,477)	(92,696)
Office operating expenses		(26,859)	(22,595)
CBK supervision charges		(20,238)	(19,413)
Professional services/Contractors/Consultants	20	(17,498)	(11,259)
Lease interest and rental charges for the year	10	(10,229)	(10,540)
External audit		(10,200)	(9,050)
Public education and advertising		(9,492)	(1,060)
Communication		(6,342)	(7,263)
Bank charges		(1,995)	(1,744)
Training, travel and other staff expenses		(1,300)	(16,057)
Other costs		(10,754)	(4,187)
Disaster recovery - rent and other associated costs		-	(6,600)
Total operational expenses		(1,201,023)	(1,205,928)
Total expenses		(6,933,589)	(5,908,485)
Provisions for expected credit losses, net (increase)	5	(351)	(333)
Net surplus for the year		1,568,510	2,501,055

The accompanying notes 1 to 21 form an integral part of these financial statements

	Notes	Surplus EUR	Reserve EUR	Total EUR
As at January 1, 2019		611,345	5,000,000	5,611,345
Net surplus for the year		2,501,055	-	2,501,055
Paid to pension assets (KPST-PA)	13	(2,300,000)	-	(2,300,000)
As at December 31, 2019		812,400	5,000,000	5,812,400
Net surplus for the year		1,568,510	-	1,568,510
Paid to pension assets (KPST-PA)	13	(1,200,000)	(460,384)	(1,660,384)
As at December 31, 2020		1,180,910	4,539,616	5,720,526

The accompanying notes 1 to 21 form an integral part of these financial statements

	Notes	Year ended December 31 2020	Year ended December 31 2019
		EUR	EUR
Cash flows from operating activities			
Net surplus for the year		1,568,510	2,501,055
Adjustments for:			
Depreciation and amortisation	9-11	112,477	92,696
Interest income	15	(110,590)	(121,765)
Net movements in provisions for expected credit loss	5	351	333
		1,570,748	2,472,319
Interest received		114,703	115,867
		1,685,451	2,588,186
Changes in operating assets and liabilities:			
(Decrease) in lease liabilities - net of discount		(46,256)	(43,460)
Increase in accounts payable / accruals		185,143	116,379
(Increase) in accounts receivable / prepaid expenses excluding interest receivable	6	(29,923)	(140,544)
Net cash flows from operating activities		1,794,415	2,520,561
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(39,946)	(94,480)
Purchase of software and licenses	11	-	(11,370)
(Increase) in term deposits		(3,000,000)	(5,259,500)
Decrease in / maturity of term deposits		5,259,500	4,600,000
(Increase) in Kosovo Treasuries		(1,758,491)	-
Net cash flows from / (used in) investing activities		461,063	(765,350)
Cash flows from financing activities			
Paid to pension assets (KPST-PA)		(1,660,384)	(2,300,000)
Net cash flows (used in) financing activities		(1,660,384)	(2,300,000)
Increase / (Decrease) in cash and cash equivalents		595,094	(544,789)
Cash and cash equivalents at the beginning of the year		143,678	688,467
Cash and cash equivalents at the end of the year	4	738,772	143,678

The accompanying notes 1 to 21 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 and No. 07/L-016; 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, consisting of members that are investment and pension experts, as well as employee and employer representatives from Kosovo. According to the Law No. 04/L-101, one non-voting member shall represent the interests of the Government. During 2020 and 2019, the Board of Governors was operating without the non-voting member.

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 29 staff members managed the day-to-day operations of the KPST during 2020 (2019: Director and 28 staff members).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of KPST-0 have been prepared in accordance International Financial Reporting Standards (“IFRS”).

2.2 Basis of preparation

KPST-0 maintains its accounting records and prepares its statutory financial statements in accordance with IFRS. Details of the accounting policy are included in Note 3. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the KPST. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.14 Significant estimates and judgments.

The financial statements are prepared as of and for the years ended December 31, 2020 and 2019. Current and comparative data stated in these financial statements are expressed in Euro, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation for the year.

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 amendments to the existing standards issued by the International Accounting Standards Board are effective for the current period:

- **Definition of a Business (Amendments to IFRS 3)**
- **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**
- **Amendments to IAS 1 and IAS 8 Definition of Material**
- **Conceptual Framework for Financial Reporting**

The adoption of the above did not have a material impact on the financial statements of KPST-0.

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 and amendments to existing standards were in issue, but not yet mandatory for annual reporting period December 31, 2020:

- **IFRS 17 “Insurance Contracts”** - effective for annual reporting periods beginning on or after 1 January 2023.
- **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).
- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** - effective for annual reporting periods beginning on or after 1 January 2023.
- **Covid-19-related Rent Concessions** – Amendments to IFRS 16
- **Property, Plant and Equipment: Proceeds before intended use** – Amendments to IAS 16 - effective for annual reporting periods beginning on or after 1 January 2022.
- **Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37** - effective for annual reporting periods beginning on or after 1 January 2022.

KPST-0 has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. KPST-0 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-0 in the period of initial application.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial instruments

Financial assets and liabilities carried on the statement of financial position include investments, cash, 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-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.

3.2 Financial assets and liabilities

Measurement methods

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.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability to the gross carrying amount of a financial asset (the amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When KPST-O revises estimated future cash flows, the carrying amount of respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated applying the effective interest rate to the gross carrying amount of financial assets, except:

- Purchased or originated credit-impaired financial assets (POCI);
- Financial assets that were not POCI, but subsequently became credit-impaired ("Stage 3"), for which the interest revenue is calculated by applying the effective interest rate to the amortised cost (i.e. net of the ECL provision).

Initial recognition and measurement

Financial assets and liabilities are recognised when KPST-O becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which KPST-O commits to purchase or sell the asset.

At the initial recognition, KPST-O measures a financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit and loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, KPST-O recognises the differences as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss;
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1. Financial assets

i) Classification and subsequent measurement

On initial recognition, KPST-0 classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the KPST-0 are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the KPST-0 considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the KPST-0's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the KPST-0's continuing recognition of the assets.

The KPST-0 has determined that it has only one business model:

- Held-to-collect business model: this includes cash at bank, investment in Kosovo treasuries and term deposits. These financial assets are held to collect contractual cash flow.

The contractual cash flows of the KPST-0's debt securities are solely principal and interest (SPPI).

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the KPST-0 considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the KPST-0 considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the KPST-0's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1. Financial assets (continued)

i) Classification and subsequent measurement (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the KPST-O were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

KPST-O classifies its financial assets in the following measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any recognised and measured expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

ii) Impairment

KPST-O assesses on a forward-looking basis the expected credit losses (ECL) associated with debt instrument assets carried at amortised cost. KPST-O recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

iii) Derecognition other than on modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (a) KPST-O transfers substantially all the risks and rewards of ownership, or (b) KPST-O neither transfers nor retains substantially all the risks and rewards of ownership and KPST-O has not retained control. There were no such instances during the reporting period.

3.2.2. Financial liabilities

i) Classification and subsequent measurement

In both the current and prior reporting period, financial liabilities are classified as subsequently measured at amortised cost.

ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

3.3 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.

3.4 Prepaid expenses

Prepayments are carried at cost less provision for impairment. A prepayment is classified as noncurrent when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Prepayments to acquire assets are transferred to the carrying amount of the asset once KPST-O has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to KPST-O. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment and leases

3.5.1 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.

Cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised.

Construction in progress is reported at cost of construction including costs charged by third parties. Upon completion, all accumulated costs of the asset are transferred to the relevant property, plant and equipment category and subsequently subject to the applicable depreciation rates. Land and construction in progress are not depreciated. 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.

3.5.2 Leases

For any new contracts entered into on or after 1 January 2019, KPST-O considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition KPST-O assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to KPST-O
- KPST-O has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- KPST-O has the right to direct the use of the identified asset throughout the period of use.

KPST-O assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

At lease commencement date, KPST-O recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by KPST-O, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

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

At the commencement date, KPST-O measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or KPST-O's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

KPST-O has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Both right-of-use assets and lease liabilities have been shown as separate balances on the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 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.

3.7 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.

3.8 Taxation

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

3.9 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

3.10 Related Parties

Related parties consist of members of the Governing Board of KPST, together with entities which they control, who can exert significant influence over the operations and management of KPST. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3.11 Commitments and contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

The amount of a contingent loss is recognised as a provision if it is probable that future events will confirm that, a reasonable estimate of the amount of the resulting loss can be made, for a liability incurred as at the statement of financial position date.

3.12 Subsequent events

Subsequent events that provide additional information about KPST-0 position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after reporting period that are not adjusting events are disclosed in the notes when material.

3.13 Pension costs

KPST-0 makes no provision and has no obligation for employees' pensions over and above the contributions paid into the above-mentioned pension scheme.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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. Management also needs to exercise judgement in applying the KPST-O accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis.

This note provides an overview of the areas that involve a higher degree of judgement and complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in related notes together with information about the basis of calculation for each affected line item in the financial statements.

Useful life of depreciable assets

Management reviewed the useful lives of depreciable assets at 31 December 2020. 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 9 and 11. However, the factual results may differ due to the technological obsolescence.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of banks defaulting on term deposits and the resulting losses). Explanation of these inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.16.4, which also sets out key sensitivities of the ECL to changes in these elements.

Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number of relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the KPST-O based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact KPST-O unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

3.15 Reserve

Operational reserve is part of net assets attributable to KPST-O, 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 profit or loss for the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial risk management

3.16.1 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 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 dates all the interest-bearing assets of KPST-O (term deposits) were of fixed interest rates.

3.16.2 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 2020			As at December 31 2019		
	1-6 Months	6-12 months	12-24 months	1-6 months	6-12 months	12-36 months
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash in hand and at banks	738,772	-	-	143,678	-	-
Term deposits	-	3,004,880	-	-	5,268,026	-
Kosovo Treasuries	-	-	1,757,301	-	-	-
Account receivables	634,443	-	-	614,998	-	-
	1,373,215	3,004,880	1,757,301	758,676	5,268,026	-
Financial Liabilities						
Account payables	1,169,729	-	-	984,586	-	-
Lease liabilities	24,275	25,008	52,482	22,785	23,471	101,765
	1,194,004	25,008	52,482	1,007,371	23,471	101,765
Maturity gap	179,211	2,979,872	1,704,819	(248,695)	5,244,555	(101,765)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial risk management (continued)

3.16.3 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, 2020 and 2019.

	As at December 31 2020		As at December 31 2019	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
Financial assets				
Cash at bank	738,772	738,772	143,678	143,678
Term deposits	3,004,880	3,006,219	5,268,026	5,270,661
Kosovo Treasuries	1,757,301	1,758,949	-	-
Accounts receivable	634,443	614,998	614,998	614,998
	6,135,396	6,118,938	6,026,702	6,029,337
Financial liabilities				
Account payables	1,169,729	1,169,729	984,586	984,586
Lease liabilities	101,765	101,765	148,021	148,021
	1,271,494	1,271,494	1,132,607	1,132,607

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-0 measured at fair value.

3.16.4 Credit risk

Credit risk is the risk of financial loss to KPST-0 if a customer or counterparty to financial instruments fails to meet its contractual obligations.

Credit quality analyses

The KPST-0 exposure to credit risk arises in the respect of the following instruments:

- **Cash at bank** - Cash at bank consists of cash in current accounts with commercial banks. There is no credit rating available most commercial banks operating in the Republic of Kosovo, however, due to its short-term nature, credit risk is not considered significant and no impairment loss is calculated.
- **Kosovo Treasuries** - As at December 31, 2020 the exposure of KPST-0 in securities issued from the Government of Kosovo was via a single instrument with a nominal amount of EUR 1,750,000 (2019: nil). Kosovo Treasuries are not rated.
- **Term Deposits** - consist of term deposits placed with commercial banks in the Republic of Kosovo. As of December 31, 2020, all of the term deposit placements were with a single bank (2019: three banks, of which 38% the bank with the highest exposure).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial risk management (continued)

3.16.4 Credit risk (continued)

Impairment

The KPST-0 recognises loss allowances for ECLs on financial assets measured at amortised cost. The KPST-0 measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the KPST-0 considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the KPST-0 historical experience and informed credit assessment and including forward-looking information.

The KPST-0 assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The KPST-0 considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the KPST-0 in full, without recourse by the KPST-0 to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the KPST-0 is exposed to credit risk.

Measurement of ECLs

At each reporting date, KPST-0 assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, KPST-0 uses the change in the risk of a default occurring over the expected life of the financial instrument. To make the assessment, KPST-0 compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. Evidence that a financial asset is credit-impaired includes the following observable data:

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

Given the above inputs, all Kosovo Treasury instruments were evaluated using the Stage 1, 12-month impairment model, and there were no movements in stages during the year ended December 31, 2020. Net additions to the impairment provisions for expected losses during the year were EUR 1,648, making for an end balance as at December 31, 2020 of EUR 1,648 (2019: nil).

Given the above inputs, all term deposits were evaluated using the Stage 1, 12-month impairment model, and there were no movements in stages during the year ended December 31, 2020. Net subtractions to the provisions for expected losses during the year were EUR 1,297, making for an end balance as at December 31, 2020 of EUR 1,339 (2019: net additions of EUR 333 and an end balance of EUR 2,636).

4 CASH IN HAND AND AT BANKS

	As at December 31 2020	As at December 31 2019
	EUR	EUR
ProCredit Bank - Current account	290,353	115,813
Banka për Biznes – Current account	317,140	19,047
Raiffeisen Bank Kosovo - Current account	60,865	6,841
Banka Kombëtare Tregtare – Current account	45,267	272
ISh Bankasi – Current account	23,618	324
Banka Ekonomike – Current account	845	386
NLB Prishtina - Current account	509	531
TEB Bank – Current account	-	300
Cash in hand	175	164
Total cash in hand and at banks	738,772	143,678

The current accounts of KPST-0 do not provide any interest, except the account with Banka për Biznes which provides a progressive interest based on the daily balance of the account starting from August 1, 2018. The interest earned for the year ended December 31, 2020 on this account amounted EUR 3,780, of which EUR 600 were receivables on reporting date (2019: interest earned EUR 6,357 of which EUR 228 were receivables).

5 TERM DEPOSITS AND KOSOVO TREASURIES

	As at December 31 2020	As at December 31 2019
	EUR	EUR
<i>Term deposits</i>		
Term deposits gross of provisions for expected credit losses	3,006,219	5,270,662
Provision for expected credit losses	(1,339)	(2,636)
Term deposits net of provisions for expected credit losses	3,004,880	5,268,026
<i>Kosovo Treasuries</i>		
Treasuries gross of provisions for expected credit losses	1,758,949	-
Provision for expected credit losses	(1,648)	-
Treasuries net of provisions for expected credit losses	1,757,301	-
Term Deposits and Kosovo Treasuries	4,762,181	5,268,026

As at December 31, 2020 KPST-0 investments in term deposits measured at amortised cost consisted of 2 deposits that had original maturities of 1-year, fixed interest rates, an average duration (weighted) of 0.89 years, and average interest rate of 1.74%. The deposits are all placed with commercial banks licensed and operating in the Republic of Kosovo. As at December 31, 2019 investments in term deposits measured at amortised cost consisted of 5 deposits that had original maturities of 1-year, fixed interest rate, an average duration (weighted) of 0.90 years, and average rate/coupon of 2.08%.

5 TERM DEPOSITS AND KOSOVO TREASURIES (CONTINUED)

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
As at January 1, 2019	2,303	-	2,303
Additions to provision due to new placements	2,636	-	2,636
Releases in provision due to maturity / derecognition	(2,303)	-	(2,303)
Net movement of provisions for expected credit losses for the year	333	-	333
As at December 31, 2019	2,636	-	2,636
Additions to provision due to new placements	1,339	1,648	2,987
Releases in provision due to maturity / derecognition	(2,636)	-	(2,636)
Net movement of provisions for expected credit losses for the year	(1,297)	1,648	351
As at December 31, 2020	1,339	1,648	2,987

Provisions for expected credit losses for debt instruments for the year ended December 31, 2020 and 2019 were derived in accordance with the expected credit loss model as detailed in significant accounting policies. Net movements in provisions for expected credit losses are provided above.

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
As at January 1, 2019	4,602,762	-	4,602,762
New placements	5,259,500	-	5,259,500
Interest earned	115,408	-	115,408
Interest – received	(109,311)	-	(109,311)
Principal – matured	(4,600,000)	-	(4,600,000)
Net movement of provisions for expected credit loss	(333)	-	(333)
As at December 31, 2019	5,268,026	-	5,268,026
New placements	3,000,000	1,758,491	4,758,491
Interest earned	106,352	458	106,810
Interest – received	(111,295)	-	(111,295)
Principal – matured	(5,259,500)	-	(5,259,500)
Net movement of provisions for expected credit loss	1,297	(1,648)	(351)
As at December 31, 2020	3,004,880	1,757,301	4,762,181

6 ACCOUNTS RECEIVABLE

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Net receivables from KPST-PA	553,691	553,143
Rebates receivable from open-end funds	80,152	56,826
Other receivables	600	5,029
Total account receivables	634,443	614,998

As at December 31, 2020 the balance of net receivables from KPST-PA amounting EUR 553,691 consists of fees charged on participants' accounts amounting EUR 549,569 as well as the positive difference from refunds of erroneous contributions amounting EUR 4,122 (2019: EUR 553,143 and positive difference amounting EUR 113 respectively); which were received after reporting date.

7 CONTINGENT ASSETS AND LIABILITIES

As at December 31, 2020 and 2019, KPST-O had no contingent assets nor liabilities.

8 COMMITMENTS

As at December 31, 2020 and 2019, KPST-O had no commitments other than lease liabilities, as per the policy disclosed in Note 3.5.2 "Leases", and liabilities that may arise due to the purchase of land, as disclosed in the Note 9.

9 PROPERTY, PLANT AND EQUIPMENT

	Computers and related equipment	Furniture, fixtures and equipment	Other office equipment	Motor Vehicles	Land and construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
As at January 1, 2019	317,472	23,500	52,646	53,365	591,153	1,038,136
Additions for the year	72,870	410	21,200	-	-	94,480
Disposals for the year	(16,519)	(783)	(6,314)	-	-	(23,616)
As at December 31, 2019	373,823	23,127	67,532	53,365	591,153	1,109,000
Additions for the year	35,941	3,155	850	-	-	39,946
Disposals for the year	(5,233)	(141)	(1,175)	-	-	(6,549)
As at December 31, 2020	404,531	26,141	67,207	53,365	591,153	1,142,397
Accumulated depreciation						
As at January 1, 2019	(281,121)	(20,776)	(46,610)	(53,365)	-	(401,872)
Charge for the year	(22,452)	(875)	(4,944)	-	-	(28,271)
Eliminated through disposals	16,519	783	6,314	-	-	23,616
As at December 31, 2019	(287,054)	(20,868)	(45,240)	(53,365)	-	(406,527)
Charge for the year	(40,796)	(1,159)	(7,790)	-	-	(49,745)
Eliminated through disposals	5,233	141	1,175	-	-	6,549
As at December 31, 2020	(322,617)	(21,886)	(51,855)	(53,365)	-	(449,723)
Net book value						
As at December 31, 2020	81,914	4,255	15,352	-	591,153	692,674
As at December 31, 2019	86,769	2,259	22,292	-	591,153	702,473

Construction in progress and advances

On November 23, 2016 the Government of the Republic of Kosovo took decision No 06/117 in the name of public interest to expropriate the property of the socially-owned enterprise "P.SH. Association SH.A.M. Vllaznim Union", located in cadastral plot, P-7207-0, in Lakërishtë, Pristina Cadastral Zone, Municipality of Pristina, for the purposes of accommodation needs of KPST.

According to the privatisation laws in force – given that the expropriation was occurring in the public interest - KPST has had to pay only 20% of the value of the property amounting EUR 249,012 (evaluated by an independent chartered surveyor at EUR 1,245,060), legitimate claims of creditors ruled as such by the Liquidation Authority in the amount EUR 340,142, and administrative fees of EUR 2,000. As such, in June 2018, KPST paid to the Kosovo Privatisation Agency the full required amount of EUR 591,153.

The Liquidation Authority has refused claims in the amount EUR 133,618, and their decisions can be appealed in the Special Chamber of the Supreme Court of the Republic of Kosovo. As per the expropriation agreement, KPST has pledged and is liable to pay any and all the claims ruled in favour of the appellant by the Special Chamber, and such amounts shall add to the cost of acquiring the expropriated plot.

The title of the property has been transferred to KPST in the cadastral register during 2019. As of the date of this report, KPST is in the design phase of the project for the construction of its headquarter offices.

During 2020 and 2019 KPST has written off fully depreciated assets.

As at 31 December 2020 and 2019, there are no encumbrances over KPST-0 assets.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of- use assets		Lease liabilities
	EUR		EUR
As at January 1, 2019	185,834	As at January 1, 2019	191,481
Additions for the year	-	Interest for the year	10,540
Depreciation for the year	(46,458)	Payments during the year	(54,000)
As at December 31, 2019	139,376	As at December 31, 2019	148,021
Additions for the year	-	Interest for the year	7,744
Depreciation for the year	(46,459)	Payments during the year	(54,000)
As at December 31, 2020	92,917	As at December 31, 2020	101,765

During the year ended December 31, 2020, KPST-O has only one lease, for its office, identified as a right-of-use asset on the statement of financial position. The lease liabilities associated with the same are also shown in the statement of financial position.

The lease runs from January 1, 2019 until December 31, 2023 with both parties having the option to terminate the lease by giving a 9-month notice. The incremental borrowing rate applied to lease liabilities recognised on initial application on January 1, 2020 was 6.49%, whereas the depreciation of the right-of-use asset is done on straight-line basis over the life of the lease.

Given that the rent is paid in advance, the initial payment was not included in the lease liabilities. As at December 31, 2020 the discounted lease liabilities amounting EUR 101,765 consist of EUR 49,283 in short-term and EUR 52,482 long-term lease liabilities. The undiscounted lease liabilities amount to EUR 108,000 of which EUR 54,000 are short-term and EUR 54,000 long-term.

As at December 31, 2019 the discounted lease liabilities amounting EUR 148,021 consisted of EUR 46,256 in short-term and EUR 101,765 long-term lease liabilities. The undiscounted lease liabilities amounted to EUR 162,000 of which EUR 54,000 were short-term and EUR 108,000 long-term.

11 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2019	451,866
Additions for the year	11,370
Disposals for the year	(7,520)
As at December 31, 2019	455,716
Additions for the year	-
Disposals for the year	-
As at December 31, 2020	455,716
Accumulated amortisation	
As at January 1, 2019	(390,369)
Charge for the year	(17,967)
Eliminated through disposals	7,520
As at December 31, 2019	(400,816)
Charge for the year	(16,273)
Eliminated through disposals	-
As at December 31, 2020	(417,089)
Net book value	
As at December 31, 2020	38,627
As at December 31, 2019	54,900

12 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Payables for investment activities	1,059,372	824,824
Accruals for printing and mailing member account statements	70,433	115,409
Other accounts payable and accruals	39,924	44,353
Total accounts payable	1,169,729	984,586

As at December 31, 2020 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 1,058,629 as well as brokerage fees in the amount of EUR 743 (2019: EUR 824,081 and EUR 743 respectively).

13 SURPLUS

	2020			2019		
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Income for the year						
Income from fees charged	1,349,172	7,014,662	8,363,834	1,294,186	6,941,657	8,235,843
Other income	125,599	13,017	138,616	132,822	41,208	174,030
	1,474,771	7,027,679	8,502,450	1,427,008	6,982,865	8,409,873
Expenses for the year	(1,201,023)	(5,732,566)	(6,933,589)	(1,205,928)	(4,702,557)	(5,908,485)
Provisions for expected credit losses, net (increase) / decrease	(351)	-	(351)	(333)	-	(333)
Surplus for the year	273,397	1,295,113	1,568,510	220,747	2,280,308	2,501,055
Surplus at the start of the year	730,730	81,670	812,400	509,983	101,362	611,345
Return of surplus to KPST-PA	-	(1,200,000)	(1,200,000)	-	(2,300,000)	(2,300,000)
Surplus at the end of the year	1,004,127	176,783	1,180,910	730,730	81,670	812,400

During 2020 the Governing Board decided to refund EUR 1,200,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a total net surplus balance of EUR 1,180,910 as of December 31, 2020. During 2019 the Governing Board had decided to refund EUR 2,300,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a net surplus balance of EUR 812,400 as of December 31, 2019.

Due to the Covid-19 pandemic and its sharp effect on the markets, as at February 25, 2020, the Governing Board decided to create a temporary strategy with funds of contributors who: (a) had reached, or would reach by the end of 2020, the retirement age of 65; and (b) had no prior withdrawals from KPST. The aim was to provide protection to imminent retirees, a protection funded from operational reserves, until such time as fund price recovered. The cost of the protection came to EUR 460,384.

14 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
Fees charged for investment activities	7,014,662	6,941,657
Fees charged for operational activities	1,349,172	1,294,186
Total fees charged on pension assets	8,363,834	8,235,843

Fees are accrued on daily basis according to the formula:

Fee = [Gross Participants' Assets] * [Rate] / [Number of calendar days in a year].

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-0 for the year ended December 31, 2020 amounted EUR 8,363,834 (2019: EUR 8,235,843).

Applicable fees for the reporting period, as approved by the Assembly of the Republic of Kosovo in accordance with Law No. 04/L-168, were as follows:

Date from	Date to	Fees for investment activities	Fees for operational activities	Total fees
January 1, 2019	May 15, 2019	0.381% p.a.	0.071% p.a.	0.452% p.a.
May 16, 2019	June 4, 2020	0.370% p.a.	0.069% p.a.	0.439% p.a.
June 5, 2020	December 31, 2020	0.330% p.a.	0.065% p.a.	0.395% p.a.

15 OTHER INCOME

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
<i>Operational activities</i>		
Interest income from deposits and current account	110,590	121,765
Net income from contribution refunds	14,629	7,862
Other income from operating activities	380	3,195
	125,599	132,822
<i>Investment activities</i>		
Rebate by AXA-WFOI	13,017	39,100
Other income from investment activities	-	2,108
	13,017	41,208
Total other income	138,616	174,030

Pension contributions incoming in the collection account (the CBK account for KPST-PA) are converted into units on the day of contribution. Occasionally, transfers are made in error (in part or in full) by the payer, and when this is understood KPST, in compliance with the Law No. 04/L-101, refunds the nominal amount of the erroneous contribution. As per KPST policies, the net differences between the (i) nominal amount refunded, and (ii) the value of respective units on the day of the refund; are treated for KPST-0 as other income when positive, and as other expenses when negative. For the year ended December 31, 2020 the net income from contribution refunds amounted EUR 14,629 (2019: net income amounting EUR 7,862).

16 OPEN-END VEHICLE NET FEES

	Year ended December 31 2020			Year ended December 31 2019		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
			-			
Vanguard – GSIF	82,423	(12,489)	69,934	365,610	(167,640)	197,970
BNY Mellon – RRF	1,825,958	-	1,825,958	1,246,615	-	1,246,615
AXA – GILB	367,298	(38,368)	328,930	153,678	(9,194)	144,484
Schroders – GDG	131,056	-	131,056	293,788	-	293,788
Nordea 1 – GSEF	340,965	-	340,965	414,968	-	414,968
Nordea 1 – SRF	1,657,538	-	1,657,538	1,129,320	-	1,129,320
Amundi – 3M I	107,341	(48,004)	59,337	221,064	(84,790)	136,274
AXA – WFOI	53,467	-	53,467	238,363	-	238,363
BNP Paribas – PDP	802,218	(211,086)	591,132	450,555	(106,478)	344,077
Amundi – RPI2	80,665	-	80,665	161,370	-	161,370
Corp Bond Eur ETF	57,879	-	57,879	46,473	-	46,473
S&P500 Minvol ETF	77,913	-	77,913	64,637	-	64,637
Amun. EurCorp ETF	46,375	-	46,375	37,062	-	37,062
MSCI USA Qual ETF	11,766	-	11,766	2,768	-	2,768
S&P500 Eur H. ETF	7,091	-	7,091	-	-	-
EuroStoxx50 ETF	3,572	-	3,572	-	-	-
MSCI EU MinVol ETF	67,276	-	67,276	-	-	-
Invesco QQQ ETF	84,051	-	84,051	-	-	-
Schroders – SISF	-	-	-	100,784	-	100,784
Total open-end vehicle net fees	5,804,852	(309,947)	5,494,905	4,927,055	(368,102)	4,558,953

17 STAFF COSTS

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
Staff salaries	465,109	456,201
Employer's pension contributions	32,909	59,874
Cost of the Collective Agreement	49,331	42,176
Administration software development	41,220	-
Health insurance	7,413	4,702
Overtime, bonuses and other staff costs	19,303	21,500
Total staff costs	615,285	584,453

18 GOVERNING BOARD EXPENSES

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
Trustees honoraria	118,250	124,600
Fiduciary Insurance	30,547	22,709
Meetings (Travel/Hotel/Other costs)	9,275	34,505
Employer's pension contributions	7,112	11,461
Total Governing Board expenses	165,184	193,275

19 RELATED PARTIES

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the entity, the party has an interest in the entity that gives it significant influence over the entity, the party has joint control over the entity, the party is an associate or the party is a member of the key management personnel of the entity or its parent. KPST-O has not had related party transactions of any kind.

Governing Board members (a) receive monthly compensations by way of the trustees honoraria as approved by the Assembly of the Republic of Kosovo when approving the investment and operational fees charged on the fund; and (b) have mandatory pension contributions paid on their behalf. The balance of the above, for years ended December 31, 2020 and 2019, are disclosed in Note 18 of these financial statements.

The key management personnel receive monthly salaries as set by the Governing Board, and have mandatory pension contributions paid on their behalf. On occasion, they may be rewarded a performance related bonus, limited to a maximum of one month's basic salary. The balance of the above, for year ended December 31, 2020 was EUR 161,174 (2019: EUR 154,761).

20 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
Design and public relation related services	8,211	4,815
Internal audit services	2,888	2,940
Translation and proofreading services	623	818
Other services	5,776	2,686
Total Professional services/Consultants/Contractors	17,498	11,259

21 EVENTS AFTER THE REPORTING PERIOD

The COVID-19 outbreak has caused temporary business difficulties in operations in the financial sector in the Republic of Kosovo. Given the steady income from fees charged on the fund, KPST-O does not expect this matter to materially affect its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

After December 31, 2020 there are no subsequent events that require adjustment or further disclosure in these financial statements.

ANEX
8

INDEPENDENT AUDITOR'S
REPORT AND FINANCIAL
STATEMENTS FOR KPST
PENSION ASSETS

KOSOVO PENSION SAVINGS TRUST PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Kosovo Pension Savings Trust

Opinion

We have audited the financial statements of Kosovo Pension Saving Trust – Pension Assets ("KPST-PA"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in net participants' assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the KPST-PA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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-PA in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon and we do not provide a separate opinion on these matters. Each audit matters and our respective responses are described below.

Key Audit Matter	How the matter was addressed in our audit
<p>Valuation and existence of investments in open – end funds</p> <p>As at 31 December 2020 the KPST-PA held investments classified at fair value through profit and loss in the amount of EUR 1,352,161,520 (31 December 2019: EUR 1,480,058,308) which represent 68 % of the total assets.</p> <p>Further disclosure of investments are included in the note 3.2.1, 3.4.7 and 6 to the financial statements.</p> <p>This was an area of focus and an area where significant audit effort was directed.</p>	<p>In relation to the matter set out opposite, our audit response included the following:</p> <ul style="list-style-type: none"> • We received monthly statements from Asset managers and Custodians and reconciled with accounting data against relevant account balances reported in the statement of comprehensive income. • We have confirmed the year end balances with Asset managers and Custodian. • We agreed the price for all investment funds held on 31 December 2020 to publicly quoted prices in active markets. • We have checked the adequacy of KPST-PA disclosure related to investments in open-end funds.
Key Audit Matter	How the matter was addressed in our audit
<p>Net Participants Assets</p> <p>As at 31 December 2020, net participants assets amount to EUR 1,999,318,763 (31 December 2019; EUR 1,978,459,507)</p> <p>During the year ended 31 December 2020 contributions recognized amount to EUR 194,594,827 (31 December 2019: EUR 187,548,325) and repurchases of units due to withdrawal of savings amount to EUR 235,027,539 (31 December 2019: 52,583,934).</p> <p>As disclosed in the Note 5 the new legislation on economic recovery – COVID 19 had a significant impact in the increase of withdrawal of savings for the year ended 31 December 2020.</p> <p>Due to materiality and complexity of the above transactions we have considered contributions and repurchases of units as a key audit matter.</p> <p>Further disclosures of net participants assets are included in the note 5, 13 and 14 to the financial statements.</p>	<p>The audit of net participants assets as a whole was a combination of audit of controls and substantive audit procedures. We have:</p> <ul style="list-style-type: none"> • Tested the design, implementation and effectiveness of key controls related to the process of contributions allocation and withdrawals of savings. • On a sample basis we have checked the received payment of contributions and reconciled with employee and employer account statements. • On a sample basis we have verified if withdrawals of savings are in accordance with legislation on Pension Funds. • We assessed the adequacy of the KPST-PA related disclosures by reference to the relevant accounting policy.

Other Matter

The financial statements of the KPST-PA as at and for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 10 April 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report. The management report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and report the non-compliance.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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-PA 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 KPST-PA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the KPST-PA 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-PA 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-PA 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-PA 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on Other Legal and Regulatory Requirements as required by administrative instruction no 02/2019 on Independence of statutory audits and audit firms issued by the Kosovo Financial Reporting Council

We were selected by an open bidding process and appointed on 7 July 2020 as auditors of the KPST-PA for a one-year period.

We confirm that:

- Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the KPST-PA.
- We have not provided prohibited non-audit services referred to in Article 5(1) of administrative instruction no 02/2019 and that we have remained independent of the KPST in conducting the audit.

RSM Kosovo Sh.p.k.

RSM Kosovo Sh.p.k

Prishtina, Republic of Kosovo

06 April 2021

A handwritten signature in blue ink, appearing to read 'Astrit Kelmendi'.

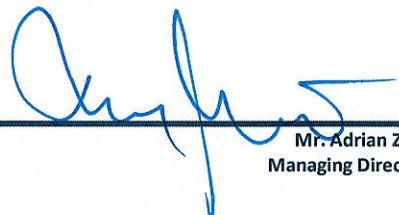
Astrit Kelmendi

Engagement Partner

	Notes	As at December 31 2020 EUR	As at December 31 2019 EUR
Assets			
Cash at bank	4	57,905,959	3,279,603
Contribution receivables	5	12,504,686	12,274,188
Investments in open-end funds	6	1,352,161,520	1,480,058,308
Kosovo Treasuries	7	449,848,742	298,483,698
Term deposits	7	129,504,216	185,620,151
		2,001,925,123	1,979,715,948
Liabilities			
Liabilities towards KPST-O	8	553,691	553,143
Liabilities for repurchased shares	9	1,738,000	650,497
Non-contributions	10	281,367	38,174
Interest payable	4	33,302	14,627
		2,606,360	1,256,441
Net participants' assets		1,999,318,763	1,978,459,507

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 31 March 2021.


 Mr. Ruzhdi Morina
 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 15 form an integral part of these financial statements

	Notes	Year ended December 31 2020	Year ended December 31 2019
		EUR	EUR
Income			
Gains from investments in open-end funds - net	6	59,527,705	150,898,794
Interest income from Kosovo Treasuries	7	8,317,671	5,299,465
Interest income from term deposits	7	2,638,627	2,261,648
Other income	11	1,660,384	2,300,000
		72,144,387	160,759,907
Expenses			
Fees charged on participants' accounts	12	(8,363,834)	(8,235,843)
Interest expenses on cash at CBK	4	(274,518)	(99,699)
		(8,638,352)	(8,335,542)
Net (increase) in provisions for expected credit losses	7	(487,690)	(178,140)
Increase in net participants' assets		63,018,345	152,246,225

The accompanying notes from 1 to 15 form an integral part of these financial statements

	Participants' Contributions	Retained Earnings	Total
	EUR	EUR	EUR
As at January 1, 2019	1,455,255,081	236,648,087	1,691,903,168
Contributions	187,548,325	-	187,548,325
Repurchases due to withdrawal of savings	(41,850,770)	(10,733,164)	(52,583,934)
Repurchases due to refunds	(646,415)	(7,862)	(654,277)
Increase in net participants' assets	-	152,246,225	152,246,225
As at December 31, 2019	1,600,306,221	378,153,286	1,978,459,507
Contributions	194,594,827	-	194,594,827
Repurchases due to withdrawal of savings	(188,635,758)	(46,391,781)	(235,027,539)
Repurchases due to refunds	(1,711,744)	(14,633)	(1,726,377)
Increase in net participants' assets	-	63,018,345	63,018,345
As at December 31, 2020	1,604,553,546	394,765,217	1,999,318,763

The accompanying notes from 1 to 15 form an integral part of these financial statements

	Notes	Year ended December 31 2020	Year ended December 31 2019
		EUR	EUR
Cash flows from operating activities			
Increase in net participants' assets		63,018,345	152,246,225
<i>Adjustments for:</i>			
(Gain) in open end funds (net of fees withheld)		(57,183,046)	(149,157,214)
Net movement in provisions for expected credit losses	7	487,690	178,140
Interest income	7	(10,956,298)	(7,561,113)
Interest expenses	4	274,518	99,699
		(4,358,791)	(4,194,263)
Interest paid		(255,843)	(90,102)
		(4,614,634)	(4,284,365)
<i>Movement of working capital:</i>			
(Decrease) / Increase in liabilities for fees	8	(3,461)	137,870
Increase in liabilities for non-contributions	10	243,193	3,917
Decrease in redemption and maturity receivables		-	120,000,000
Net cash flows (used in) / from operating activities		(4,374,902)	115,857,422
Cash flows from investing activities			
(Additions) to investments in open-end funds	6	(986,035,600)	(1,431,956,161)
Redemption of investments in open-end funds	6	1,171,115,434	1,328,385,424
(Additions) to Kosovo Treasuries	7	(228,733,906)	(140,001,490)
Matured Kosovo Treasuries (principal)	7	77,470,910	50,800,454
(Additions) to term deposits	7	(84,194,052)	(141,538,000)
Matured term deposits (principal)	7	140,734,500	76,000,000
Interest from investments received		9,942,047	5,873,117
Net cash flows from / (used in) investing activities		100,299,333	(252,436,656)
Cash flows from financing activities			
Participants' contributions received		194,364,329	186,612,628
Withdrawal of savings		(234,177,253)	(52,225,969)
Refunds		(1,485,151)	(772,975)
Net cash flows (used in) / from financing activities		(41,298,075)	133,613,684
Increase / (Decrease) in cash and cash equivalents		54,626,356	(2,965,550)
Cash and cash equivalents at the beginning of the year		3,279,603	6,245,153
Cash and cash equivalents at the end of the year		57,905,959	3,279,603

The accompanying notes from 1 to 15 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, subsequently replaced by Regulation No. 2005/20, further replaced by Law No. 03/L-084 of the Republic of Kosovo, further replaced by Law No. 04/L-101 of the Republic of Kosovo, the latter complemented by additions and amendments of Laws No. 04/L-168, No. 05/L-116 and No. 07/L-016; 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, consisting of members that are investment and pension experts, as well as employee and employer representatives from Kosovo. According to the Law No. 04/L-101, one non-voting member shall represent the interests of the Government. During 2020 and 2019, the Board of Governors was operating without the non-voting member.

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 in accordance with IFRS. Details of the accounting policy are included in Note 3. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the KPST. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.3 Significant estimates and judgments.

The financial statements are prepared as of and for the years ended December 31, 2020 and 2019. Current and comparative data stated in these financial statements are expressed in Euro, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation for the year.

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 amendments to the existing standards issued by the International Accounting Standards Board are effective for the current period:

- **Definition of a Business (Amendments to IFRS 3)**
- **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**
- **Amendments to IAS 1 and IAS 8 Definition of Material**
- **Conceptual Framework for Financial Reporting**

The adoption of the above did not have a material impact on the financial statements of KPST-PA.

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 and amendments to existing standards were in issue, but not yet mandatory for annual reporting period December 31, 2020:

- **IFRS 17 "Insurance Contracts"** - effective for annual reporting periods beginning on or after 1 January 2023.
- **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).
- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** - effective for annual reporting periods beginning on or after 1 January 2023.
- **Covid-19-related Rent Concessions** – Amendments to IFRS 16
- **Property, Plant and Equipment: Proceeds before intended use** – Amendments to IAS 16 effective for annual reporting periods beginning on or after 1 January 2022.
- **Onerous Contracts** – Cost of Fulfilling a Contract Amendments to IAS 37- Amendments to IAS 37 effective for annual reporting periods beginning on or after 1 January 2022.

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.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial instruments

Financial assets and liabilities carried on the statement of financial position include investments, cash, 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.

3.2 Financial assets and liabilities

Measurement methods

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.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability to the gross carrying amount of a financial asset (the amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When KPST-PA revises estimated future cash flows, the carrying amount of respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated applying the effective interest rate to the gross carrying amount of financial assets, except:

- Purchased or originated credit-impaired financial assets (POCI);
- Financial assets that were not POCI, but subsequently became credit-impaired ("Stage 3"), for which the interest revenue is calculated by applying the effective interest rate to the amortised cost (i.e. net of the ECL provision).

Initial recognition and measurement

Financial assets and liabilities are recognised when KPST-PA becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which KPST-PA commits to purchase or sell the asset.

At the initial recognition, KPST-PA measures a financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit and loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, KPST-PA recognises the differences as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss;
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1 Financial assets

i) Classification and subsequent measurement

On initial recognition, KPST-PA classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the KPST-PA are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the KPST-PA considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the KPST-PA's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the KPST-PA's continuing recognition of the assets.

The KPST-PA has determined that it has two business models:

- Held-to-collect business model: this includes cash at bank, investment in Kosovo treasuries and term deposits. These financial assets are held to collect contractual cash flow.
- Other business model: this includes investment in open-end funds, which are composed from equity investments, debt securities, derivatives, etc. These financial assets are managed, and their performance is evaluated, on a fair value basis. The KPST-PA is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The KPST-PA has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the KPST-PA's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the KPST-PA's business model objective.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the KPST-PA considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the KPST-PA considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the KPST-PA's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1 Financial assets (continued)

i) Classification and subsequent measurement (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the KPST-PA were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

KPST-PA classifies its financial assets in the following measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any recognised and measured expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method;
- *Financial assets at fair value through profit and loss:* These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognised as 'Gain from investments in open end funds, net' in the statement of comprehensive income.

ii) Impairment

KPST-PA assesses, on a forward-looking basis, the expected credit losses (ECL) associated with debt instrument assets carried at amortised cost. KPST-PA recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

iii) Derecognition other than on modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (a) KPST-PA transfers substantially all the risks and rewards of ownership, or (b) KPST-PA neither transfers nor retains substantially all the risks and rewards of ownership and KPST-PA has not retained control. There were no such instances during the reporting period.

3.2.2 Financial liabilities

i) Classification and subsequent measurement

In both the current and prior reporting period, financial liabilities are classified and subsequently measured at amortised cost.

ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, or expired).

3.2.3 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.

3.2.4 Contributions

Contributions from participants are accounted on cash basis, except contributions for the last month of the period, which are recognised on accrual basis and recognised in the statement of financial position as contribution receivables as further described in Note 5.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.5 Withdrawals of savings and refunds

Withdrawals of savings (benefit payments), as well as refunds of contributions made in error, are accounted for in the period in which the redemption of respective units occurs. The balance of (a) the value of redeemed units due to the withdrawal of savings; and (b) the nominal value of redeemed units due to refunds; payable by the end of the period, are presented in the statement of financial position as liabilities for repurchased units, and are further detailed in Note 9.

The withdrawal of savings from a participant's account can be made in the following cases:

Participant reaches the retirement age of 65

A participant retiring with a balance of savings below or equal to the threshold of EUR 3,000, receives proceeds in a lump-sum payment. On the other hand, if the participant retires with a balance above this threshold, he/she has the option to receive 20% of the balance in a lump-sum payment, while the rest must be received in phases, via monthly proceeds of the phased withdrawal programme, until the savings are depleted. Monthly payments are set at 1% of the balance of the account when units are repurchased, or EUR 200, whichever is greater.

The portion that is to be received in phases, is transferred by KPST to the commercial bank of participant's choice, with the bank subsequently making monthly payments to the retiree. Given that participant's assets are no longer in the care of KPST, they are no longer accounted for by KPST-PA.

Participant is in receipt of a disability pension

A participant in receipt of a disability pension, as issued for a given number of years by the Ministry of Work and Social Welfare, can withdraw savings via the phased withdrawal programme. The proceeds are limited to EUR 2,400 for each of the years the disability pension covers, or the full balance of savings, whichever is lower. Same as above, these assets are no longer accounted for by KPST-PA, as proceeds are transferred to the commercial bank, which makes monthly payments of EUR 200 to the participant until the funds are depleted.

Participant is not, and was not, obliged to contribute to the pension fund

A foreign national, who never held Kosovo citizenship, and was never issued, by the Ministry of Internal Affairs, the status of a permanent resident in Kosovo, can withdraw their pension savings in lump-sum, provided the Tax Administration confirms that the participant is not, and was not, ever obliged to make pension contributions.

Participant dies prior to reaching retirement age

An eligible beneficiary opts to receive his/her share, of a deceased participant's savings, via a (a) lump-sum payment, or (b) transfer to their own savings account with KPST. The priority of eligible beneficiaries is as follows: (1) spouse, (2) children, and (3) others, as decided by a court or a notary.

The rules for the withdrawal of savings, including thresholds, are set by the CBK in their Rule for the withdrawal of pension savings. The phased withdrawal rules are conditional until such time as annuities shall be available in Kosovo.

3.2.6 Fees charged on participants' accounts

Fees charged on participants' accounts are accrued on daily basis and are recognised as an expense in the statement of comprehensive income. The formula for calculating the daily fees is:

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

Details of fees charged are presented in Note 12. On the other hand, the balance of (a) fees; and (b) the difference between the value of redeemed units due to refunds (redemption value) and the amount refunded to the payee (nominal contribution); payable at the end of the period are presented in the statement of financial position as liabilities towards KPST-O, and are further detailed in Note 8.

3.2.7 Non-Contributions

Incoming transfers to the KPST-PA collection account with CBK, which at the time of processing a bank statement are identified as not being pension contributions are classified as liabilities for non-contributions and are not utilised. Examples of such transfers typically include employer overpayments or payments for other obligations (e.g. taxes), as well as returned benefit payments due to incorrect bank account details or closed bank accounts. The balance of such non-contributions, payable at the end of the period, is presented in the statement of financial position as liabilities for non-contributions.

3.2.8 Taxation

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 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. Management also needs to exercise judgement in applying the KPST-PA accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis.

This note provides an overview of the areas that involve a higher degree of judgement and complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of these inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.4.5, which also sets out key sensitivities of the ECL to changes in these elements.

Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number of relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the KPST-PA based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the KPST-PA unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

3.4 Financial risk management

The KPST-PA activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The KPST-PA overall risk management programme seeks to maximise the returns derived for the level of risk to which the KPST-PA is exposed and seeks to minimise potential adverse effects on the KPST-PA financial performance.

When it comes to assessing the risk of financial instruments which form part of assets of KPST-PA, most investments are through Open-end funds, which effectively means that the day-to-day risk management function is outsourced to the providers of Open-end funds. The maximum loss is equal to carrying values of financial assets. The management of these risks is carried out by the investment managers and from management and board of KPST.

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 funds 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 funds: 55%; Multi-asset class funds: 55%; Pure debt securities funds including Kosovo treasury bonds: 40%; and money markets and Kosovo treasury bills: 50%); 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 funds: 60%; Risk targeted/Risk managed/Absolute return funds: 68%; and Pure income funds: 70%). Within this framework the Governing Board makes decisions whether to increase or reduce exposure to a certain Open-end fund depending on fund's performance, underlying holdings, or its correlation with other Open-end-funds, as well as beliefs for the short and medium-term prospect for the given asset class and investment style of the Open-end fund. 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 funds, 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial risk management (continued)

3.4.1 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 Kosovo Treasury bills and bonds and term deposits with commercial banks with a fixed interest rate, whereas there were no direct investments in floating interest rate securities.

	As at December 31 2020		As at December 31 2019	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Fixed rate				
Kosovo Treasuries	449,848,742	-	298,483,698	-
Term deposits	129,504,216		185,620,151	
Total	579,352,958	-	484,103,849	-

3.4.2 Price risk

Despite the moderately reduced sensitivity to changes in the fair value of investments through Open-end funds, 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 funds 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 funds

Had the prices of Open-end funds been 5% higher/lower on reporting date, net participants' assets would have been increased/decreased by EUR 67,608,076 (2019: EUR 74,002,915).

The maximum drawdown for the KPST-PA portfolio for the 1-year period ending December 31, 2020 was 9.4%, and for the 3-year period it was 9.4% (2019: 4.8%, and 8.2% respectively).

The ratio of performance vs volatility for the 1-year period ending December 31, 2020 was 0.58; where the annualised volatility was 5.2% and the performance +3.0% (2019: 3.41, 2.3% and +8.87% respectively). On the other hand, the ratio for the 3-year period was 0.46; where the annualised volatility was 4.4% and the annualised performance 2.0% (2019: 0.87, 3.7% and 3.17% respectively).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial risk management (continued)

3.4.3 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 regular withdrawals of savings (excluding pandemic withdrawals of 10% of savings), as well as refunds, for the year ended December 31, 2020 amounted to EUR 4,252,953 (2019: EUR 4,436,518). Average monthly incoming contributions for the year amounting EUR 16,197,027 (2019: EUR 15,551,052) continued to be well in excess of monthly outgoings.

Investments measured at fair value (through Open-end funds) can all be redeemed within 1-5 days and are presented here in the short-term category. Investments of KPST-PA assets in Kosovo Treasury debt securities have an original maturity of up to ten years whereas term deposits with banks have an original maturity of between 1 and 3 years.

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

	As at December 31 2020			As at December 31 2019		
	Up to 1 year	1-5 years	5-10 years	Up to 1 year	1-5 years	5-10 years
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash at bank	57,905,959	-	-	3,279,603	-	-
Open-end funds	1,352,161,520	-	-	1,480,058,308	-	-
Kosovo						
Treasuries	65,211,278	318,323,857	66,313,607	77,695,694	200,332,878	20,455,126
Term deposits	115,881,696	13,622,520	-	112,949,255	72,670,896	-
Contribution receivables	12,504,686	-	-	12,274,188	-	-
	1,603,665,139	331,946,377	66,313,607	1,686,257,048	273,003,774	20,455,126
Financial liabilities						
Account payables	2,606,360	-	-	1,256,441	-	-
	2,606,360	-	-	1,256,441	-	-
Maturity gap	1,601,058,779	331,946,377	66,313,607	1,685,000,607	273,003,774	20,455,126

3.4.4 Currency risk

As at reporting dates the direct investments in Kosovo Treasury debt securities and term deposits were all EUR denominated.

To manage the currency risk through Open-end funds, the investment policy of KPST allows only up to 10 percent of KPST-PA assets to be directly invested in Open-end funds which are not denominated in EUR and provide no EUR hedging. No such limitation exists for indirect placements, i.e. underlying investments made by open-end funds themselves.

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

As a result of there being limited 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, 2019 and 2020.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial risk management (continued)

3.4.5 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.

Credit quality analyses

The KPST-PA exposure to credit risk arises in the respect of the following instruments:

- **Cash at bank** - Cash at bank consists of cash in current accounts with CBK and the broker. As at December 31, 2020, 99% of all cash at bank was held at the CBK account. There is no credit rating available for the Republic of Kosovo, however, due to its short-term nature, credit risk is not considered significant and no impairment loss is calculated.
- **Kosovo Treasuries** - According to the law, KPST-PA may invest up to 30% of pension assets in the Government securities issued by the Republic of Kosovo. As at December 31, 2020 the exposure of KPST-PA in securities issued from the Government of Kosovo was significant, at 22% (2019:15%). Kosovo Treasuries are not rated.
- **Term Deposits** - consist of term deposits placed with commercial banks in the Republic of Kosovo. As of December 31, 2020, the highest exposure to a single bank in the term deposits portfolio was 25% (2019: 21%).
- **Open-end funds** - the underlying investments of some of the open-end funds, in which KPST-PA assets are invested in, are exposed to credit risk via placements in corporate and sovereign bonds as well as other debt instruments. As these are (a) measured at fair value; and (b) it is not possible to obtain sufficient details to reliably assess the credit worthiness of each underlying investment of these open-end funds; no impairment loss is calculated.

Impairment

The KPST-PA recognises loss allowances for ECLs on financial assets measured at amortised cost. The KPST-PA measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the KPST-PA considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the KPST-PA historical experience and informed credit assessment and including forward-looking information.

The KPST-PA assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The KPST-PA considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the KPST-PA in full, without recourse by the KPST-PA to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the KPST-PA is exposed to credit risk.

Measurement of ECLs

At each reporting date, KPST-PA assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, KPST-PA uses the change in the risk of a default occurring over the expected life of the financial instrument. To make the assessment, KPST-PA compares compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. Evidence that a financial asset is credit-impaired includes the following observable data:

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

Given the above inputs, all Kosovo Treasury instruments were evaluated using the Stage 1, 12-month impairment model, and there were no movements in stages during the year ended December 31, 2020. Net additions to the expected losses during the year were EUR 532,853, making for an end balance as at December 31, 2020 of EUR 1,211,261 (2019: net additions of EUR 144,985 and an end balance of EUR 678,408).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial risk management (continued)

3.4.5 Credit risk (continued)

Given the above inputs, all term deposits were evaluated using the Stage 1, 12-month impairment model, and there were no movements in stages during the year ended December 31, 2020. Net subtractions to the provisions for expected losses during the year were EUR 45,163, making for an end balance as at December 31, 2020 of EUR 47,694 (2019: net additions of EUR 33,155 and an end balance of EUR 92,857).

Certain short-term deposits may be collateralised using government treasuries. As at December 31, 2020, there was a single such deposit, with a carrying value of EUR 9,520,433, collateralised with a single Kosovo Treasury bond with a par value slightly above the carrying value of the deposit.

3.4.6 Financial instruments that are not measured at fair value

The following table summarises the carrying amounts and fair values to those financial assets and liabilities that are not measured in the Statement of financial position at their fair value as at December 31, 2020 and 2019.

	As at December 31 2020		As at December 31 2019	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
Financial assets				
Cash at bank	57,905,959	57,905,959	3,279,603	3,279,603
Kosovo Treasuries	449,848,742	451,060,003	298,483,698	299,162,106
Term deposits	129,504,216	129,551,910	185,620,151	185,713,007
Contribution receivables	12,504,216	12,504,216	12,274,188	12,274,188
	649,763,133	651,022,088	499,657,640	500,428,904
Financial liabilities				
Account payables	2,606,360	2,606,360	1,256,441	1,256,441
	2,606,360	2,606,360	1,256,441	1,256,441

3.4.7 Financial instruments that are measured at fair value

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 December 31 2020	As at December 31 2019
		EUR	EUR
Investments in open-end funds	1	1,352,161,520	1,480,058,308

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2020 and 2019.

The fair values of financial assets traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from the fund manager. The fair value of other financial assets and liabilities not measured at fair value as at December 31, 2020 and 2019 approximates their carrying amounts due to short term maturities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial risk management (continued)

3.4.8 Exposure through indirect holdings

Majority of KPST-PA assets are invested through open-end funds 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 fund.

The full set of risks exposed to as at December 31, 2020 by each open-end fund can be obtained from their respective fund prospectus, with the main risks summarised below:

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
Nordea 1 - GSEF	Price Counterparty Country/Political
Nordea 1 - SRF	Price Credit Counterparty Country/Political Derivatives
BNP Paribas – PDP	Credit Liquidity Counterparty Operating and Custody Derivatives
Amundi – 3M-I	Credit Counterparty
S&P500 Minvol ETF	Price Counterparty Country/political
MSCI EU MinVol ETF	Price Counterparty Country/political
Invesco QQQ ETF	Price Counterparty Currency Country/political

4 CASH AT BANK

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Central Bank of Republic of Kosovo (CBK)	57,043,139	2,955,546
Erste Bank Austria (broker)	862,820	324,057
Total cash at bank	57,905,959	3,279,603

From January 1, 2019 to June 30, 2019 a negative interest rate of -0.40% p.a.; from July 1 to October 17, 2019 a negative interest rate of -0.50% p.a.; and from October 18, 2019 to March 31, 2020 a negative interest of -0.60% p.a.; was applied on the daily balance of the KPST-PA cash account with the Central Bank of Kosovo. From April 1 to December 31, 2020 a negative interest of -0.60% was applied on amounts in excess of EUR 20,000,000 of the daily balance.

The broker charged a negative interest of -0.50% p.a. on daily balances during the year ended December 31, 2020 (2019: nil).

The total interest expenses were as follows:

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
Central Bank of Republic of Kosovo	196,028	99,699
Erste Bank Austria (broker)	78,490	-
Total interest expenses	274,518	99,699

The balance of payable interest expenses on reporting date was EUR 33,302, all of it to the CBK (2019: EUR 14,627 to CBK).

5 CONTRIBUTION RECEIVABLES

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Contribution receivables	12,504,686	12,274,188
Total contribution receivables	12,504,686	12,274,188

Contribution receivables 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.

Law No 07/L-016 on Economic Recovery Covid-19, amending Law No 04/L-101 on Pension funds of Kosovo, came into force on December 7, 2020. This amendment allowed for the early withdrawal of 10% of the balance of savings to all participants, for a period of four months after coming into force, i.e. up to April 6, 2021. Furthermore, the amendment foresaw that participants with a balance of savings lower than or equal to EUR 9,999.00 (effectively withdrawing EUR 999.90 or less) shall, starting from 2023, be reimbursed by the Government of Republic of Kosovo in a manner and timetables agreed in consultation with KPST.

During the year ended December 31, 2020, there were 397,557 participants who withdrew 10% of the balance of their savings, amounting to EUR 185,418,786 (shown under "Repurchases due to withdrawal of savings" in the statement of changes in net participants' assets). Out of the above, participants who withdrew EUR 999.90 or less numbered 346,546, and their withdrawals amounted to EUR 96,412,701, representing the debt of the Government owed to participants. Up to the date of the issuance of this report, no timetable for reimbursements has been agreed.

AMOUNTS IN EUR UNLESS OTHERWISE SPECIFIED

6 INVESTMENTS IN OPEN-END FUNDS

a) Investments in open-end funds (in EUR)

							2020
Fund	Note	As at January 1	Additions	Gains or (losses)	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	47,484,682	64,012,842	6,782,245	(82,423)	(84,523,502)	33,673,844
BNY Mellon – RRF	6.2	270,436,971	60,000,000	27,536,267	-	-	357,973,238
AXA – GILB	6.3	29,528,301	120,031,842	5,164,846	(367,298)	-	154,357,691
Schroders – GDG	6.4	43,638,302	-	(2,312,036)	-	(41,326,266)	-
Nordea 1 – GSEF	6.5	126,488,567	25,000,000	(9,789,506)	-	(107,753,800)	33,945,261
Nordea 1 – SRF	6.6	229,047,644	101,753,800	6,102,714	-	-	336,904,158
Amundi – 3M-I	6.7	273,862,765	352,390,142	(774,943)	(107,341)	(360,000,475)	265,370,148
AXA – WFOI	6.8	41,948,627	13,017	(2,575,571)	(53,467)	(39,332,606)	-
BNP Paribas – PDP	6.9	111,532,837	-	(1,307,307)	(802,218)	-	109,423,312
Amundi – RPI2	6.10	85,540,345	-	(3,118,598)	(80,665)	(82,341,082)	-
Corp Bond Eur ETF	6.11	61,306,550	-	(1,148,829)	(57,879)	(60,099,842)	-
S&P500 Minvol ETF	6.12	50,394,634	44,026,047	6,574,645	(77,913)	(91,768,108)	9,149,305
Amun EurCorp ETF	6.13	61,168,064	-	(986,165)	(46,375)	(60,135,524)	-
MSCI USA Qual ETF	6.14	47,680,019	-	(3,735,894)	(11,766)	(43,932,359)	-
S&P500 Eur (H) ETF	6.15	-	44,452,863	5,860,355	(7,091)	(50,306,127)	-
EuroStoXX 50 ETF	6.16	-	44,471,088	4,314,218	(3,572)	(48,781,734)	-
MSCI Minvol ETF	6.17	-	44,724,519	9,032,524	(67,276)	(41,349,296)	12,340,471
Invesco QQQ ETF	6.18	-	85,159,440	13,413,416	(84,051)	(59,464,713)	39,024,092
Total investments in open-end funds		1,480,058,308	986,035,600	59,032,381	(1,849,335)	(1,171,115,434)	1,352,161,520

In addition to net gains of EUR 59,032,381 from the revaluation of open-end funds, a further EUR 495,324 were received as dividends during the year ended December 31, 2020, making for total net gains from open-end funds in the value of EUR 59,527,705.

							2019
Fund	Note	As at January 1	Additions	Gains or (losses)	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	363,676,626	55,204,616	48,969,050	(365,610)	(420,000,000)	47,484,682
BNY Mellon – RRF	6.2	145,256,365	102,000,000	23,180,606	-	-	270,436,971
AXA – GILB	6.3	97,593,865	13,345	2,074,769	(153,678)	(70,000,000)	29,528,301
Schroders – GDG	6.4	55,893,343	-	5,244,959	-	(17,500,000)	43,638,302
Nordea 1 – GSEF	6.5	162,607,446	108,000,000	28,881,121	-	(173,000,000)	126,488,567
Nordea 1 – SRF	6.6	124,005,629	88,000,000	17,042,015	-	-	229,047,644
Amundi – 3M-I	6.7	59,847,864	733,065,632	(830,703)	(221,064)	(517,998,964)	273,862,765
AXA – WFOI	6.8	53,906,903	39,100	5,740,987	(238,363)	(17,500,000)	41,948,627
BNP Paribas – PDP	6.9	52,220,239	50,000,000	9,763,153	(450,555)	-	111,532,837
Amundi – RPI2	6.10	102,509,778	26,000,262	7,190,867	(161,370)	(49,999,192)	85,540,345
Corp Bond Eur ETF	6.11	-	61,995,980	(642,957)	(46,473)	-	61,306,550
S&P500 Minvol ETF	6.12	-	45,927,155	4,532,116	(64,637)	-	50,394,634
Amun EurCorp ETF	6.13	-	61,998,114	(792,988)	(37,062)	-	61,168,064
MSCI USA Qual ETF	6.14	-	47,711,957	(29,170)	(2,768)	-	47,680,019
Schroders – SISF		9,812,299	52,000,000	574,969	-	(62,387,268)	-
Total investments in open-end funds		1,227,330,357	1,431,956,161	150,898,794	(1,741,580)	(1,328,385,424)	1,480,058,308

6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

b) Investments in open-end funds (in Units)

					2020	
Fund	Note	As at	Additions	Redemptions	As at	
		January 1			December 31	
		Units	Units	Units	Units	
Vanguard – GSIF	6.1	2,188,446	3,087,982	(3,888,869)	1,387,559	
BNY Mellon – RRF	6.2	187,374,053	42,184,263	-	229,558,316	
AXA – GILB	6.3	184,529	706,733	-	891,262	
Schroders – GDG	6.4	243,321	-	(243,321)	-	
Nordea 1 – GSEF	6.5	4,144,448	871,688	(3,827,160)	1,188,976	
Nordea 1 – SRF	6.6	11,538,924	5,239,171	-	16,778,095	
Amundi – 3M-I	6.7	260	336	(343)	253	
AXA – WFOI	6.8	276,178	100	(276,278)	-	
BNP Paribas – PDP	6.9	663,373	-	-	663,373	
Amundi - RPI2	6.10	16	-	(16)	-	
Corp Bond Eur ETF	6.11	457,000	-	(457,000)	-	
S&P500 Minvol ETF	6.12	7,323,737	8,219,021	(14,283,737)	1,259,021	
Amun EurCorp ETF	6.13	270,745	-	(270,745)	-	
MSCI USA Qual ETF	6.14	530,229	-	(530,229)	-	
S&P500 Eur (H) ETF	6.15	-	822,275	(822,275)	-	
EuroStoXX 50 ETF	6.16	-	1,718,187	(1,718,187)	-	
MSCI Minvol ETF	6.17	-	1,180,102	(915,000)	265,102	
Invesco QQQ ETF	6.18	-	393,942	(241,000)	152,942	

					2019	
Fund	Note	As at	Additions	Redemptions	As at	
		January 1			December 31	
		Units	Units	Units	Units	
Vanguard – GSIF	6.1	20,867,975	2,972,007	(21,651,536)	2,188,446	
BNY Mellon – RRF	6.2	113,075,171	74,298,882	-	187,374,053	
AXA – GILB	6.3	639,834	87	(455,392)	184,529	
Schroders – GDG	6.4	347,866	-	(104,545)	243,321	
Nordea 1 – GSEF	6.5	6,708,228	3,898,672	(6,462,452)	4,144,448	
Nordea 1 – SRF	6.6	6,873,926	4,664,998	-	11,538,924	
Amundi – 3M-I	6.7	57	696	(493)	260	
AXA – WFOI	6.8	398,808	271	(122,901)	276,178	
BNP Paribas – PDP	6.9	364,794	298,579	-	663,373	
Amundi - RPI2	6.10	21	5	(10)	16	
Corp Bond Eur ETF	6.11	-	457,000	-	457,000	
S&P500 Minvol ETF	6.12	-	7,323,737	-	7,323,737	
Amun EurCorp ETF	6.13	-	270,745	-	270,745	
MSCI USA Qual ETF	6.14	-	530,229	-	530,229	
Schroders – SISF		65,229	333,840	(399,069)	-	

6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

c) Fees and rebates for investments in open-end funds

		Year ended December 31 2020			Year ended December 31 2019		
		Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	82,423	(12,489)	69,934	365,610	(167,640)	197,970
BNY Mellon – RRF	6.2	1,825,958	-	1,825,958	1,246,615	-	1,246,615
AXA – GILB	6.3	367,298	(38,368)	328,930	153,678	(9,194)	144,484
Schroders – GDG	6.4	131,056	-	131,056	293,788	-	293,788
Nordea 1 – GSEF	6.5	340,965	-	340,965	414,968	-	414,968
Nordea 1 – SRF	6.6	1,657,538	-	1,657,538	1,129,320	-	1,129,320
Amundi – 3M I	6.7	107,341	(48,004)	59,337	221,064	(84,790)	136,274
AXA – WFOI	6.8	53,467	-	53,467	238,363	-	238,363
BNP Paribas – PDP	6.9	802,218	(211,086)	591,132	450,555	(106,478)	344,077
Amundi - RPI2	6.10	80,665	-	80,665	161,370	-	161,370
Corp Bond Eur ETF	6.11	57,879	-	57,879	46,473	-	46,473
S&P500 Minvol ETF	6.12	77,913	-	77,913	64,637	-	64,637
Amun EurCorp ETF	6.13	46,375	-	46,375	37,062	-	37,062
MSCI USA Qual ETF	6.14	11,766	-	11,766	2,768	-	2,768
S&P500 Eur(H) ETF	6.15	7,091	-	7,091	-	-	-
EuroStoXX 50 ETF	6.16	3,572	-	3,572	-	-	-
MSCI Minvol ETF	6.17	67,276	-	67,276	-	-	-
Invesco QQQ ETF	6.18	84,051	-	84,051	-	-	-
Schroders – SISF	-	-	-	-	100,784	-	100,784
Total open-end fund fees and rebates		5,804,852	(309,947)	5,494,905	4,927,055	(368,102)	4,558,953

6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

d) Description of open-end funds invested in during the year

Fund	Asset class / Strategy	Fees	Unit price changes (%)	Redemptions / Realised gain (loss)
6.1 Vanguard Investment Series plc - Global Stock Index Fund Euro hedged ISIN: IE00B03HD316	Equities / Tracking MSCI World Index	Withheld daily from the fund at 0.18% p.a. (2019: 0.25% p.a.). A rebate of up to 0.11% p.a. is provided based on assets	January 1 - December 31, 2020: +11.85% (2019: +24.50%), net of fees	EUR 84,523,502 / EUR 19,491,697
6.2 BNY Mellon - Real Return Fund ISIN: IE00B504KX99	Mixed assets / Absolute return from a mixture of cash, bonds, gold and equities	Billed at 0.60% p.a.	January 1 - December 31, 2020: +8.04% (2019: +12.35%), gross of fees	-
6.3 AXA - Global Inflation Linked Bonds Eur ISIN: LU0227145629	Bonds / Inflation-linked sovereign and corporate bonds	Withheld daily from the fund at 0.40% p.a. (2019: 0.40% p.a.). A rebate of 0.05% p.a. provided when assets exceed EUR 50 million	January 1 - December 31, 2020: +8.23% (2019: +6.94%), net of fees	-
6.4 Schroders – Global Diversified Growth Fund ISIN: LU0776411141	Mixed assets / Absolute return from a mixture of cash, bonds and equities	Billed at 0.65% p.a.	January 1 - June 29, 2020: -5.30% (January 1 - December 31, 2019: +11.62%), gross of fees	EUR 41,326,266 / EUR 1,007,900
6.5 Nordea 1 – Global Stable Equity Fund ISIN: LU0257969260	Equities / Value and quality stocks with risk management	Billed at 0.43% p.a.	January 1 - December 31, 2020: -6.45% (2019: +25.91%), gross of fees	EUR 107,753,800 / EUR 6,858,039
6.6 Nordea 1 – Stable Return Fund X EUR ISIN: LU0539147214	Mixed assets / A mixture of cash, bonds and equities with use of financial derivatives against risks	Billed at 0.56% p.a.	January 1 - December 31, 2020: +1.16% (2019: +10.03%), gross of fees	-
6.7 Amundi – 3M (I) ISIN: FR000703813	Cash / Money markets instruments with high liquidity and security	Withheld daily from the fund at 0.057% p.a. (2019: 0.057% p.a.). A rebate of 0.012% p.a. provided when assets exceed EUR 50 million	January 1 - December 31, 2020: -0.39% (2019: -0.28%), net of fees	EUR 360,000,475 / EUR (757,262)
6.8 AXA - Optimal Income I EUR ISIN: LU0184635471	Mixed assets / A mixture of bonds and equities, mainly from Europe, with risk management	Withheld daily from the fund at 0.55% p.a. (2019: 0.55% p.a.)	January 1 - June 27, 2020: -8.84% (January 1 - December 31, 2019: +12.37%), net of fees	EUR 39,332,606 / EUR 1,311,125
6.9 BNP Paribas IP – Parvest Diversified Dynamic ISIN: LU0102035119	Mixed assets / A mixture of cash, bonds and equities, with risk targets	Withheld daily from the fund at 0.76% p.a. (2019: 0.76% p.a.). A rebate up to 0.22% p.a. is provided based on assets	January 1 - December 31, 2020: -1.89% (2019: +17.79%), net of fees	-

6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

d) Description of open-end funds invested in during the year

Fund	Asset class / Strategy	Fees	Unit price changes (%)	Redemptions / Realised gain (loss)
6.10 Amundi – Amundi Rendement Plus I2 ISIN: FR0011027283	Mixed assets / A mixture of cash, bonds and limited equities, with risk management	Withheld daily from the fund at 0.20% p.a. (2019: 0.20% p.a.)	January 1 - June 29, 2020: -3.74% [January 1 - December 31, 2019: +8.34%], net of fees	EUR 82,341,082 / EUR 873,230
6.11 iShares Core € Corp Bond UCITS ETF EUR (Dist) ISIN: IE00B3F81R35	Corporate bonds / Absolute return euro denominated corporate bonds	Withheld daily from the fund at 0.20% p.a. (2019: 0.20% p.a.)	January 1 - June 26, 2020: -1.97% [August 16 - December 31, 2019: -1.11%], net of fees	EUR 60,099,842 / EUR (1,896,138)
6.12 iShares Edge S&P 500 Minimum Volatility UCITS ETF EUR Hedged (Acc) ISIN: IE00BYX8XD24	Equities / S&P500 stocks with lower volatility	Withheld daily from the fund at 0.25% p.a. (2019: 0.25% p.a.)	January 1 - December 31, 2020: +5.61% [June 17 - December 31, 2019: +9.73%], net of fees	EUR 91,768,108 / EUR 8,558,984
6.13 Amundi IS EURO Corporates ETF-C EUR ISIN: LU1681039647	Corporate bonds / Absolute return euro denominated corporate bonds	Withheld daily from the fund at 0.16% p.a. (2019: 0.16% p.a.)	January 1 - June 26, 2020: -1.69% [August 16 - December 31, 2019: -1.34%], net of fees	EUR 60,135,524 / EUR (1,862,590)
6.14 iShares Edge MSCI USA Quality Factor ETF ISIN: US46432F3394	Equities / Quality stocks from MSCI World index	Withheld daily from the fund at 0.15% p.a. (2019: 0.15% p.a.)	January 1 - February 28, 2020: -7.86% [December 18 - 31, 2019: -0.07%], net of fees	EUR 43,932,359 / EUR (3,779,598)
6.15 iShares S&P 500 EUR Hedged UCITS ETF (Acc) ISIN: IE00B3ZW0K18	Equities / S&P500 stocks, currency hedged	Withheld daily from the fund at 0.20% p.a.	March 12 - April 16, 2020: +7.37, net of fees	EUR 50,306,127 / EUR 5,853,264
6.16 iShares EURO STOXX 50 UCITS ETF (DE) ISIN: DE0005933956	Equities / Tracking EuroStoxx50 index	Withheld daily from the fund at 0.10% p.a.	March 12 - April 16, 2020: +7.20, net of fees	EUR 48,781,734 / EUR 4,310,646
6.17 iShares Edge MSCI Europe Min Vol ETF ISIN: IE00B86MWN23	Equities / Minimum volatility stocks from MSCI Europe index	Withheld daily from the fund at 0.25% p.a.	March 12 - December 31, 2020: +21.92%, net of fees	EUR 41,349,296 / EUR 6,671,840
6.18 Invesco QQQ Trust ETF ISIN: US46090E1038	Equities / Tracking Nasdaq index	Withheld daily from the fund at 0.20% p.a.	June 8 - December 31, 2020: +14.75%, net of fees	EUR 59,464,713 / EUR 7,367,132

7 KOSOVO TREASURIES AND TERM DEPOSITS

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Kosovo Treasuries		
Gross of provisions for expected credit losses	451,060,003	299,162,106
Provision for expected credit losses	(1,211,261)	(678,408)
Net of provisions for expected credit losses	449,848,742	298,483,698
Term deposits		
Gross of provisions for expected credit losses	129,551,910	185,713,008
Provision for expected credit losses	(47,694)	(92,857)
Net of provisions for expected credit losses	129,504,216	185,620,151
Kosovo Treasuries and term deposits	579,352,958	484,103,849

Provisions for expected credit losses for debt instruments for the years ended December 31, 2020 and 2019 were derived in accordance with the expected credit loss model as detailed in significant accounting policies.

The movements in provisions for expected credit losses for the years ended December 31, 2020 and 2019 for the above instruments were:

	Kosovo Treasuries	Term deposits	Debt instruments
	EUR	EUR	EUR
As at January 1, 2019	533,423	59,702	593,125
Additions to provision due to new placements	269,870	71,295	341,165
Releases in provision due to maturity / derecognition	(124,885)	(38,140)	(163,025)
Net movement of provisions for expected credit losses	144,985	33,155	178,140
As at December 31, 2019	678,408	92,857	771,265
Additions to provision due to new placements	819,864	22,359	842,223
Releases in provision due to maturity / derecognition	(287,011)	(67,522)	(354,533)
Net movement of provisions for expected credit losses	532,853	(45,163)	487,690
As at December 31, 2020	1,211,261	47,694	1,258,955

7 KOSOVO TREASURIES AND TERM DEPOSITS (CONTINUED)

As at December 31, 2020 KPST-PA investments in Kosovo Treasury debt instruments measured at amortised cost consisted of 35 securities with EUR 446,830,000 in nominal value, original maturities of between 12 months and 10 years, average duration (weighted) of 3.37 years, and average rate/coupon of 2.31%. As at December 31, 2019 they consisted of 30 securities with EUR 297,230,000 in nominal value, original maturities of between 12 months and 10 years, average duration of 2.49 years, and average rate/coupon of 1.91%.

As at December 31, 2020 KPST-PA investments in term deposits measured at amortised cost consisted of 21 deposits with banks that had original maturities of between 1 and 3 years, fixed interest rates, an average duration (weighted) of 0.74 years, and average interest rate of 1.38%. As at December 31, 2019 investments in term deposits measured at amortised cost consisted of 33 deposits that had original maturities of between 1 and 3 years, fixed interest rates, an average duration (weighted) of 1.16 years, and average rate of 1.48%.

	Kosovo Treasuries	Term deposits	Debt Instruments
	EUR	EUR	EUR
As at January 1, 2019	208,510,864	119,344,093	327,854,957
New placements	140,001,490	141,538,000	281,539,490
Interest earned	5,299,465	2,261,648	7,561,113
Interest / coupons - received	(4,382,682)	(1,490,435)	(5,873,117)
Principal - matured	(50,800,454)	(76,000,000)	(126,800,454)
Net movement in provisions for expected credit loss	(144,985)	(33,155)	(178,140)
As at December 31, 2019	298,483,698	185,620,151	484,103,849
New placements	228,733,906	84,194,052	312,927,958
Interest earned	8,317,671	2,638,627	10,956,298
Interest / coupons - received	(7,682,770)	(2,259,277)	(9,942,047)
Principal - matured	(77,470,910)	(140,734,500)	(218,205,410)
Net movement in provisions for expected credit loss	(532,853)	45,163	(487,690)
As at December 31, 2020	449,848,742	129,504,216	579,352,958

8 LIABILITIES TOWARDS KPST-0

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Fees charged on participants' accounts - payable	549,569	553,030
Plus / (Less): Difference from refunds of erroneous contributions	4,122	113
Net liabilities towards KPST-0	553,691	553,143

As at December 31, 2020 the balance of payable fees amounting EUR 549,569 relates to KPST fees charged to the participants' accounts which were not transferred to KPST-0 as of reporting date (2019: EUR 553,030). The fee liabilities are increased, or (netted), with the difference between the value of units redeemed for the purpose of the refund (the redemption value) and the amount refunded to the payee (the nominal contribution). As at December 31, 2020 the balance of differences from refunds was EUR 4,122, making for net liabilities towards KPST-0 in the amount EUR 553,691 (2019: EUR 113 and EUR 553,143, respectively).

Refunds are necessary in cases when, what was initially considered a pension contribution and units were issued for it, is proven to have been paid in error or was overpaid. In such cases, only the nominal amount is refunded to the payer.

9 LIABILITIES FOR REPURCHASED UNITS

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Liabilities for refunds	244,188	6,976
Liabilities for the withdrawal of savings	1,493,812	643,521
Total liabilities for repurchased units	1,738,000	650,497

As at December 31, 2020 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 1,738,000 (2019: EUR 650,497).

10 NON-CONTRIBUTIONS

As at December 31, 2020 the balance of non-contributions yet to be returned to the payer as of reporting date amounts to EUR 281,367 (2019: EUR 38,174). Note 3.2.7 provides the policy for the recognition and treatment of non-contributions.

11 OTHER INCOME

During the year ended December 31, 2020 the Governing Board of KPST had decided to refund EUR 1,200,000 to pension assets from the KPST-O surplus from investment activities (2019: EUR 2,300,000).

In addition, due to the Covid-19 pandemic and its sharp effect on the markets, as at February 25, 2020, the Governing Board decided to create a temporary strategy with funds of contributors who: (a) had reached, or would reach by the end of 2020, the retirement age of 65; and (b) had no prior withdrawals from KPST. The aim was to provide protection to imminent retirees, a protection funded from operational reserves (KPST-O), until such time as fund price recovered. The cost of the protection came to EUR 460,384 which was treated as other income for the pension funds.

12 FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	Year ended December 31 2020	Year ended December 31 2019
	EUR	EUR
Fees for investment activities	7,014,662	6,941,657
Fees for operational activities	1,349,172	1,294,186
Total fees charged on participants' accounts	8,363,834	8,235,843

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2020 amounted EUR 8,363,834 (2019: EUR 8,235,843). Note 3.2.6 provides details of the policy on which fees are charged on participants' accounts.

Applicable fees for the reporting period, as approved by the Assembly of the Republic of Kosovo in accordance with Law No. 04/L-168, were as follows:

Date from	Date to	Fees for investment activities	Fees for operational activities	Total fees
January 1, 2019	May 15, 2019	0.381% p.a.	0.071% p.a.	0.452% p.a.
May 16, 2019	June 4, 2020	0.370% p.a.	0.069% p.a.	0.439% p.a.
June 5, 2020	December 31, 2020	0.330% p.a.	0.065% p.a.	0.395% p.a.

13 INDIVIDUAL PARTICIPANTS' ACCOUNTS

	As at December 31 2020	As at December 31 2019
	Number of Accounts	Number of Accounts
Accounts with no permanent withdrawals of savings	648,998	618,218
Accounts with permanent withdrawals of savings	58,390	51,755
Total accounts	707,388	669,973

An account with permanent 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 707,388 contributors for whom KPST has opened a pension savings account, 387,526 had contributions belonging to the year ended December 31, 2020 (2019: 379,827 out of 669,973 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 the Tax Administration of Kosovo (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.

Since the TAK electronic declaration portal was introduced and made mandatory in 2012 the vast majority of contributions are allocated to individual accounts at the first attempt. However, in some limited cases contribution payments made by employers are not associated with the correct and/or sufficient information; resulting in contributions not allocated to individual participants accounts.

Un-allocated contributions as at December 31, 2020 amounted EUR 1,589,207 (2019: EUR 2,405,299). Main reasons include: (i) employer making the payment but not submitting the list of contributors; (ii) employer submitting the list of contributors but making underpayments and/or overpayments; (iii) contributor personal information in the contributor list (ID and/or name) is not valid; (iv) penalties and fees for late payment (payable to TAK) are included in payments; and (v) the source of payment (employer) is not yet identified.

The administration of KPST does its best to resolve cases of un-allocated contributions. If however, six or more years have passed since the contribution was paid and despite best efforts of the administration the contribution remains un-allocated, 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, allows for the redemption of units of such contributions and for the proceeds of such redemptions are paid to the Kosovo Consolidated Budget (KCB) via the Tax Administration of Kosovo. During 2020 no units were redeemed under this provision, making for EUR nil of proceeds for the KCB (2019: EUR nil).

The total un-allocated contributions as percentage of total collected contributions is provided below:

	As at December 31 2020	As at December 31 2019
	EUR	EUR
Un-allocated contributions (unitised up to reporting date)	1,589,207	2,405,299
Cumulative contributions unitised up to reporting date	1,975,810,503	1,781,446,174
Un-allocated contributions as percentage of unitised contributions up to reporting date	0.080%	0.135%

13 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 2020	As at December 31 2019
		Value EUR	Value EUR
Net participants' assets		1,999,318,763	1,978,459,507
<i>Adjusted for:</i>			
Contribution receivables not unitised on reporting date	5	(12,504,686)	(12,274,188)
Balance of provision from impairment losses	7	1,258,955	771,264
Net unitised participants' assets		1,988,073,032	1,966,956,583
Balance of funds in individual accounts		1,986,242,275	1,964,366,263
Percentage of net unitised participants' assets in individual accounts		99.91%	99.87%

14 STATEMENT OF UNIT MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	Notes	2020	2019
		Units	Units
As at January 1		1,302,093,199	1,211,680,717
Units issued for received contributions		128,835,126	126,442,738
Units redeemed through withdrawal of savings		(152,453,080)	(35,588,488)
Units redeemed through refunds		(1,138,946)	(441,768)
As at December 31		1,277,336,299	1,302,093,199
Net unitised participants' assets	13	1,988,073,032	1,966,956,583
NAV per unit on reporting date		EUR 1.5564	EUR 1.5106

15 EVENTS AFTER THE REPORTING PERIOD

After December 31, 2020, and up to the date of the issuance of this report, a further EUR 11,901,461 were withdrawn by 28,346 participants as per Law No 07/L-016 on Economic Recovery Covid-19 (see Note 5). Out of the above, participants who withdrew EUR 999.90 or less numbered 24,898, and their withdrawals amounted to EUR 5,152,966.

Except the aforementioned, after December 31, 2020 there are no subsequent events that require adjustment or further disclosure in these financial statements.

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