

**Trusti**  
All the rights are reserved®  
Kosovo Pension Savings Trust  
Fondi i Kursimeve Pensjonale i Kosovës  
Kosovski Penzijski Štedni Fond



**Trusti**  
**ANNUAL  
REPORT  
2021**

**Publisher**  
Kosovo Pension Savings Trust

**Published**  
May 2022

**Pictures**  
*All the pictures of this report are taken in Kosovo*

The pictures are courtesy of the author **Metush Mëziu**  
KPST is grateful to him

**All the rights are reserved®**  
Kosovo Pension Savings Trust  
Fondi i Kursimeve Pensionale i Kosovës  
Kosovski Penzijski Štedni Fond

# TABLE OF CONTENTS

0

4-18

Key facts  
Mission and ambition  
Foreword

1

19-37

Organization and  
finances

2

39-47

Activities

3

48-59

Investment  
of pension  
assets

4

60-65

Contribution and  
retirement

5

66-79

Contributor  
demographics

6

80-83

Legislation

7

Anex

Independent auditor's  
report and financial  
statements for KPST -  
Operations

8

Anex

Independent auditor's  
report and financial  
statements for KPST -  
Pension Assets



# 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
Gross investment return (in millions)	€227.3	€299.6	€459.9	€375.2	€477.7	€542.3	€571.8	€638.6	€709.7	€763.9

### INVESTMENT

	2021	2020
Share price at the end of the year	€1.7222	€1.5564
Share price increase during the year	+10.65%	+3.03%
Gross investment return for the year	€227,304,018	€70,484,003
Other returns for the year	€200,000	€1,660,384

### ASSETS UNDER MANAGEMENT (AUM)

	2021	2020
Net AUM at the end of the year	€2,353,174,912	€1,988,073,032
Increase in net AUM during the year	€365,101,880	€21,116,447

### CONTRIBUTIONS AND CONTRIBUTORS

	2021	2020
Contributions received during the year	€213,450,809	194,364,329
Contributions received since inception	€2,189,252,434	€1,975,810,503
Accounts opened during the year	45,290	37,437
Account-holders at the end of the year	752,586	707,388
Active contributors during the year	419,657	387,526

### RETIREMENT

	2021	2020
Newly withdrawn accounts during the year	7,239	7,078
Value of withdrawals for the year	€65,498,154 <sup>1)</sup>	€49,608,754
Withdrawn accounts since inception	61,114	58,390
Value of withdrawals since inception	€503,929,589	€438,431,435
Withdrawal of 10%	€12,643,130*	€185,418,786

\*The withdrawal of 10% was closed on April 6 2021, as precised on the respective legislation.

### FEES AND EXPENSES

	2021	2020
Investment / Operating fees in the year end*	0.320% / 0.065%	0.330% / 0.065%
Amount of fees charged for the year	€8,492,038	€8,363,834
Investment expenses for the year	€6,840,347	€5,732,566
Operating expenses for the year	€1,191,245	€1,201,023

\*Details of withheld fees for 2021 are disclosed in the financial statements attached to this report.

### UNALLOCATED CONTRIBUTIONS AND SERVICES

	2021	2020
Unallocated contributions at the year end	€2,320,470	€1,589,207
Number of services provided for the year	163,474	208,603
Number of eTrusti accounts	274,718	255,903

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 €13.77m (2020: €12.50m).



ASSET ALOCATION	Value of investments on December 31 2021	Gross investment return for the year 2021
Vanguard - GSIF (ISIN: IE00B03HD316)	€13,065,132	€29,612,816
BNY Mellon - RRF (ISIN: IE00B504KX99)	€367,648,407	€29,675,169
AXA - GILB (ISIN: LU0227145629)	€22,853,728	€(2,301,249)
Nordea 1 - GSEF (ISIN: LU0257969260)	€90,711,376	€16,766,115
Nordea 1 - SRF (ISIN: LU0539147214)	€359,813,946	€42,909,788
Amundi - 3M-I (ISIN: FR000703813)	€364,551,204	€(771,607)
BNP Paribas - PDP (ISIN: LU0102035119)	€51,971,085	€3,033,709
S&P500 Minvol ETF (ISIN: IE00BYX8XD24)	€11,346,297	€2,222,124
MSCI Minvol ETF (ISIN: IE00B86MWN23)	€15,033,404	€2,726,942
Invesco QQQ ETF (ISIN: US46090E1038)	--	€20,707,556
USCF US Oil ETF (ISIN: US91232N2071)	--	€8,226,189
Amundi MSCI Qual (ISIN: LU1681041890)	€73,446,591	€14,067,874
FirstT CybrSec ETF (ISIN: US33734X8469)	€27,402,701	€12,279,368
LG eCom Logst ETF (ISIN: IE00BF0M6N54)	€39,161,985	€4,283,683
SP OilGas Expl ETF (ISIN: US78468R5569)	--	€4,419,354
Pacer Indust ETF (ISIN: US69374H7668)	€33,917,670	€4,177,595
VG Real Estate ETF (ISIN: US9229085538)	€45,947,140	€5,725,909
Glob xUS Infr ETF (ISIN: US37954Y6730)	€46,032,602	€5,795,963
iShare US Infr ETF (ISIN: US46435U7138)	€44,270,331	€4,153,863
Inv Bas Metals ETF (ISIN: US46140H7008)	€45,807,075	€5,703,090
BNP Clim. Impact (ISIN: LU0406802768)	€19,719,793	€(255,289)
T.Rowe Glob Tech (ISIN: LU1244139827)	€17,969,997	€(2,012,883)
Amund CPR Disrupt (ISIN: LU1530899811)	€24,173,177	€(800,730)
AXA Digital Econ (ISIN: LU1694772994)	€23,919,668	€(1,059,033)
GS Millennials (ISIN: LU1820776075)	€25,815,348	€825,699
Schroder ISF GSG (ISIN: LU2305367323)	€20,751,368	€751,368
FirstT Green ETF (ISIN: US33733E5006)	€13,272,814	€3,393,986
iSh. Glb Clean ETF (ISIN: US4642882249)	€9,706,952	€(164,274)
T-bills - The Government of the Republic of Kosovo	€491,257,920	€10,690,493
Term deposits in the banks operating in Kosovo	€44,749,329	€1,280,103
Other income - Dividends from the revaluation of open-end funds	--	€1,240,327
Other income - Surplus returned from operational activities	--	€200,000
<b>TOTAL</b>	<b>€2,344,317,040</b>	<b>€227,504,018</b>

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.



## INVESTMENTS

### 2021

The institution reached the highest nominal value of the return from investments since inception. The number of engaged investment funds seized new year-end record.

Net return for the year was 10.7% while assets under management increased by 18.4%.

### 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 AUM 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%.

## OPERATIONS

### 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

Distance application process was finalised for the withdrawal of 10% and on December 397,557 people applied. The number of eTrusti accounts doubled (to 255,903) thus constituting 36% of all accounts.

Unallocated contributions reduced to 0.08% of the contributions collected.

### 2021

The new Account Management Software (IPSA) was developed by the KPST professional staff, replacing the previously subcontracted software. Switching to this software will be a powerful long-term advantage to the institution.

Unallocated contributions increased slightly to 0.12% of contributions received.

## ACRONYMS

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

## 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 assetclasses (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

## 66.0%

NET PENSION ASSETS GROWTH

## 25.2%

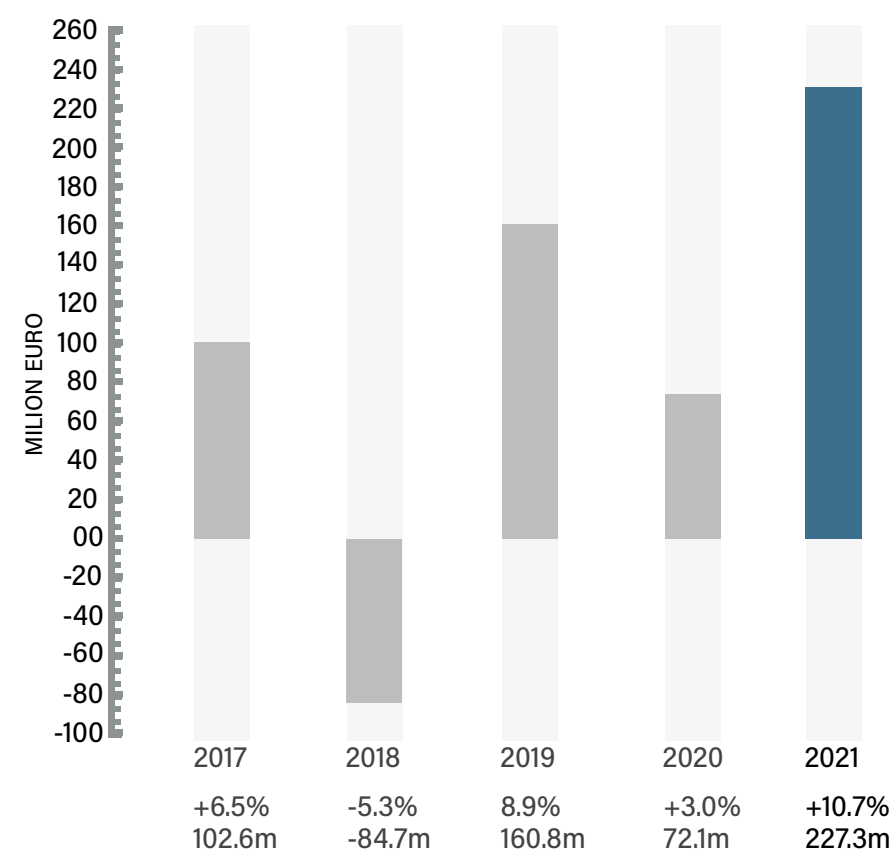
SHARE PRICE GROWTH

## €477.7m

GROSS RETURN ON INVESTMENT

### GROSS RETURN

UNIT PRICE ANNUAL INCREASE/DECREASE



### NUMBER OF ACCOUNT-HOLDERS AND ACTIVE CONTRIBUTORS

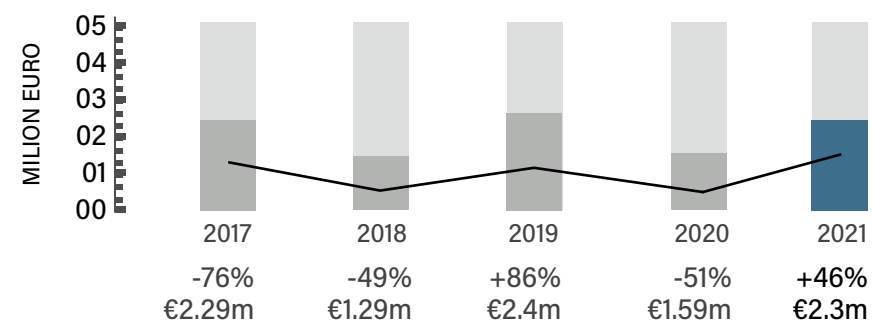
YEAR	TOTAL ACCOUNTS	MEN	%	WOMEN	%	ACTIVE ACCOUNTS	MEN	%	WOMEN	%
	(A)	(B)	(B)/(A)	(C)	(C)/(A)	(D)	(E)	(E)/(D)	(F)	(F)/(D)
2017	591,527	406,815	68.8%	184,712	31.2%	352,849	238,005	67.5%	114,844	32.5%
2018	626,687	426,960	67.9%	199,727	32.1%	344,453	229,515	66.6%	114,938	33.4%
2019	669,973	450,845	67.3%	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%
2021	752,586	483,352	64.2%	269,234	35.8%	419,657	254,808	60.7%	164,849	39.3%

### KPST NET AUM VS ANNUAL GDP OF KOSOVO

	2017	2018	2019	2020	2021
Net AUM	€1,634,648,056	€1,681,148,926	€1,966,956,583	€1,986,814,077	€2,353,174,912
GDP of Kosovo	€6,356,456,000	€6,671,522,000	€7,056,172,000	€6,771,600,929	€7,341,525,867*
Net AUM vs Kosovo GDP	25.7%	25.2%	27.9%	29.3%	32.1%

### CHANGE IN UNALLOCATED CONTRIBUTIONS AS A PERCENTAGE OF TOTAL CONTRIBUTIONS

#### CUMULATIVE UNALLOCATED CONTRIBUTIONS



KPST NET AUM AT THE END OF 2021 REACHED

# 32.1%

OF GDP OF KOSOVO

\*AS EVALUATED BY THE KOSOVO AGENCY OF STATISTICS





## MISSION AND AMBITION

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

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

Our ambition is to provide the best possible services for contributors and to be the most trusted institution in Kosovo.

We strive to achieve our ambition through staff professionalism and integrity and institutional transparency.





## JOINT FOREWORD FROM THE CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR

Dear reader,

The 2021 Annual Report, and the financial statements enclosed herein, represent the most important annual publication of the institution, where we disclose the main topics on investments and operations.

2021 marked the 20<sup>th</sup> anniversary of KPST. It spans two decades of transformation from a completely unknown institution to a fundamental pillar of the state. KPST now accounts for 31% of Kosovo's gross domestic product. Furthermore, there were 752,562 citizens with pension savings accounts in KPST at the end of 2021, thus constituting 63% of the total working-age population. In these 20 years, we had 18 fiscal years with a positive return on investment and only two years (2008 and 2018) with a negative return. From the 20-year investments, a gross return €782 million have been accumulated, which amounts to 25% of pension assets.

Going back to 2021, we closed the year with a very satisfactory result from the investments, with a gross return amounting to €227 million. This nominal figure is the highest ever. On the other hand, the annual increase of the unit price was 10.7% compared to a year ago when we had an increase of 3.0%. Pension assets increased by a total of €365 million this year, amounting to €2.35 billion.

At the end of 2021, about 77% of pension assets were invested in international financial markets, while the rest was in Kosovo - in accordance with criteria set by law. Investments in international markets contributed by around 95% of the return for KPST investments.

As required by the principles set out in the Law on Pension Funds, and based on the KPST Investment Strategy, the Governing Board of Directors, assisted by management and professional staff, took over 40 decisions to invest pension assets in 2021.

Considering that 2021 was a year affected by the pandemic (with fluctuations in financial markets and deteriorating macroeconomic indicators), the KPST Investment Strategy was adjusted on regular basis by allocating new funds to maintain liquidity, portfolio security and diversity. New investment products (of real assets) have been included this year as well, a choice that has given us positive returns.

In the operations part, after the successful completion of the 10% withdrawal, the main target was the development of the account management software, at source code which was built by the institution's own staff.

This software brings KPST numerous long-term comparative advantages such as code ownership, variety of services, investment risk adjustment but also reduction in maintenance costs. IPSA, as this software is called, managed to be successfully fulfilled according to plan, despite all the pressure we had from the 10% withdrawal. By the end of 2021, IPSA successfully passed all the tests and it was implemented at the beginning of 2022 and was operational.

Within IPSA we are expecting to implement the multi-year idea of separating contributors by age, specifically those who are about to retire and will be part of the "Conservative" portfolio. The assets in this portfolio are to be invested in the Kosovo Government bonds and are not affected by movements in international markets.

While we were in the second year of the pandemic, when the lockdown measures were reactivated, our institution continued to be open and provide services to contributors uninterrupted. Also, all the decisions of the Governing Board and Management have been implemented without delay, both in terms of investments and operations. All periodic reports (monthly, quarterly and annual) are also compiled and submitted in time.

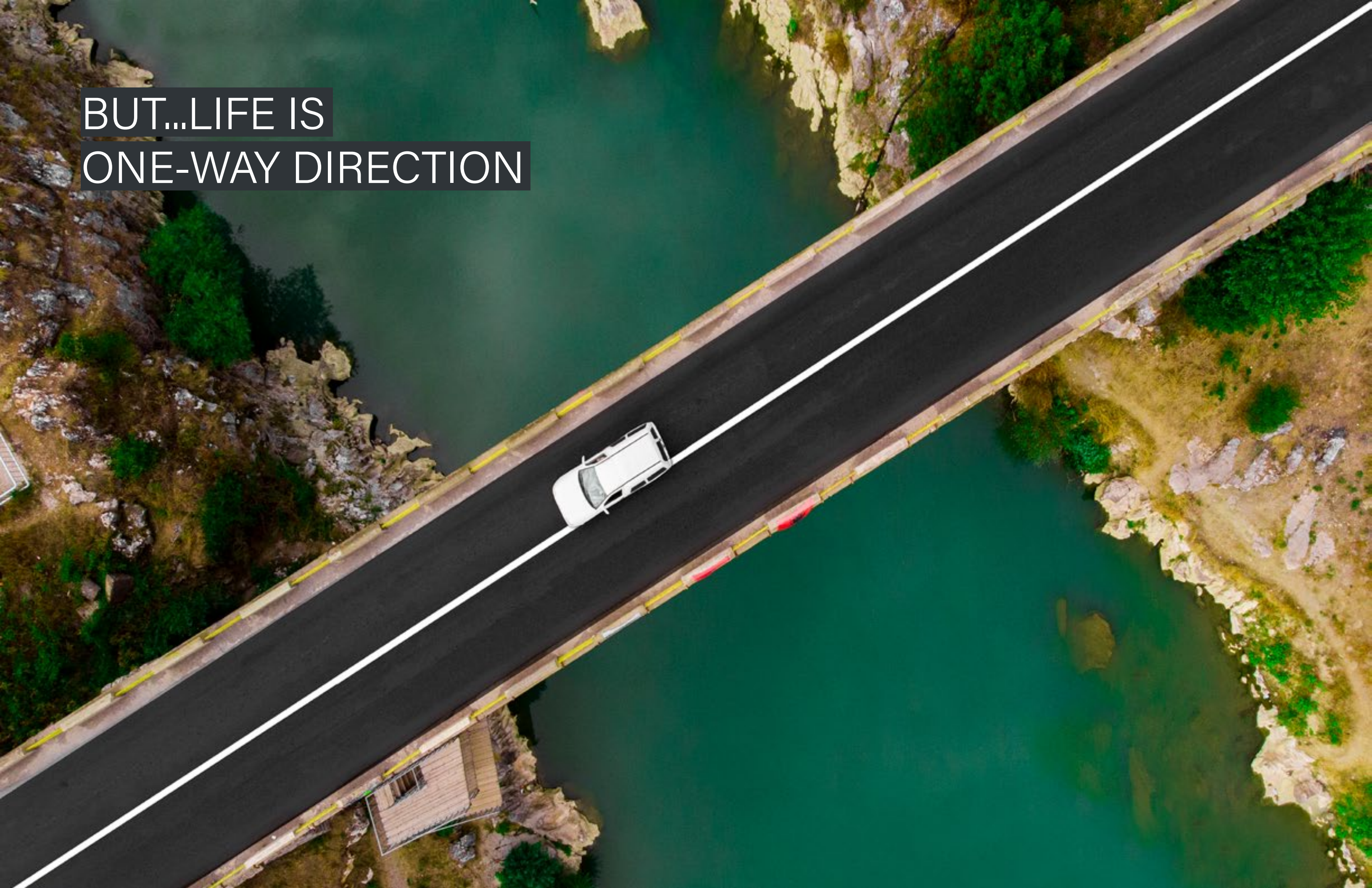
Other relevant issues and statistics are presented later in this report and in the enclosed financial statements. We want to express our appreciation to all KPST staff, who continue to maintain the highest professional standards of service. To this end, KPST are acknowledged by the external auditor and supervisory institutions for the level of fair and accurate implementation of standards and legal requirements.

We also want to thank the Kosovo Assembly for support in approving management fees and annual reports! We would also like to thank the Central Bank of Kosovo for its cooperation in the 10% withdrawal process! We are grateful to the Tax Administration of Kosovo pension officers for their service, with whom we have had a fruitful and positive interaction in all processes from the very beginning!

We expect 2022 to be a very challenging year, but we believe that the experience so far will best serve the institution to face sudden challenges in the future.



BUT...LIFE IS  
ONE-WAY DIRECTION





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

## ORGANIZATION

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. Ever since, the Administration has evolved organically to number 28 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 employed persons from the private sector also joined the scheme. The first investment of pension assets was made in 2003 in a money-market fund.

This was followed by investments in indexed equities in 2004 and by 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 and 2015, multi-asset funds with managed risk as well as equity funds with dividend and managed risk were added to the investment portfolio.

The cash market fund 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 to the institution. A record number of new investment funds were added in 2021 by undertaking more than 40 investment decisions during the year.

The first investment in Kosovo was made in 2008 through bank deposits, while the first investment in short-term bonds of Kosovo was made in 2012. Investments in medium-term bonds commenced in 2014 and 2015. In 2020, investments in Government securities reached record levels, close to €450 million. On 7 April 2021, the possibility of withdrawing 10% from the KPST was concluded, which was one of the most important operational challenges ever.

In 2021 investments in Kosovo continued in Government Securities and bank deposits, in a similar ratio to the previous year.

## THE GOVERNING BOARD

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

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

The pension rules of CBK provide the secondary legislation in relation to the investment of pension assets, performance measurement, withdrawal of pension savings and reporting requirements for KPST.

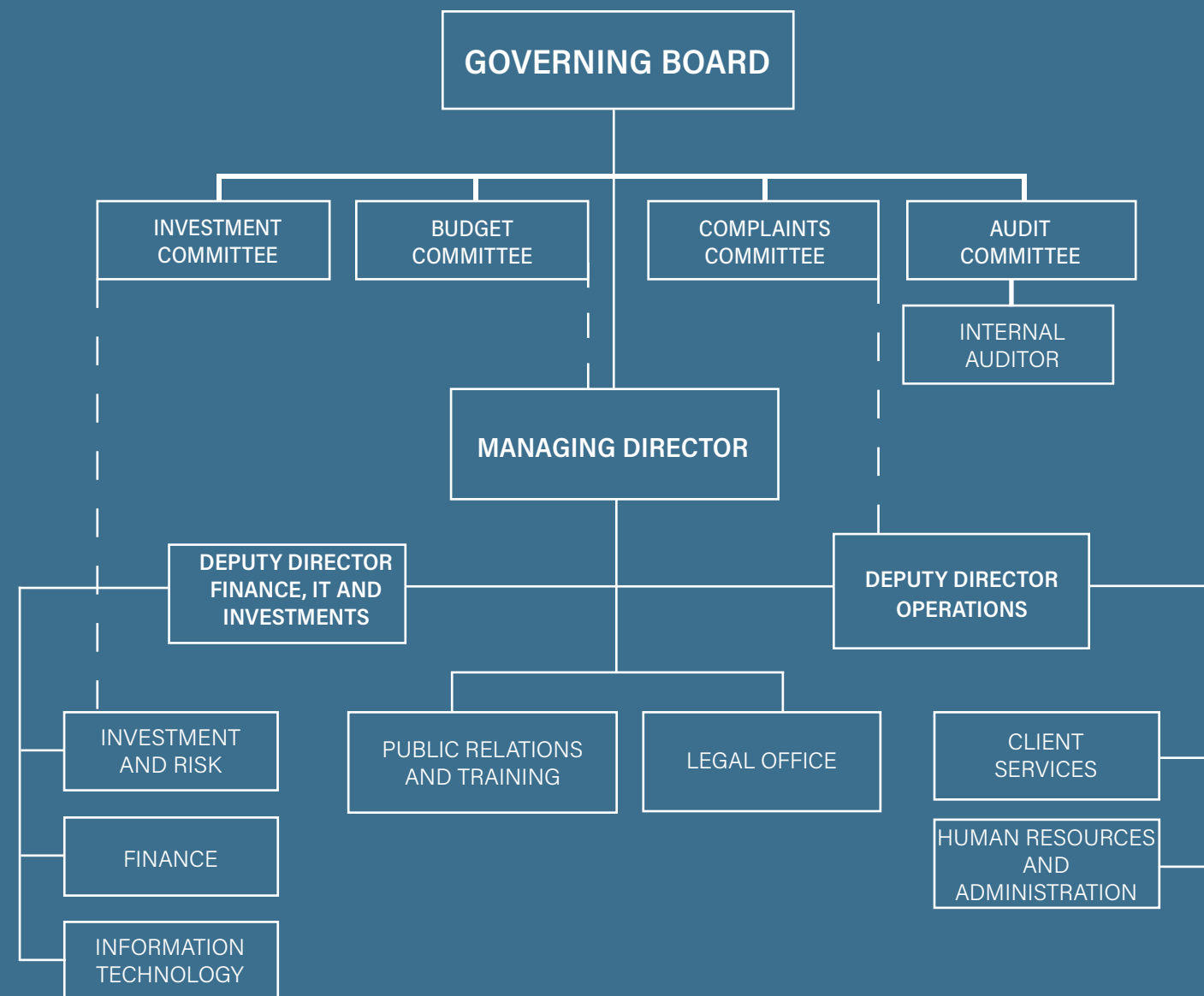
The authority and responsibilities of the Board include, but are not limited to: the selection or removal of asset managers, custodians, open-end vehicles and other third parties; adopting principles and policy for the investment of pension assets; hiring of the executive personnel of KPST; approving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

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

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

During 2021 the Governing Board had a decision-making quorum. At the end of February 2021 a professional member of the Board resigned for personal reasons. While at the end of November 2021 the mandate of the representative member of the employers expired and the mandate was extended for another 90 days, according to the legislation.

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 38 years of experience in financial markets.

Professional

October 2008

Fourth



**MR. BEHXHET HALITI**

Member of the Budget and Investment Committees

I diplomuar në Fakultetin e Ekonomisë të Universitetit të Prishtinës. Prej vitit 2003 është përfshirë në procesin e përpilimit dhe zbatimit të politikave fiskale në Kosovë.

Professional

December 2015

Fourth



**MR. HAJDAR KORBI \***

Member of the Investment 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**

Chairman of the Audit Committee and member of the Complaints Committee

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 he has been engaged in SBASHK trade union.

Employee representative

December 2018

First

*\* Mr. Hajdar Korbi served on the Governing Board of KPST until 1 February 2021, when he resigned for personal reasons.*

*KPST thanks Mr. Korbi for his contribution during his service to the Governing Board!*

## 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 esponsibility 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, multiassets, 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.

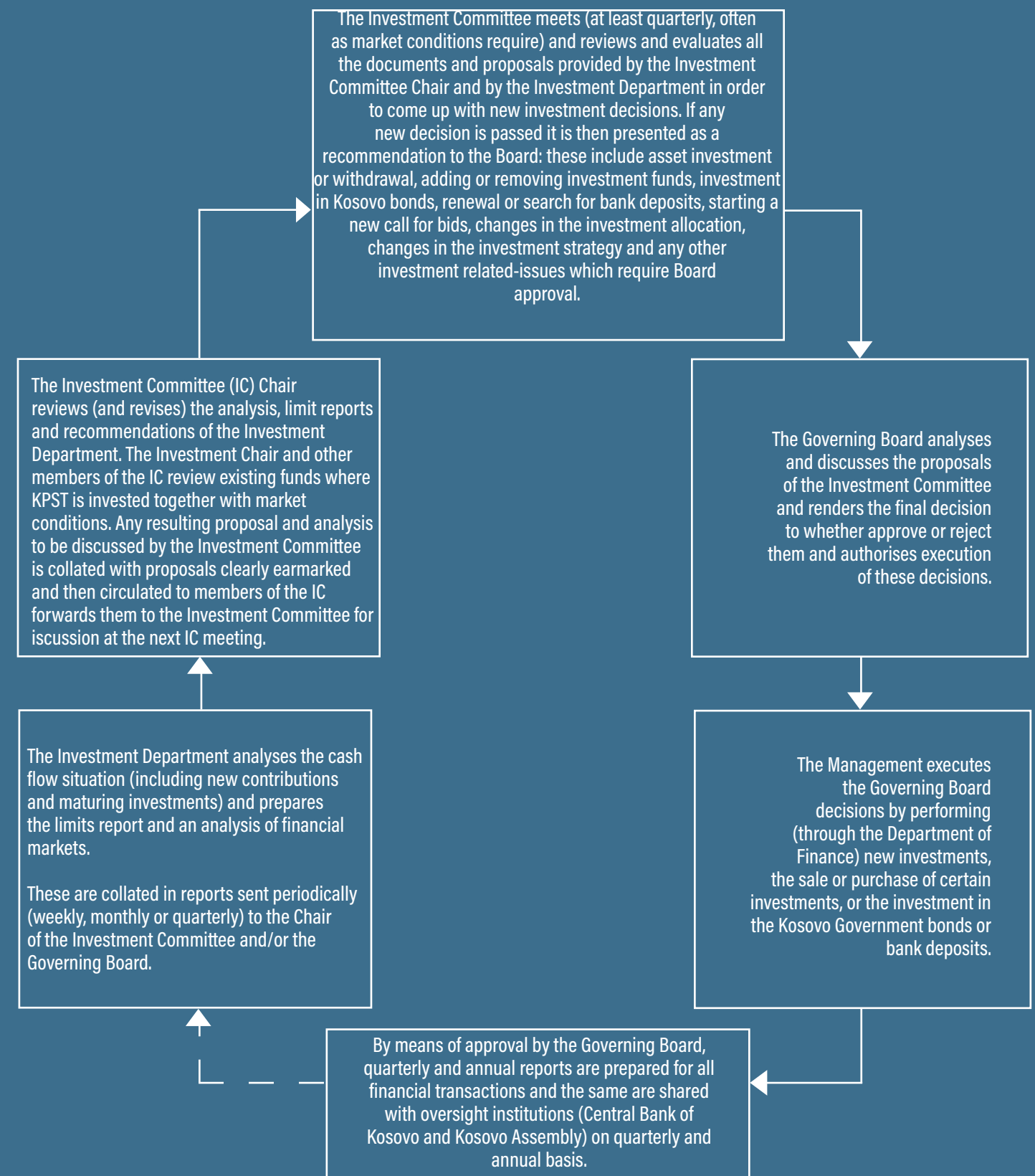
Prior to engaging any investment fund, there is a timeconsuming process of selection (from the opening of the international call for bids to the detailed study and detailed interviewing of these funds) which includes: a detailed analysis of fund metrics and of investment indicators, as well as a detailed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

CHAIRMAN:	Frederick Artesani
MEMBERS:	Ruzhdi Morina Behxhet Haliti Driton Qehaja
MEETINGS HELD:	Eight

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

CHAIRMAN:	Valdrin Kasumaj
MEMBERS:	Ruzhdi Morina Ymer Ymeri
MEETINGS HELD:	Four

**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.

Ymer Ymeri
Valdrin Kasumaj Driton Qehaja <i>Mirlinda Ahmeti (external member)</i>
Six

**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.

Ruzhdi Morina
Frederick Artesani Behxhet Haliti
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 and human resources.

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, better services for contributors; while simultaneously preserving the institutional integrity of KPS.

In order to achieve these objectives, the Managing 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 skills set to serving the advancement of internal processes and client services. The administration is divided into functional units which ensure an effective and efficient workplace.

The primary tasks of the Administration are carrying out day-to-day tasks (in all operational areas), improving administrative processes, providing assistance to the Governing Board in investment analysis, as well as implementing the Board's decisions. The performance of the latter is continually overseen and reviewed by the Board, with its day-to-day running led by the Management.

There were 28 employees in 2021, one of which is a part-time employee (in 2020: 20 full-time employees - one part-time employee). Two programmer positions under a temporary contract were filled in this year.

A staff member left the Investment and Risk Unit in 2021, moving to the private financial sector.

Over the past year, we have engaged students as interns, as needed, in order to get experience, but also to meet KPST's additional needs (for a few months) and provide services to clients and the Finance Department.

Minority employees accounted for 7% of the workforce (8% of those who declared ethnicity). Women accounted for 33% of the workforce (2020: 30%); 85% of staff were older than 35 years (2020: 89%), and 4% of the staff were with permanent physical disabilities. Due to few movements of full-time staff, the average age has remained the same as the previous year (2020: 44.7 years).

MANAGEMENT

# 1 MANAGING DIRECTOR

UNIT	CLIENT SERVICES	INFORMATION TECHNOLOGY	FINANCE	INVESTMENT AND RISK
PERMANENT POSITIONS	8	4	3	3
POSITIONS	1 manager 6 pension advisors 1 receptionist	1 manager 1 programmer/ developer 1 network admin 1 database admin	1 accountant 2 finance officers	1 manager 2 investment and risk analyst
DESCRIPTION	<p>Offers client services. Provides information on individual's account such as pension ontributions or the balance of savings, and also gives advice to clients on pensions and assistance in applications for the withdrawal of savings.</p> <p>Maintains a relationship with employers with the purpose of improving the information and allocating contributions to individual accounts. In general, staff of this unit are closest to the clients throughout their saving cycle, that is from their first contribution up to the retirement.</p>	<p>Ensure that the whole IT infrastructure operates smoothly and without issues at all times, looking after the hardware, software, licenses, internal and external networks and the security and integrity of KPST data.</p> <p>Ensure that the disaster recovery plan is actionable every day and that the plan is tested on regular basis.</p>	<p>Perform all financial transactions, including investing and redeeming funds in financial markets; bookkeeping and accounting for pension funds and KPST's operations.</p> <p>Calculate the daily share price and prepare financial statements, monthly and quarterly reports and other reports deemed necessary by the Board of KPST, the regulator and the Assembly. Additionally, liaise with fund managers.</p>	<p>Prepares analysis on: investments performance; risk and oscillation of investment portfolio; compliance of investments with the law; maintaining of Board's investment strategy, and updating the investment section at the website.</p>

# 2 DEPUTY DIRECTORS

HUMAN RESOURCES AND ADMINISTRATION	LEGAL OFFICE AND PROCUREMENT	INTERNAL AUDIT	PUBLIC RELATIONS, TRAININGS, TRANSLATIONS
3	1	1	2
1 HR officer 1 housekeeper 1 security officer	1 legal officer	1 internal auditor	1 manager 1 officer for PR & trainings
<p>Ensure health and safety at work, the respect of work schedule and other office rules by staff, and handle the hiring procedures when needed.</p> <p>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.</p>	<p>The Legal Office examines the overall legality of the institution vis-à-vis applicable legislation and assists in drafting contracts and agreements; provides legal opinions and represents KPST in the judicial system.</p> <p>The Legal Office is currently conducting some of the activities previously performed by the Procurement Officer. However, the process of centralising procurement processes (in CPA) has reduced the workload of internal procurement activity, playing mainly the role of coordinator with CPA.</p>	<p>Assures the Board that management's activities and those of the Administration, and all the processes in KPST, comply with: internal procedures; CBK rules; and laws in force.</p> <p>Performs regular quarterly audits and provides recommendations to resolve issues raised. Auditor reports are reviewed by the Audit Committee and the Governing Board.</p>	<p>Maintains the relationship and handles the communication with the media and public institutions, interviews and conference activities, drafting of the annual report and the quarterly bulletin for contributors; manages the website content, and when delegated takes the role of KPST spokesperson; coordinates and facilitates the translation of the all the documents.</p>



# SUPERVISION AND AUDIT

KPST is supervised and inspected by CBK examiners, while it is audited by both internal and external auditors

KPST, as an independent public institution, is subject to supervision by regulators and audit by interdependent professional auditors. All the supervisions and financial controls subjected to, which have resulted in no serious findings (since the inception of KPST in 2002), have maintained the institution's credibility to the third parties.

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

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 on the KPST website for the purpose of informing the public.

Until now, historically, each independent auditor that has audited the KPST financial statements (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, at the CBK's request, KPST continued throughout 2021 to submit monthly detailed reports to the CBK supervision department in relation to all investment aspects and the overall state of pension assets.

Explanations and data were also provided whenever requested by CBK. Should KPST investments, due to movements in financial markets, happen to fall out of compliance with the law, KPST is obliged to notify CBK and rectify the situation within 180 days. There were no such occurrences in 2021.

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

During the year, CBK finalised the inspection of KPST for 2019, where a vast number of documents was reviewed; from minutes of Board and Committee meetings to all investment and operational issues. CBK prepares a detailed report, which is submitted to the KPST Governing Board. The board reviews the report and makes comments.

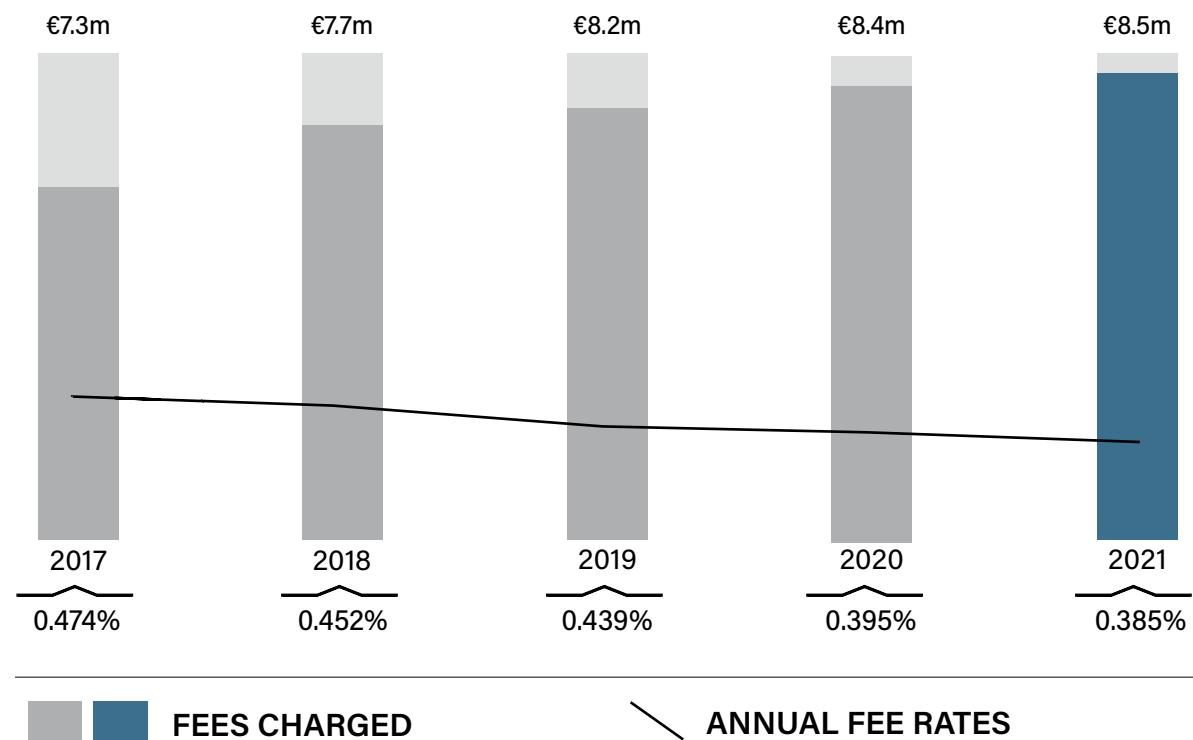
In case of serious findings, CBK must also report those to the Assembly, which has not been necessary up to now. In addition to findings, CBK also gives recommendations to the Board. KPST notifies CBK of all Board decisions relating to contributors, fund management and other matters.

KPST has an internal auditor who reports at least four times a year to the Audit Committee of the Board on all aspects of the institution's activities. In 2021, the Internal Auditor, at the request of the Board of Directors, conducted three more ad hoc audits for the 10% withdrawal process (according to the legal amendments under the Recovery Package), the preliminary testing of the IPSA system, as well as a compliance report for the selection of new asset managers.

Since 2019, KPST has been using the services of an external member of the Audit Committee as required by Law on CBK No. 05/L-116, amending Law No. 04/L-101 on Pension Funds in Kosovo, which is independent of the KPST Governing Board and Management.

# ISSUES AND RECOMMENDATIONS RAISED BY EXTERNAL AUDITOR AND INTERNAL AUDITOR FOR 2021 AND THEIR STATUS

	RECOMMENDATION	FOLLOW UP/COMMENT
<b>EXTERNAL AUDITOR</b>	<p>During our audit, we noted that KPST's Board Members fiduciary insurance coverage has expired in May 2021. Since then, KPST Board Members could not contract any insurance company to provide the fiduciary insurance for KPST's Board Members. We recommend the KPST ensures the fiduciary insurance coverage for its Board Members, to insure the legal liability related to serving as a fiduciary.</p> <p>Alerting system reporting for server room parameters i.e. (temperature, humidity, etc) is implemented to send alerts via SMTP service only. Notification and alarming communication links should be set redundantly i.e. except via SMTP service configure via SIM card as well. We recommend to avoid non-redundant notification systems.</p>	<p>KPST on several occasions attempted to secure the insurance provider via the public procurement procedures; however no bids could be secured until late 2021. Fear of increased claims due to Covid-19 was cited by some insurance companies as a reason for their lack of interest in submitting bids.</p> <p>The sms service provider remains to be contracted; the rest of the infrastructure is in place.</p>
<b>INTERNAL AUDITOR</b>	<p>1) Commercial banks contracted to provide phased withdrawal services report monthly to KPST the balance of contributors in phased withdrawal, accrued interest and final balance after the contributions are withdrawn.</p> <p>The management is recommended, for the purpose of security and credibility, in addition to the monthly check, according to the requirements of internal policies, to identify possible discrepancies in the balances in correspondence with banks. Also, at least five samples a month should be selected, especially those that have been inconsistent, to verify the accuracy of the contributors' balances and interests in accordance with the contractual terms. Such a process should be included in internal policies and future contracts with commercial banks, which would bring greater credibility to the verification process.</p> <p>2) During the testing of bank accounts for the application of 10% withdrawal, it was noticed that in cases when a contributor has applied with the same bank account as another contributor, the processing of the application has been stopped for the purpose of additional confirmation with that person (via e-mail or telephone) if they really agree to have funds transferred to that account.</p> <p>Management should, in such cases, set a deadline by which contributors can confirm (change) the approval of payment in individual accounts - and keep evidence as complete as possible. Should the account fails to be confirmed within a certain deadline, then the payment will be executed.</p>	<p>Reporting by banks on phased withdrawals program dates back to 2008 when the KPST started with the first contract. Since these contracts are concluded in accordance with the CBK Regulation, and also have the CBK prior approval, the final responsibility for control falls on CBK. This may require banks to include in the future contracts the obligation to send us five statements, but we cannot oblige them to accept such a thing. This is because banks have other rules that may conflict with this requirement. However, it will be aimed as an alternative solution.</p> <p>For cases when the same person has two bank accounts in KPST and has sought to receive 10% in the same bank account, these cases (unlike the first days) are not halted for reconfirmation if assessed through additional information (first name/last name and/or date of birth) that it is about the same person. A 30-day deadline for reconfirmation will be set, otherwise applications will be processed. All necessary documentation, or telephone discussion history, will be kept for reconfirmation cases.</p>



Annual fees charged on pension assets at the end of 2021 have been decreased to a total of 0.385% of assets (2020: 0.395%). The investment fee decreased from 0.330% to 0.320% while the operating fee remained unchanged at 0.065%. But in nominal value, the fees charged on pension assets increased slightly by 1.5%, or €128,204 - due to the increase of assets under management.

Fees charged for 2021 amounted value of €8,492,038 (2020: €8,363,834). Of which 7,090,416 (2020: €7,014,662) were intended to cover investment costs and €1,401,622 (2020: €1,349,172) operating ones.

However, even this year, KPST has not spent the revenues generated from these fees. For 2021, we

had a surplus of investment and operating activities of €1,180,910. Of which, €660,384 were used to replenish the reserve fund, spent on reimbursing contributors during the pandemic. While €200,000 from the operating surplus has been returned to pension assets.

KPST non-fee revenues for the year were €126,087 (2020: €138,616), making the total KPST revenues for 2021 amount to €8,618,125, or 1.4% higher than the previous year (2020: €8,502,450).

Around 59% of non-fee revenues were from revenues from other investments, and 41% were from other revenues from incorrectly paid refunds and other operating revenues.

## FINANCING

On average KPST charged its participants with operating fees of €0.17 per month

On average KPST charged its participants with an operating fee of €0.17 per month KPST is funded in a similar way 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 Kosovo Assembly; thereby providing the Assembly with an implicit degree of control on KPST spending.

As per the amendments within Law No. 04/L168, the investment fee charged by KPST must cover expenses relating to the investment of pension assets and the operating fee to cover other expenses.

Compared to 2020, KPST has reduced the fees charged in 2021 (in percentage) for investment activities while maintaining the same fee for operations.

The KPST's operating fee of 0.065% per annum continues to be the lowest compared to all similar operators in the region but is also among the lowest at the global level.

On the other hand, the annual investment fee of 0.320% 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. This treatment results in discrepancies between what KPST charges as an investment fee (which must be evaluated 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 operating fees.

Calculated on average, KPST charged in 2021 contributors €0.17 per month or € 2.04 for the whole year for operating expenses.

1.	Direct service at the office (service, counseling, information) every working day from 08:00 to 16:00	8.	Free retirement application and no charges by KPST for bank transfers
2.	Delivery of account statement at home or via e-mail	9.	Free maintenance on accounts with local commercial banks for the phased withdrawal of savings
3.	Unlimited printing of account statements at KPST office or TAK regional offices	10.	Above average interest rate on savings in the phased withdrawal program
4.	Complete maintenance of the pension savings account	11.	A portion of the investment costs (selection of asset managers, the Governing Board expenses etc)
5.	Standby backup servers in a different location	12.	The possibility to print the account statement at any time through the e-Kiosk outside the KPST office in Prishtina
6.	Electronic service on-line access to personal pension account, and the service of direct communication through Facebook platform	13.	possibility of online application for withdrawal of 10% (without any fee)
7.	Notice by regural mail for retirement		



## 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 and maintenance 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 the amounts placed with them.

Potential returns also have an impact on management fees. Money market investment funds (as an example) charge lower management fees than funds in stock markets or even bonds.

Investment expenses accounted for 85.2% of KPST expenditures for 2021 (2020: 82.7%). Those in nominal value were €6,840,347 (2020: €5,732,566). These revenues were provided by the investment fee, according to the applicable legislation, which in 2021 was 0.33% by 21 November 2021 and 0.32% by 31 December 2021.

The level of expenses projected for the investment fee for 2021 was 96.5% (2020: 81.6%). The increase in the level of realization this year is related to the commitment of a record number of investment funds, as well as the higher average investment in the financial markets compared to the previous year - which are the main source of the fee charge.

It should be noted that investment funds (usually) charge on average 0.7% to 1.0% for fund management, while the KPST managed through individual agreements and prudent selections to ensure that fees paid to investment funds, through which it invests pension assets, further reduce and at the end of 2021 this fee dropped to 0.32%.

From the fees charged for investment expenses for the end of 2021, there is a surplus amount of €250,069. Along with the surplus at the beginning of 2021 (from €176,783) the accumulated surplus for investment activities reached €426,852. This surplus value will be used either to finance investment expenses for 2022 and/or will be returned to pension assets by the end of 2022.

It should be emphasized in this analysis that at the moment when the investment fee is determined for the next year, the KPST goal is to be as close as possible to the needs assessment for the same. However, it is extremely difficult to forecast either the performance of investments or the strategic allocation of funds (due to external factors that may impact both the markets and the decision-making of the Investment Board), which makes surplus inevitable (or deficit) from investment activities.

Due to the frequent sales of positions in the financial markets, for several years the investment expenses have oscillations in the percentage of utilization from the planning, but this does not affect the contributors, as the surplus is returned to the account holders or used to finance the investment expenses of the following year.

## INVESTMENT FEE

The investment fee (both in percentage and value) for 2021 and 2020 is presented in the following table, according to each fund charging to the KPST invested assets, but also the CBK and the broker fees.

Open-end funds	2021		2020	
	Annual fee	Net fee	Annual fee	Net fee
Vanguard - GSIF	0.18%	€222,373	0.25%	€69,934
BNY Mellon - RRF	0.60%	€2,169,117	0.60%	€1,825,958
AXA - GILB	0.35% - 0.40%	€209,240	0.35% - 0.40%	€328,930
Nordea 1 - GSEF	0.43%	€315,610	0.43%	€340,965
Nordea 1 - SRF	0.56%	€1,993,231	0.56%	€1,657,538
Amundi - 3M-I	0.045% - 0.057%	€49,957	0.045% - 0.057%	€59,337
BNP Paribas - PDP	0.55% - 0.76%	€357,745	0.55% - 0.76%	€591,132
S&P500 Minvol ETF	0.25%	€25,132	0.25%	€77,913
MSCI Minvol ETF	0.25%	€34,009	0.25%	€67,276
Invesco QQQ ETF	0.20%	€113,633	0.20%	€84,051
USCF US Oil ETF	0.45%	€109,543	0.45%	--
Amundi MSCI Qual	0.23%	€121,140	0.23%	--
FirstT CybrSec ETF	0.60%	€178,049	0.60%	--
LG eCom Logst ETF	0.49%	€144,551	0.49%	--
SP OilGas Expl ETF	0.35%	€37,429	0.35%	--
Pacer Indust ETF	0.60%	€37,627	--	--
VG Real Estate ETF	0.12%	€20,028	--	--
Glob xUS Infr ETF	0.47%	€79,271	--	--
iShare US Infr ETF	0.40%	€65,279	--	--
Inv Bas Metals ETF	0.75%	€153,702	--	--
BNP Clim. Impact	0.499%-0.885%	€13,184	--	--
T.Rowe Glob Tech	0.745%-0.870%	€15,769	--	--
Amund CPR Disrpt	0.61%-1.35%	€11,952	--	--
AXA Digital Econ	0.56%-0.76%	€14,241	--	--
GS Millennials	0.73%-0.88%	€8,353	--	--
Schroder ISF GSG	0.50%	€11,569	--	--
FirstT Green ETF	0.40%	€11,763	--	--
iSh. Glb Clean ETF	0.42%	€11,434	--	--
Schroders - GDG	--	--	0.65%	€131,056
AXA - WFOI	--	--	0.55%	€53,467
Amundi - RPI2	--	--	0.20%	€80,665
Corp Bond Eur ETF	--	--	0.20%	€57,879
Amun EurCorp ETF	--	--	0.16%	€46,375
MSCI USA Qual ETF	--	--	0.15%	€11,766
S&P500 Eur H. ETF	--	--	0.20%	€7,091
EuroStoxx50 ETF	--	--	0.10%	€3,572
<b>TOTAL FEES</b>		<b>€6,534,931</b>		<b>€5,494,905</b>
Transfer and other fees by CBK		€58,357		€42,075
Brokers, custodians and pledges		€247,059		€195,586
<b>TOTAL INVESTMENT EXPENDITURE</b>		<b>€6,840,347</b>		<b>€5,732,566</b>

85.2%  
2021

82.7%  
2020

## OPERATING EXPENSES

Operating expenses<sup>1)</sup> 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.

However, operating expenses also finance all the Board of Directors' expenses, where the main part of the Board's activity relates to investment decision-making.

Operating expenses in 2021 were €1,191,245 (2020: €1,201,023) and accounted for 14.8% of total KPST expenditures (2020: 17.3%). As it can be seen, operating expenses were lower this year (by €9,778) than last year or by -0.8%. Also, this year's operating expenses are the lowest in the last three years.

In 2021, the projected operational budget for goods and services was realized at the rate of 85.0% (2020: 89.0%). This level of fulfilment of forecasted operating expenses was due to the fact that for almost the whole year, a Board member was absent from the Board (resigned for personal reasons). Also, the tender for fiduciary insurance could not be concluded, due to the lack of bids from economic operators.

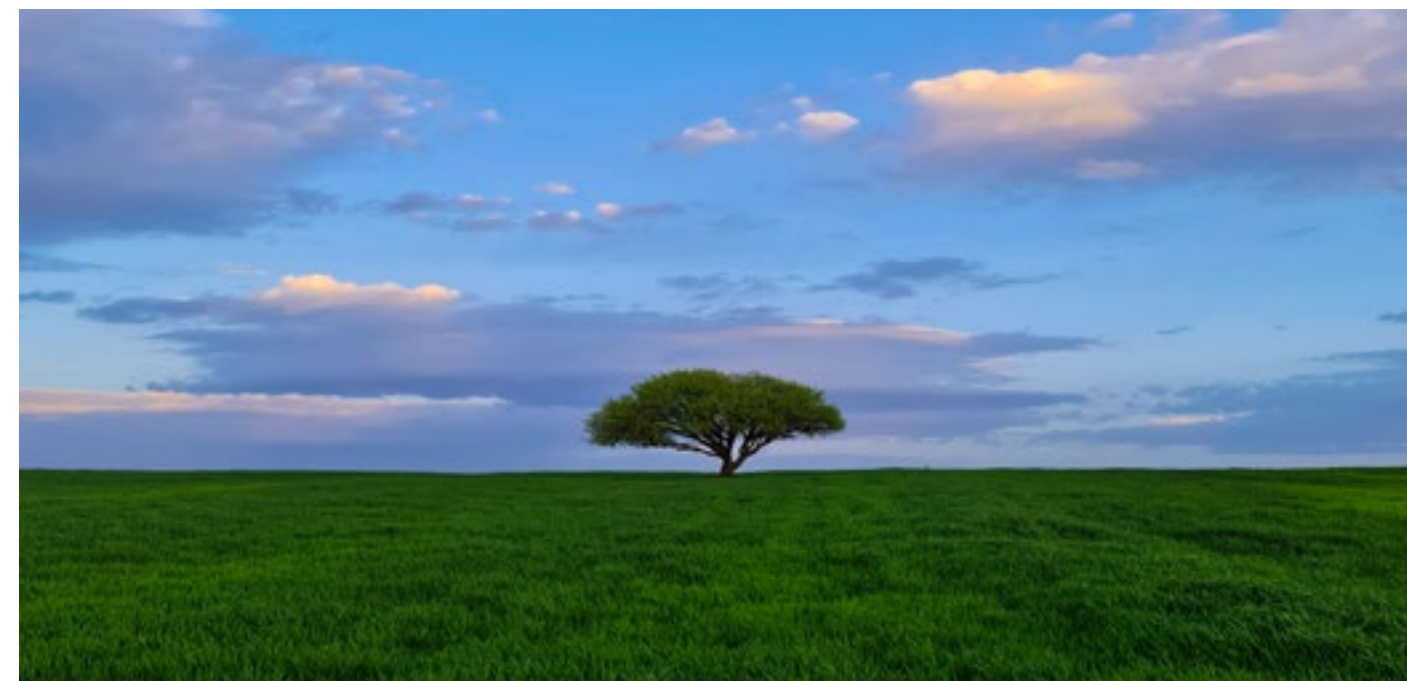
The surplus value from operational activities amounted to €336,487 at the end of 2021. The replenishment of the financial reserve was financed along with the previous year's surplus (€1,004,127).

Staff costs increased by 6.2% compared to 2020, due to the additional engagement of both new and current staff in the implementation of the IPSA project (development of account management software). Staff costs this year accounted for more than half of all operating expenses of 54.9% - from 51.2% recorded the previous year.

The budget line of expenditures for the Board of Directors recorded the highest decrease in operating expenses this year, due to having one member less - as explained earlier. We had a significant decrease this year in the Public Education and announcements (since we did not have awareness/information campaigns on television); sending account statements (sent by Kosovo Post), because every year more and more account statements are sent to contributors by e-mail; and other expenses.

While there were slight increases in software maintenance (with the new project being finalized) and professional services (related to occasional requests). The other budget lines had very little change from the previous year.

The figures for each budget line are presented in the table on the following page, while the detailed explanations are in the attached financial statements.



### OPERATING EXPENSES

	2021		2020	
Staff costs	€653,595	54.9%	€615,285	51.2%
Governing Board expenses	€128,592	10.8%	€165,184	13.8%
Account statements and correspondence for beneficiaries	€86,520	7.3%	€93,379	7.8%
Software maintenance	€102,727	8.6%	€99,791	8.3%
Depreciation and amortisation	€111,869	9.4%	€112,477	9.4%
Office operating expenses	€26,606	2.2%	€26,859	2.2%
CBK supervision charges	€21,024	1.8%	€20,238	1.7%
Professional services/Contractors/Consultants	€21,467	1.8%	€17,498	1.5%
Lease interest for the year	€11,046	0.9%	€10,229	0.9%
External audit	€10,200	0.9%	€10,200	0.8%
Public education, communication and advertising	€ 8,157	0.7%	€15,834	1.3%
Bank charges	€1,884	0.2%	€1,995	0.2%
Training, travel and other staff expenses	€1,523	0.1%	€1,300	0.1%
Other costs	€6,035	0.5%	€10,754	0.8%
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>€1,191,245</b>	<b>100%</b>	<b>€1,201,023</b>	<b>100%</b>

14.8%  
2021

17.3%  
2020

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.



02

---

## ACTIVITIES

Activities of the Governing Board

Activities of the Management

Account management

Contribution allocation

Client services

## ACTIVITIES OF THE GOVERNING BOARD

The Governing Board is primarily engaged in the decision-making for the investment of assets under management. In light of this, the Governing Board has continued on a regular and need be basis to take proactive decisions to adjust the risk level of the invested pension assets, according to forecasts for developments in international financial markets.

In addition to confirming the periodic adjustment of legal investment limits according to financial instruments (in line with the Investment Manual), the Governing Board issued over 40 decisions this year, and consulted with the KPST Management and professional staff on the reallocation of pension funds. These decisions led to investment of €1.23 billion and withdrawal of €981 million in financial markets during different times of the year.

It is understandable that since 2021 was assessed from a positive economic perspective, we had more new assets invested in international markets than the previous year. Thus, €1.81 billion were invested in international financial markets by 2021, while a year ago they were €1.35 billion.

In order to better adapt the investment policy to the forecasts of market movements, these tactical rebalances resulted in positive growth performance of 10.7% of the unit price in 2021.

As to investments in Kosovo, we had €536.0 million or about €43 million less than the previous end of the year (2020: €579.4 million) invested in the Kosovo Government bonds and deposits of banks operating in Kosovo. The main reason for having fewer investments in Kosovo was that banks did not express interest in KPST pension assets as in the previous year, reducing deposits from €129.5 million to €44.7 million.

Reviewing and approving the KPST annual budget, along with proposed management fees for approval by the Kosovo Assembly were among the important activities of the Governing Board in 2021. The various internal reports of KPST were also discussed and approved (quarterly internal audit reports, annual report, performance report). All issues arising from the CBK Inspection Report and the External Auditor Report have been addressed in a timely manner.

In addition to numerous investment decisions, meetings and ongoing consultations, and supervision of the institution's operational activities, the Governing Board held regular meetings with the Kosovo Assembly and the Central Bank of Kosovo. A meeting was also held with representatives of UITUK. Due to the pandemic situation, the Board has not been able to hold meetings with fund managers this year either but has maintained constant communication with them through remote interaction.

## ACTIVITIES OF THE 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 means the safekeeping of contributor data and information, providing services of high professional service standards, and timely payment of withdrawals upon retirement

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

At the same time, the online eTrust service, which has over 275 thousand users, as well as the KPST website was available, enabling contributors to be informed of the status of the account statement, and 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 the applicable regulations, laws and standards and that any decision or action is in line with legislation and/or the interest of contributors.

During the year, the Management was focused on Professional support of the Board in decision-making on investments (inside the country and abroad); engagement to conclude the 10% withdrawal; implementation of the IPSA project (for managing contributor accounts); continuous advancement of internal information technology and complete digitalization of processes; and meeting all CBK and the external auditor's requirements for the entire operating chain of the institution.

## ACCOUNT MANAGEMENT

Around 543 thousand account statements were sent by regular mail and e-mail.

9.5

THE AVERAGE NUMBER OF MONTHS FOR WHICH EMPLOYERS PAID CONTRIBUTIONS

(2020: 8.5)

3.3

THE AVERAGE NUMBER OF QUARTERS FOR WHICH THE SELFEMPLOYED PAID CONTRIBUTIONS

(2020: 3.2)

Out of a total of 790,362 accounts opened since the KPST establishment, in the 2021 cycle, 542,460 statements were sent, of which 415,788 by e-mail and 126,972 by mail (2020: 407,118 by e-mail and 176,082 by mail). As it can be seen, about 40 thousand fewer statements were sent this year compared to 2020, of which about 49 thousand fewer statements were sent by mail, but about 9 thousand more statements were sent by e-mail. The reason for sending fewer statements was that the number of contributors who had no transactions in the last three years reached 134,089 (2020: 52,811) - an increase of 154% from the previous year; to whom the annual statements are not sent according to the applicable legislation.

It is herein clarified that the following cases are excluded from the list of sending account statements (i.e. out of the total of 790,362 accounts): 1) statements of account holders who did not have any transactions in the last three years (as explained above); 2) the statements of those who lack the residence address (who in 2021 were 19,732 versus 22,138 in 2020) could also not be sent to them; 3) as well as those who have retired - who in 2021 recorded 6,712 newly retired accounts, which in total permanent withdrawal accounts reached 63,496 since its establishment. It is understood that the account statements are not sent even for this whole number of those retired.

We had this year 4,561 employers and 3,728 self-employed persons, who had paid contributions in the previous year but not in 2021 (2020: 4.918 and 5.241 respectively).

In total, in 2021, there were 4.27 million transactions posted to contributors' accounts and over 606 thousand to employers' accounts (2020: 4.41

million, respectively 503 thousand). The transactions of employers' accounts involve 65,609 cases (2020: 36,863) of refunding of: a) incorrectly paid contributions or overpayments; and b) fines by TAK. For information, fines include the fines and interests that TAK charges over employers (and the self-employed persons) for delays in payment or inaccurate declaration of pension contributions - for which the employer has paid together with the pension contribution.

These refunding transactions, in 99% of cases, were overpayments (transactions) performed by employers during the same year, i.e. during 2021.

On average, employers have declared and paid for 9.51 months of 2032, an increase from the previous year (2020: 8.51); and the self-employed persons for 3.32 quarter of 2021, also increased from the previous year (2020: 3.14).

KPST opened 45,275 new individual accounts (2020: 37,437), bringing the total number of accounts opened since its inception to 790,362. Out of the new accounts opened during the year (i.e. out of 45,275) 43,121 of them were for initiating contributors, i.e. those who started contributing in 2021, while the rest (2,154) were cases of contribution for the previous years, for which KPST received both the payment and the information in 2021.

During the year, there were 39,496 employers and 27,407 self-employed persons who had paid contributions for the reporting year (2020: 35,916 and 25,671, respectively). So we had an increase in both of these categories by 10.0% and 6.8% respectively.







## CONTRIBUTION ALLOCATION

KPST, at the end of 2021, returned to TAK overpayments and fines received during the year, according to applicable law. During 2021 it returned a part of fines and interest paid incorrectly to the KPST account.

Unreconciled contributions as of 31 December 2021 increased to €2,320,470 (2020: €1,589,207), due to additional payments that have been directed to KPST but which are mainly fines and interest paid incorrectly to the KPST account.

However, when returning funds to TAK, KPST has previously proven that the possibilities of obtaining information have been exhausted, for several reasons: employers have not stored individual payment information or have paid with incorrect data, businesses have closed or changed the activity, and/or have incorrectly paid taxes and fines as pension contributions.

It is worth recalling that even when the funds are transferred from KPST to TAK (for the reason of not finding the information as to whom they belong), the applicable law has provided for the contributor's right to be reimbursed, whenever they provide information on these contributions, at the value of the contribution, adding also the average return on KPST investments for the period from the moment of their transfer to TAK until the date of reimbursement.

Commutative contributions reconciled as a percentage of total contributions collected:

	As of 31 December 2021	As of 31 December 2020
Unreconciled contributions (unconsolidated as of the reporting date)	€2,320,470	€1,589,207
Cumulative contributions consolidated as of the reporting date	€2,189,252,434	€1,975,810,503
Unreconciled contributions as a percentage of contributions consolidated as of the reporting date	€0.106%	€0.080%

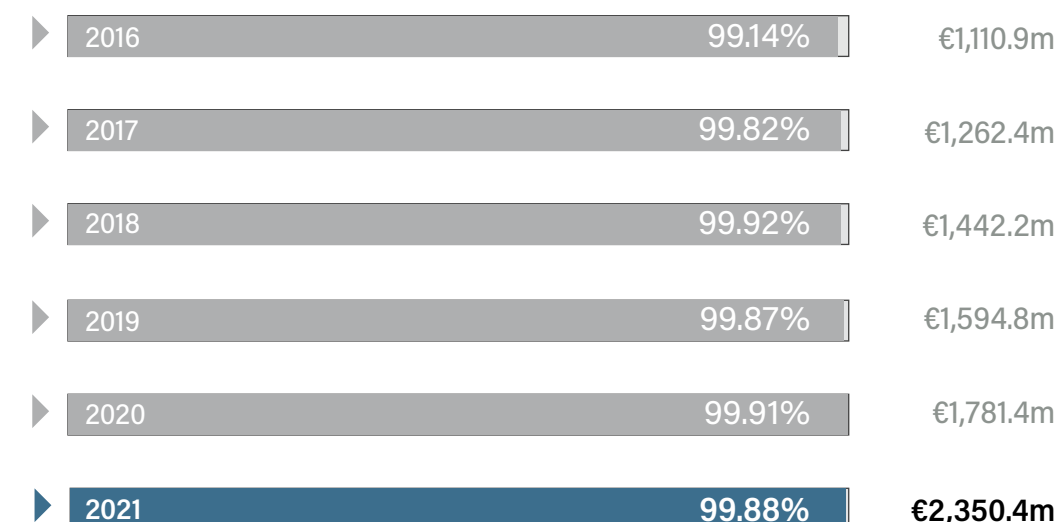
Unreconciled contributions account for 0.11% of the total contributions collected

The KPST Governing Board and the Management continue to have on their to-do list the reconciliation of funds for periods shorter than six years, especially for payments of the last year. The Governing Board had therefore set a target for unallocated funds for 2021 as well, giving this process due attention in the daily operations of the institution.

It should be noted that in addition to the fact that the accuracy of reporting pension contributions has significantly improved (through the TAK EDI portal), 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.

The main reasons for the unreconciled contributions are: (i) employers make contributions but do not send a detailed list as to who the payments were made to; (ii) employers submit the payroll but make underpayments or overpayments of contributions; (iii) the information on the contributors on the list (personal number or name) is invalid; (iv) penalties and interest for late payments (to TAK) are included in the payment of contributions; and (v) the source of payment (employer) is not identified.

## NET PENSION ASSETS RECONCILED ON INDIVIDUAL ACCOUNTS





## CLIENT SERVICES

KPST has the main and only office in Prishtina but pension services are also provided by the six TAK regional offices

Throughout 2021, KPST continued to have an open customer service office, as it did in 2020, despite the limitations and difficulties of staff shortages affected by Covid-19. Even this year, according to the recommendations of the responsible institutions, all Covid-19 measures have been fully complied with.

The number of services provided by the KPST office in 2021 reached a total of 163,474. It is understood that due to the 10% withdrawal process in 2020 when the interest of citizens was very high, the number of services provided this year fell by 21.6% (2020: 208,603). In addition, there were 40,815 services provided by TAK pension officers in the six regions of the country: Mitrovica, Peja, Gjakova, Prizren, Ferizaj and Gjilan. These services are continuously coordinated between the two institutions, KPST and TAK, facilitating citizens' access to pension services. Services provided by the regional offices, likewise those provided by the Trust office, declined this year by 25.3% (2020: 54,635 services).

For years, KPST has enabled contributors to perform a number of services themselves, through the online eTrusti portal. Contributors can check the general balance of pension savings, the daily unit price, the number of shares, all contributions paid by each employer from the time of opening the account; but they may also send questions to KPST staff. The number of contributors already having an eTrust account has reached 274,718 which was an increase of 7.4% from the previous year-end (2020: 255,903). A more advanced version of the eTrusti portal was introduced in early 2022, further facilitating ease of use.

The most requested service in 2021 turned out to be the printing of the account statement, mainly for visa applications. As a number of embassies suspended their services in 2020, the opening of visa applications in 2021 has directly affected the increase in demand for this service. The number of requests for printing the statement only in the KPST office reached 131,407, an increase by 32.8% from the previous year (2020: 98,958). Another 35,523 statements were printed at TAK regional offices, bringing the total to 166,930. At the same time, this was significantly the most requested service this year, accounting for 81.7% of all services provided by the KPST office and TAK regional offices.

Since the deadline for application for withdrawal of 10% lasted until 6 April 2021, this year we had a large number of online applications through the special portal for withdrawal of 10%. During the period 1 January to 6 April 2021, 29,806 contributors applied for this service. However, this number is significantly lower than in December 2020, when 397,557 contributors applied for about three weeks.

Also, KPST continues to provide direct communication services through its Facebook account which is the most popular social network in the country. Thousands of services have been offered there this year as well. The number of followers on this network has slightly increased this year to 46,706 followers (2020: 45 thousand followers). Information on opening an eTrust account as well as application procedures for withdrawing pension savings is the most common service provided thereof.

In addition to all the services provided in the office, KPST has prepared and sent to all active contributors the annual statements for 2021. Out of a total of 790,362 accounts opened since the KPST establishment, in the 2021 cycle, 542,460 statements were sent, of which 415,788 by e-mail and 126,972 by mail (2020: 407,118 by e-mail and 176,082 by mail). The number of statements sent continues to decline each year, as contributors are increasingly preferring Internet-based services.

Among other favourite services, in addition to the account statement and application for eTrust, it is understood that the number of those who apply for retirement increases every year. In addition to the KPST office in Prishtina, the pension application may also be submitted to the TAK regional offices. Of all pension applications this year (7,239), 60% of these applications were submitted to the TAK offices and about 40% to the KPST office.

Even in cases of retirement, KPST regularly sends letters by mail to contributors who are close to the age of 65, informing them of the time of retirement and the application procedures for withdrawing pension savings from KPST.

ACCOUNT STATEMENTS PRINTED FOR CONTRIBUTORS IN THE KPST OFFICE

131,407

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

2021  
163,474

2020  
257,797

INCREASE OF NUMBER OF ACCOUNTS IN E-TRUSTI

2021  
▲ 7%

2020:  
▲ 97%

#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

---

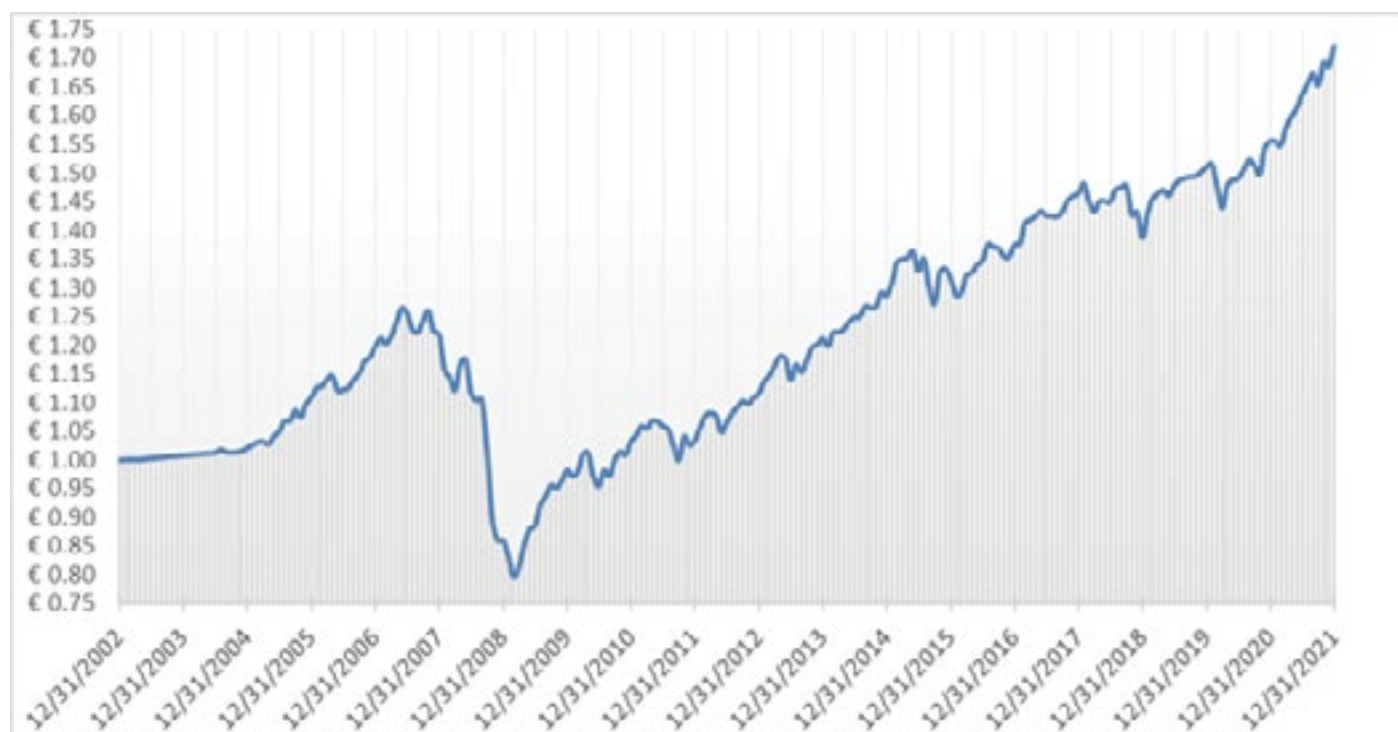
## INVESTMENT OF PENSION ASSETS

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 CHANGE SINCE INCEPTION



## INVESTMENT PRINCIPLES AND POLICY

KPST continued to fully adhere to the new investment principles and policies, which were set back in 2014. This Statement sets the Consumer Price Index in Kosovo as a benchmark against which the performance of KPST investments is to be measured.

The Investment Policy Guidelines (IPG), recognizing there ought to be a balance between contributors who are close to retirement and those who are not, calls for a policy that 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 IPG objective is to provide more protection in downward markets, yet to reap the rewards when markets go upwards.

Considering that 2021 was a year affected by the pandemic, fluctuation in financial markets and various macroeconomic developments, the KPST investment strategy has been adapted regularly by allocating

new funds to maintain liquidity, security and portfolio diversification.

The 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 within the investment funds; and b) investment strategy adopted by the investment fund. Each combination of asset classes and strategies has a minimum and maximum of investments allowed in them.

Despite these, this year was prosperous for international financial markets, so KPST directed more investments in financial markets than the previous year. At the end of 2021, there were 34% more investments in financial markets than in the previous year.

Whereas investments in Kosovo were about 8% lower for the same periods, due to lower interest rates from banks operating in the country. The innovation this year was the inclusion of the Real Assets class, an attractive investment opportunity in ETF funds of certain industrial sectors.

ASSET CLASS	STRATEGY	CURRENT ALLOCATION	LIMITS
Cash and money market	Interest bearing	15.9%	0%-50%
Kosovo T-bonds	Interest bearing	23.8%	0%-40%
T-bonds outside Kosovo	Targeted interest	1.0%	0%-30%
Multi-assets	Managed/Targeted risk	33.1%	0%-55%
Real assets	Directional	9.2%	0%-20%
Equities	Managed/Targeted risk	5.0%	0%-20%
Equities	Directional	13.1%	0%-50%

Multi-asset funds are funds that contain both equity and debt instruments of governments and global corporations. 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 protecting the investment strategy, these risk-managed funds change the allocation to equities and bonds and 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 predetermined date and price), in order to protect from markets going into an unwanted.

Funds complementing risk management with risk targeting determine a risk level 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 direct participation in the risks and rewards of financial markets. The information as to where each direct placement of KPST falls is provided on the next page.



## ASSET ALLOCATION

At the end of the year, assets under management of KPST (€2,353.9 million) were distributed as follows: €1,808.3 million were invested in global financial markets through investment funds (2020: €1,352.2 million); €491 million were invested in Kosovo bonds (2020: €449.9 million); €44.8 million were term deposited with banks operating in Kosovo (2020: €129.5 million); while €9.3 million were in CBK as not invested (2020: €57.0 million).

During the year, the Governing Board, assisted by the Management and professional staff, took 40 decisions for the reallocation of assets, which is the highest in history. The Governing Board has generally maintained a more focused conservative position, especially in the last quarter of the year, significantly reducing exposure to higher risk instruments and increasing investment in instruments related to inflation and the cash market.

ALLOCATION	ASSET CLASS / STRATEGY	ASSETS	ALLOCATION
BNY MELLON - RRF	Multi-assets / Managed risk	€367,648,407	15.6%
NORDEA - SRF	Multi-assets / Managed risk	€359,813,946	15.3%
BNP PARIBAS - PARVEST	Multi-assets / Managed risk	€51,971,085	2.2%
Glob xUS Infr ETF	Real assets / Directional	€46,032,602	2.0%
VG Real Estate ETF	Real assets / Directional	€45,947,140	2.0%
Invesco Base Metals ETF	Real assets / Directional	€45,807,075	1.9%
iShare US Infr ETF	Real assets / Directional	€44,270,331	1.9%
Pacer Industrial ETF	Real assets / Directional	€33,917,670	1.4%
NORDEA - GSEF	Equities / Managed risk	€90,711,376	3.8%
iShares MSCI EUR MinVol ETF	Equities / Managed risk	€15,033,404	0.6%
SP500 MinVol ETF	Equities / Managed risk	€11,346,297	0.5%
MSCI Eu Qual Fact	Equities/Directional	€73,446,590	3.1%
LG eCom Logist ETF	Equities/Directional	€39,161,985	1.7%
FirstT CybrSec ETF	Equities/Directional	€27,402,701	1.2%
GoldSachs Millennials	Equities/Directional	€25,815,348	1.1%
Amundi CPR Disrupt	Equities/Directional	€24,173,177	1.0%
AXA Digital Econ.	Equities/Directional	€23,919,668	1.0%
Schroders Sustainable Growth	Equities/Directional	€20,751,368	0.9%
BNP Climate Impact	Equities/Directional	€19,719,793	0.8%
T.Rowe Glob Tech	Equities/Directional	€17,969,997	0.8%
FirstT Cln Green ETF	Equities/Directional	€13,272,814	0.5%
Vanguard - GSIF	Equities/Directional	€13,065,132	0.6%
iShare Glb ClnEnerg ETF	Equities/Directional	€9,706,952	0.4%
AXA - GILB	Debt instruments / Managed risk	€22,853,728	1.0%
Treasury of the Republic of Kosovo	Debt instruments / Income	€481,547,527	20.5%
Bank deposits in Kosovo	Debt instruments / Income	€44,776,195	1.9%
Treasury of the Republic of Kosovo	Debt instruments / Income	€9,956,145	0.4%
Amundi - 3M	Cash / Income	€364,551,205	15.5%
Cash (CBK+transit)	Cash / Income	€9,313,041	0.4%
<b>TOTAL OF INVESTED ASSETS</b>		<b>€2,353,902,699</b>	<b>100.0%</b>

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



EUROPE  
€1,434,119,795  
**66.93%**

AMERICAS  
€802,227,926  
**34.08%**

ASIA  
€106,744,261  
**4.53%**

OCEANIA  
€9,899,219  
**0.42%**

AFRICA  
€911,498  
**0.04%**



Assets invested through open-end funds are invested through managers of these funds in equities, debt instruments, cash/ money markets and other corporate and sovereign financial instruments. At the end of year KPST had direct and indirect investments in financial instruments through 2,099 issuers globally (2020: 2,705).

NO.	COUNTRY	%	ASSETS
1.	USA	32.4%	€762,700,613
2.	Kosovo	22.8%	€536,279,867
3.	France	6.6%	€156,416,760
4.	UK	6.5%	€152,937,075
5.	Ireland	3.7%	€87,133,165
6.	Italy	2.7%	€62,618,475
7.	Germany	2.3%	€53,377,232
8.	Luxemburg	2.2%	€51,099,797
9.	Denmark	2.2%	€50,770,656
10.	Switzerland	1.8%	€43,038,461
11.	Japan	1.7%	€40,059,308
12.	Sweden	1.3%	€30,540,088
13.	Netherlands	1.2%	€27,351,899
14.	Spain	1.1%	€25,524,881
15.	China	1.0%	€24,303,561
16.	Canada	0.9%	€21,236,727
17.	Finland	0.8%	€19,477,899
18.	Guernsey	0.7%	€15,704,202
19.	Jersey	0.6%	€14,589,079
20.	Hong Kong	0.5%	€11,967,709
21.	India	0.4%	€8,893,644
22.	South Korea	0.4%	€8,861,493
23.	Australia	0.4%	€8,597,005
24.	Israel	0.3%	€7,739,813
25.	Taiwan	0.3%	€6,602,674
26.	Belgium	0.2%	€5,727,518
27.	Norway	0.2%	€3,640,525
28.	Singapore	0.1%	€3,383,762
29.	Austria	0.1%	€1,816,286
30.	Brasil	0.1%	€1,456,652
31.	Indonesia	0.1%	€1,359,028
32.	Portugal	0.1%	€1,283,932
33.	New Zeland	0.1%	€1,232,863
34.	Poland	0.0%	€931,781
35.	South Africa	0.0%	€874,711
36.	Argentina	0.0%	€750,143
37.	Turkey	0.0%	€552,444
38.	Thailand	0.0%	€509,032
39.	Uruguay	0.0%	€254,972
40.	Chile	0.0%	€217,386
41.	Other	4.3%	€102,089,579

## MAIN ISSUERS

21% of all assets were invested in the Treasury of the Republic of Kosovo

The list of the top 25 issuers (out of a total of 2,099) is presented below. KPST is exposed to these issuers indirectly, through investment funds, while placements in the Treasury of the Republic of Kosovo, long-term deposits (in local and international banks) are direct.

As presented, the Treasury of the Republic of Kosovo convincingly consisting the largest placement in a single entity. The exclusiveness of this year is that other investments in individual entities are much lower than in previous years. Also, investment in the US Treasury is the lowest historically.

Legal restrictions require the KPST not to 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% in bonds rated BB+ or lower.

KPST has not exceeded any of these restrictions for investments in a single issuer as of 31 December 2021.

NO.	ISSUER	ASSETS (in million)	ASSET ALOCATION
1.	Treasury of the Republic of Kosovo	€491.5	20.9%
2.	Barclays Plc	€31.4	1.3%
3.	Groupe BPCE	€29.9	1.3%
4.	Treasury of the USA	€27.4	1.2%
5.	Alphabet Inc	€21.2	0.9%
6.	UniCredit SpA	€19.4	0.8%
7.	Groupe Credit Mutuel	€19.2	0.8%
8.	Societe Generale SA	€18.9	0.8%
9.	Credit Agricole SA	€17.4	0.7%
10.	Nordea Bank Abp	€16.7	0.7%
11.	Svenska Handelsbanken AB	€14.9	0.6%
12.	Enel SpA	€14.3	0.6%
13.	Forenet Kredit FMBA	€14.1	0.6%
14.	Microsoft Corp	€13.9	0.6%
15.	Johnson & Johnson	€13.4	0.6%
16.	Intesa Sanpaolo SpA	€13.3	0.6%
17.	Coca-Cola Co	€13.3	0.6%
18.	Novo Nordisk Fonden	€12.9	0.6%
19.	BNP Paribas SA	€12.9	0.6%
20.	Medtronic PLC	€12.8	0.5%
21.	Cisco Systems Inc	€11.6	0.5%
22.	Accenture PLC	€11.2	0.5%
23.	Volkswagen AG	€10.9	0.5%
24.	Nike Inc	€10.8	0.5%
25.	Prologis Inc	€10.3	0.4%

## ASSET CLASSES

Bonds counted for 33.2% of total invested assets

At the end of 2021, €2,353,902,699 were allocated according to these asset classes: €373,864,245 or 15.9% of total assets in cash; €559,133,595 or 23.8% in debt instruments; €779,433,438 or 33.1% of total assets in multi-assets; €215,974,819 or 9.2% in real assets and €425,496,602 or 18.1% in shares.

As indicated, most of the invested assets were in the multi-asset class (33.1%), as this product offers the most optimal ratio between return on investment and risk assumed. Debt instruments comprised 33.2% of the KPST assets invested directly and indirectly at the end of the year.

Investments in Kosovo, which are only for investments in securities issued by the Government of the Republic of Kosovo, despite not having a rating, are assessed de facto by the law with high security of return on investment.

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 60.8% and hedged in USD 15.5%. The rest (23.7%) hedged in GBP, DKK, HDK and JPY.

### RATING OF PLACEMENTS ON DEBT INSTRUMENTS AND INDIRECT CASH INSTRUMENTS

RISK	RATING	QUALITY OF PLACEMENT	PERCENTAGE OF DEBT INSTRUMENTS AND CASH
	--	Investments in Kosovo	20.9%
	--	Outside Kosovo (unrated)	2.1%
	AAA	Prime	2.1%
	AA	High	1.2%
	A	Upper middle tier	4.8%
	BBB	Lower middle tier	1.2%
	BB	Speculative	0.6%
	B	Highly speculative	0.2%
	C and below	High risk	0.1%



## INVESTMENT PERFORMANCE

The gross return from investment and other income was €227.5 million or an increase of 10.7% of the unit price KPST closed 2021 with a very satisfactory result from investments, with a gross return amounting to €227 million. This nominal figure is the highest since the establishment of the institution. Whereas the increase in unit price this year was 10.65%, compared to the increase of 3.03% in 2020. In total, pension assets increased by €365 million this year, amounting to €2.35 billion. At the end of 2021, about 77% of assets under management were invested in international

Gross return for the year was €227.5 million or an increase of 10.7% of the unit price

financial markets, while the rest in Kosovo - according to the criteria set by law. Investments in international financial markets continue to contribute to around 95% of total investment performance.

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

ALLOCATION	AVERAGE ALLOCATION (in million)	GROSS RETURN
Vanguard - GSIF	€140.1	€29,612,816
BNY Mellon - RRF	€369.2	€29,675,169
AXA - GILB	€50.9	€(2,301,249)
Nordea 1 - GSEF	€76.1	€16,766,115
Nordea 1 - SRF	€355.5	€42,909,788
Amundi - 3M-I	€145.8	€(771,607)
BNP Paribas - PDP	€60.7	€3,033,709
S&P500 Minvol ETF	€10.4	€2,222,124
MSCI Minvol ETF	€13.3	€2,726,942
Invesco QQQ ETF	€63.9	€20,707,556
USCF US Oil ETF	€34.3	€8,226,189
Amundi MSCI Qual	€56.3	€14,067,874
FirstT CybrSec ETF	€31.3	€12,279,368
LG eCom Logst ETF	€31.7	€4,283,683
SP OilGas Expl ETF	€21.3	€4,419,354
Pacer Indust ETF	€15.3	€4,177,595
VG Real Estate ETF	€19.4	€5,725,909
Glob xUS Infr ETF	€12.8	€5,795,963
iShare US Infr ETF	€19.4	€4,153,863
Inv Bas Metals ETF	€21.0	€5,703,090
BNP Clim. Impact	€19.6	€(255,289)
T.Rowe Glob Tech	€19.1	€(2,012,883)
Amund CPR Disrupt	€24.6	€(800,730)
AXA Digital Econ	€23.8	€(1,059,033)
GS Millennials	€2.2	€825,699
Schroder ISF GSG	€20.4	€751,368
FirstT Green ETF	€4.0	€3,393,986
iSh. Glb Clean ETF	€3.5	€(164,274)
Other - Dividends from open-end funds (ETFs)	--	€1,240,327
<b>TOTAL</b>	<b>€1,797.3</b>	<b>€215,333,422</b>

## PERFORMANCE VS BENCHMARK

The Governing Board has established the Consumer Price Index (CPI) in Kosovo as published by the Kosovo Agency of Statistics as a benchmark to achieve and outperform the investment of pension assets.

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 pension contributions

The positive return from KPST investments of +10.7% significantly exceeded the inflation rate for 2021, which was 3.4%.

KPST continued to be significantly better than its founding benchmark, in 2002. For this period, KPST had an increase in the unit price of 72.2% against the increase of 48.4% of CPI in Kosovo.

COMPARISON OF KPST UNIT PRICE AND KOSOVO CPI SINCE KPST INCEPTION TO THE END OF 2021



# 04

## CONTRIBUTION AND RETIREMENT

First-time contributing and dormancy

Contributions

When and how can pension savings be withdrawn?

Retirements and benefit payments



## CONTRIBUTING AND DORMANCY

Collected annual contributions increased by 9.8%, while the benefit payments increased by 6.5%

KPST calls active contributors persons who pay contributions for the reporting year, in this case for 2021. On the other hand, KPST calls initiating contributors the active contributors, 10.3% of them, who pay for the first time contributions in and for 2021 (2020: 9.1%).

The first-time contributors numbered a total of 43,121, while there were 16,647 others (2020: 27,325), or 4.0% (2020: 7.1%) of active contributors, who ceased contributing (contributed in 2020 but not in 2021); and this number does not include 7,239 contributors from whose accounts the savings were withdrawn during 2021.

Meanwhile, 11.8% of first-time contributors in 2021 were employed<sup>(1)</sup> for the first time at the age of 40+ (2020: 14.6%).

The average age of the first-time contributors was 26 years old, while 68% of them were 25 years old or younger (2020: respectively 27 and 57% of them were 25 years old or younger).

The self-employed persons, who accounted for about 1.8% of the initiating contributors (2020: 2.1%), continued to be on average older. Their average age was just over 34, and 54% of them were 33 years old or younger. The share of women contributing for the first time was 70.5% for the employed persons (2020: 52.5%); and 34.4% (2020: 29.7%) for the self-employed persons.

On the other hand, women became passive this year at lower rates than they are starting to contribute, thus accounting for 41.5% of the employed and 27.3% of the self-employed who became passive (2020: 39.5% and 25.3% respectively), but a little more than the previous year.

The passiveness of contributors again this year mostly occurred to the age group 19-25 years old (2020: 19-24 years old). Furthermore, 50% of 2021 contributors who were passive during the year, were 27 years or younger among employees, and 39 years or younger among self-employed persons (2020: 50% of contributors aged 28 and 38, respectively).

The percentage of contributors (excluding the self-employed persons) who became passive in 2020 but returned to the contribution scheme in 2021 was significantly lower than the previous year, with only 5.7% (2020: 10.3%).

Data analysis for the last five years reveals that 214,974 employed contributors, and 18,597 self-employed contributors, have contributed at least one month in each of these five years (2020: 201,167 and 18,585).

## CONTRIBUTIONS

There have been €2,189.3 million contributions collected since the establishment of the institution

Contributions collected in 2021 amounted to €213.5 million (2020: €194.4 million), which were payments of pension contributions made by employees and the self-employed persons during that year.

Contributions collected in 2021 increased by 9.8% compared to the previous year. In 2020, they increased by 4.1% and in 2019 by 7.9%.

Contributions that are not under management are withdrawn upon payment of pensions or refunds and are no longer part of the fund. We had 5,701 new employers this year, with a slight contraction of 2.3% from the previous year (2020: 5,569).

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

While we had a smaller number of new employers in 2021, this year it turns out that we had even fewer inactive employers, by almost 8%, dropping to 4,639 inactive employers (2020: 5,032). It is, at least, positive that we had fewer inactive employers this year.

Employers considered passive by KPST are businesses or institutions or organizations that have contributed to employees during the previous year but not in the reporting year.

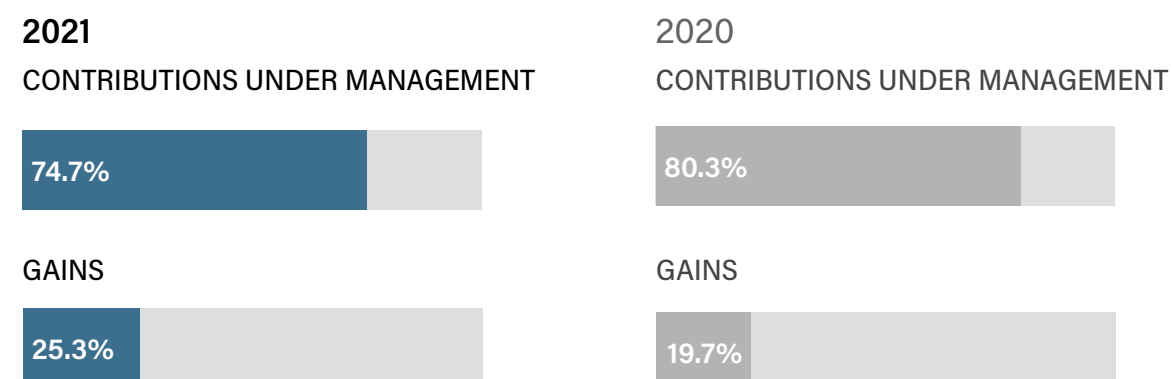
On the other hand, the number of active contributors at the end of 2021 reached 419,657, which was thus by 8.3% higher than the last year (2020: 387,526).

At the year end, the average balance sheet for all contributors' pension saving increased at the end of the year by 12.5% and reached €3,921 (2020: €3,486).

### CONTRIBUTIONS COLLECTED AND AUM

YEARS	COLLECTED CONTRIBUTIONS (in million)	AUM (CONTRIBUTIONS + GAINS) (in million)
2002-2017	€1,422.2	€1,635.0
2018	€172.7	€46.6
2019	€186.6	€285.9
2020	€194.4	€20.6
2021	€213.4	€365.1
CUMULATIVE	€2,189.3	€2,353.2

### 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).

## RETIREMENTS AND BENEFIT PAYMENTS

Profit generated from the withdrawn benefits in 2021 was 24.6% - the highest ever

From 1 January to 6 April 2021, we had two categories of pensions in KPST: 1) Ordinary pensions (old-age pensions, deaths, disability and non-residents), and 2) 10% withdrawal (which closed on 7 April 2021). The data, in value, will be presented aggregately, since for this period the 10% withdrawn amount was significantly lower than in December 2020.

The total funds paid for these categories was €65.5 million, consisting of nominal contributions of €49.4 million and generated profits of €16.1 million (2020 - including 10%: €235.0 million, €188.6 million and €46.4 million respectively) 7,239 people benefited from ordinary pensions alone.

The total of accounts with permanent withdrawal since the inception reached 61,114. For the 10% withdrawal, 29,806 beneficiaries applied during the period from 1 January to 6 April 2021 withdrawing €12.6 million.

The number of persons who in 2021 were reimbursed after reaching retirement age (65 years) was 5,250 or 72.5% of approved applications (2020: 4,997, or 70.6%). In addition to them, there were 1,196 withdrawals from

the heirs of contributors who died before retirement (2020: 1,110), thus constituting 16.5% of the approved applications (2020: 15.7%).

As to disability reasons, 695 people, 9.6% of the total number, withdrew their pension savings (2020: 928 or 13.1%).

There were 98 cases of contributors, with the non-resident status of Kosovo, who withdrew pension savings this year, or 1.4% of retired accounts (2020: 43 cases and 0.6% of the total).

The profit generated for all retired accounts in 2021 was €16.1 million or 24.6% - the highest ever. The level of profit generated in 2020 was 19.7%, while in 2019 it was 20.3%.

From the establishment until the end of 2021, a total of €503.9 million were withdrawn, with a generated profit of €95.0 million or 18.9%, of which contributions paid consisted of €408.9 million.

## WHEN AND HOW CAN PENSION SAVINGS BE WITHDRAWN?

According to the legislation in force, pension savings can be withdrawn in the KPST by the contributor or heir in the following cases:

- When the retirement age is reached (currently by law age 65 is set);
- When receiving disability assistance from MLSW;
- When he dies before retirement, in which case his / her legal heirs attract everyone the savings balance;
- In cases where foreign nationals have paid pension contributions without being obliged legally.

### HOW CAN PENSION SAVINGS BE WITHDRAWN?

#### 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, BKT, NLB Prishtina, Banka

Per Biznes or Banka Ekonomike, thus taking advantage from specific treatment, as per KPST contract with those banks.

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 €3,000<sup>1)</sup> 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 €200<sup>1)</sup>: 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.

<sup>1)</sup> The minimum monthly amount and the threshold are set by CBK regulations.

## WITHDRAWALS

PERIOD	PAID CONTRIBUTIONS (in milion)	GAINS COLLECTED (in milion)	WITHDRAWALS OF BENEFITS (in milion)	GAIN IN PERCENTAGE
2004-2016	€82.0	€9.8	€91.8	10.7%
2017	€22.1	€5.7	€27.7	20.6%
2018	€24.8	€6.5	€31.3	20.8%
2019	€41.9	€10.7	€52.6	20.3%
2020	€188.6	€46.4	€235.0	19.7%
2021	€49.4	€16.1	€65.5	24.6%
<b>TOTAL</b>	<b>€408.9</b>	<b>€95.0</b>	<b>€503.9</b>	<b>18.9%</b>



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?"

## ACTIVE CONTRIBUTION

This chapter summarises main demographic data for participants of KPST in 2021 and compares them to the previous year

It is important to note that this Chapter presents the analysis results only for active contributors, and not all KPST account holders, who from the establishment until the end of 2021 reached 752,586 accounts. It should be considered that this number also includes the permanently retired accounts (as of the end of 2021, namely 61,114).

The number of active contributors is presented for each month in the last five years (in the table on the following page) as well as the annual average for each year. The number of contributors for each month represents the commitment of contributors for each month and is not cumulative. From the monthly data, it is noticed that the end of the quarter is always manifested by a higher number of contributors. This is because the self-employed persons make reports and payments for the quarter and not every month, like the employees, so this is the difference.

This year there were roughly 315,722 active contributors (2020: 298,845). 392,974 persons appeared with at least one contribution as employed and 21,604 as self-employed persons during the year; 5,073 contributors are double-counted in these figures, who appear during 2021 both as employed and as self-employed persons.

In 2021, we had mainly an increase in the number of active contributors and just two months (March and April) we had fewer active contributors than the previous year. However, as there were over 45 thousand new accounts in 2021, on average the number of active contributors in 2021 is by 16,877 higher than the previous year.

The average balance of active accounts at the end of 2021 amounted to €5,412 (2020: €4,963), or an increase of 9.0%. The increase in the average balance is mainly due to the extremely satisfactory return on investment for 2021 and not to the increase in the value of the contribution. These balances (on average) are low and they can finance (if phased withdrawn by €200 per month) only 27 months for active accounts. While in the total accounts, the average balance is even lower (only €3,921).

The relatively low level of the average balance of all accounts is affected by the fact that the number of accounts with a low balance is quite large. Also the number of those contributors who are in the scheme from the beginning or have continuous contributions with average salary is low. Another impact was the very

low average participation and contribution, especially in the first 10 years.

But, on the other hand, the contributors who are in the KPST scheme from the beginning to the end of 2021, and have contributed continuously, at least by the average salary of the country, have saved over 10 thousand euros. This is despite the fact that the withdrawal of 10% has reduced all these balances, which otherwise would have been even higher. The example of balance over 10 thousand euros illustrates the importance of early and continuous contribution to ensure a more dignified pension.

It is important to make some comparisons between the number of the active working-age population in Kosovo and active contributors to KPST. According to the Kosovo Agency of Statistics, in the Q1 2021 report on the labour market in Kosovo, the working-age population in the country (aged 15 to 64) is 1,225,729. While the active workforce (according to KAS) is calculated to be 483,823, the rest is calculated as passive.

Under these conditions, it turns out that 315,722 employed and the self-employed persons (with an estimate of the average annual engagement) who contributed to the KPST during 2021 constitute only 65.3% of the active workforce (483,823). This number, however, is too low to aim for Kosovo citizens to have sufficient pension savings for the post-retirement age in the long run.

Although in recent years we have had a significant increase in new accounts opened for contributors to KPST, as an indicator of the transition to the formal labour market, it is the first time in KPST that the annual average exceeds the figure of more than 300 thousand active contributors during the year.

The KPST is emphasizing and reiterating these facts, believing that in this way it is fulfilling a part of its social responsibility: that every citizen of Kosovo should have saved enough for his/her pension, to enable him/her a safer live in financial terms. On the contrary, with this contribution trend, it cannot be planned that most of today's employees will be able to have a dignified pension from pension savings in KPST and thus risk continuing to be a burden to the country and/or society.

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

	2021	2020	2019	2018	2017
JANUARY	291,571	278,915	265,810	254,268	238,031
FEBRUARY	296,573	281,309	271,033	256,465	241,219
MARCH	330,988	333,976	296,655	282,113	270,207
APRIL	303,679	321,387	277,462	263,754	249,328
MAY	306,769	258,718	279,096	265,939	250,899
JUNE	328,749	304,820	303,988	291,169	279,997
JULY	312,725	287,817	284,046	269,660	272,449
AUGUST	311,886	289,344	284,911	269,993	256,649
SEPTEMBER	332,912	313,612	308,340	294,384	282,256
OCTOBER	324,599	298,224	294,570	271,550	277,593
NOVEMBER	320,014	298,792	290,682	272,332	272,394
DECEMBER	328,195	319,225	307,393	293,741	285,979
ANNUAL AVERAGE	315,722	298,845	288,666	273,781	264,750

**EXPLANATION:** Data on the number of active contributors for the last five years from this year are presented for each month separately, according to the number of contributors, and not in cumulative number, as until 2020.



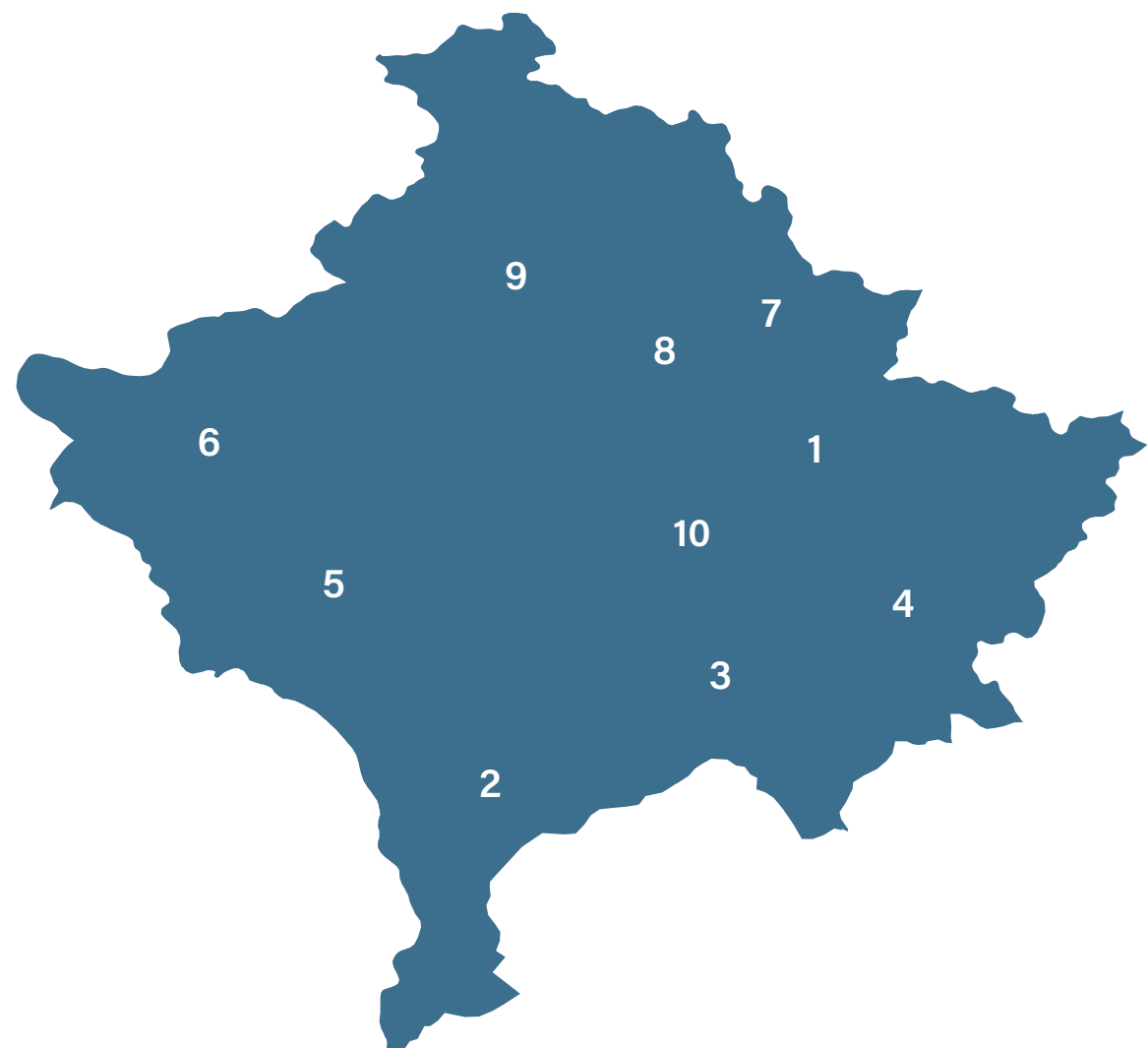
## GEOGRAPHIC DISTRIBUTION

Since a large part of the contributors (about 18% of them) are paid by the Ministry of Public Administration, the office of which is registered in Prishtina, we are not able to analyze where the contributors worked during the year. This is why KPST presents only analyses based on the addresses of contributors in the municipalities that KPST maintains its registers, and it is not possible to use other data of the geographical area.

It is very positive that in 2021 it turns out that we had an increase in the number of active contributors in all 38 municipalities of the country compared to the previous year. We usually have the most significant increase in the number of active contributors in the years when

elections take place, and it happened that in 2021 we had two sets of elections: general (national) and municipal. But this year, it is thought that the factors that stimulated the declaration of employees (from the Government recovery packages) as well as the positive impact on the awareness of contributors from the 10% withdrawal - which occurred in late 2020 and early 2021, had a great impact in this regards.

While Prishtina continues to dominate in number, in the top ten municipalities with the most contributors, Gjakova had the highest percentage increase (with 11.1%), Lipjan (with 11.0%) and Podujeva (with 10.2%).



NO.	MUNICIPALITY	NO. OF CONTRIBUTORS	PARTICIPATION	CHANGES FROM 2020	
				IN NO.	IN %
1.	PRISTINA	75,713	18.0%	4,252	6.0%
2.	PRIZREN	34,465	8.2%	2,860	9.0%
3.	FERIZAJ	26,147	6.2%	2,159	9.0%
4.	GJILAN	23,828	5.7%	1,477	6.6%
5.	GJAKOVA	23,161	5.5%	2,317	11.1%
6.	PEJA	23,008	5.5%	1,574	7.3%
7.	PODUJEVA	20,198	4.8%	1,862	10.2%
8.	VUSHTRRI	17,163	4.1%	1,312	8.3%
9.	SOUTH MITROVICA	16,855	4.0%	1,245	8.0%
10.	LIPJAN	14,281	3.4%	1,419	11.0%
11.	GLLOGOC	13,717	3.3%	1,049	8.3%
12.	SUHAREKA	11,709	2.8%	760	6.9%
13.	FUSHE KOSOVE	11,494	2.7%	1,074	10.3%
14.	SKENDERAJ	11,085	2.6%	1,012	10.0%
15.	RAHOVEC	9,558	2.3%	803	9.2%
16.	MALISHEVA	8,812	2.1%	771	9.6%
17.	ISTOG	8,610	2.1%	781	10.0%
18.	VITI	8,493	2.0%	804	10.5%
19.	KLINA	7,162	1.7%	728	11.3%
20.	KAMENICA	6,937	1.7%	564	8.8%
21.	KACANIK	6,838	1.6%	535	8.5%
22.	OBILIQ	6,603	1.6%	718	12.2%
23.	DECAN	6,176	1.5%	751	13.8%
24.	SHTIME	5,701	1.4%	455	8.7%
25.	DRAGASH	4,791	1.1%	566	13.4%
26.	GRACANICA	2,397	0.6%	341	16.6%
27.	SHTERPCE	1,756	0.4%	221	14.4%
28.	HANI I ELEZIT	1,678	0.4%	88	5.5%
29.	LEPOSAVIQ	1,540	0.4%	301	24.3%
30.	NORTH MITROVICA	1,538	0.4%	315	25.8%
31.	ZUBIN POTOK	1,097	0.3%	243	28.5%
32.	ZVECAN	921	0.2%	146	18.8%
33.	JUNIK	710	0.2%	105	17.4%
34.	MAMUSHA	672	0.2%	111	19.8%
35.	NOVOBERDA	660	0.2%	148	28.9%
36.	KLLOKOT	582	0.1%	126	27.6%
37.	RANILLUG	550	0.1%	127	30.0%
38.	PARTESH	394	0.1%	91	30.0%
	OTHER*	2,657	0.6%	-2,087	-44.1%

\*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 2021 increased slightly to 41.0 years from 40.9 in the previous year. While the median of all contributors increased a little more, to 39 years old, from 38 years old that was a year ago. The mean age by gender recorded slight

AVERAGE - MEN:

43.1



AVERAGE - WOMEN:

37.2



MEDIAN - MEN:

41.0



MEDIAN - WOMEN:

35.0



The increase in the number of employees in the age group 15-24 years, accounting for 18.1% (from 16.0%) of all contributors was positive this year.

While all other age groups turn out to have slightly decreased from the previous year. This made the number of contributors up to the age of 44 occupy 69.5% this

AGE GROUP	2021	2020
15-24	18.1%	16.0%
25-34	28.7%	29.0%
35-44	22.7%	23.3%
45-54	17.6%	18.2%
55-64	12.0%	12.5%
65+	0.9%	1.0%

movements, for men it reached 43.1 years (from 42.6 years) while the median reached 41.0 years (from 40.0 years). For women, the average dropped slightly to 37.2 years (from 37.8 years), while the median remained the same at 35.0 years.

year from 68.3% in the previous year. Also, the entry of more young people into the labour market enables the preservation of the average age, as evidenced by a very slight increase in the average age of all employees. In this area, there are many indicators that converge in that more women are entering the labour market at a young age.

## CONTRIBUTORS BY TYPE OF ENTERPRISE

The type of enterprise is determined according to their registration in the Kosova Business Registration Agency or 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, 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.

Also, the number of contributors by enterprises does not match the number of active contributors for the year because a contributor appears more than once in the figures by enterprises- if he/she is employed in two or more types of enterprises.

It is quite positive that in 2021 all sectors result in a larger number of contributors than in the previous year, except for budget organizations. But in budget organizations, as we have explained in the 2020 report, this happened because the payments executed by the Ministry of Finance for the recovery of citizens affected

by the pandemic are technically presented as engaged in budget organizations. The reasons for the increase in the number of contributors may be several: incentive measures by the Kosovo Government for recovery, reducing the degree of the informality of employees but also holding two sets of elections, which requires the engagement of staff to conduct and monitor the electoral process.

In addition to the number, it turns out that we had (generally) an improvement in the engagement coefficient this year. This is indicative of the fact that in 2021 the economy was less under lockdown measures than in 2020 when the pandemic broke out. The only case with a decrease in the engagement coefficient is in the self-employed persons, where the increase in the number of contributors is minimal. This is an indication that these types of enterprises have been hit hardest by the Covid-19 pandemic.

The highest engagement rate this year was in joint-stock companies but decreased from the previous year.

ENTERPRISE TYPE	2021			2020		
	CONTRIBUTORS IN NUMBER	COEFICIENT OF ENGAGEMENT	EQUIVALENT CONTRIBUTORS	CONTRIBUTORS IN NUMBER	COEFICIENT OF ENGAGEMENT	EQUIVALENT CONTRIBUTORS
Budget organisations	132,438	0.675	89,396	353,364	0.409	144,526
LLCs	216,890	0.601	130,351	179,829	0.576	103,582
Individual businesses	74,262	0.653	48,493	72,137	0.590	42,561
Self-employed	26,677	0.655	17,473	26,648	0.784	20,892
Joint stock companies	28,293	0.748	21,163	27,347	0.810	22,151
NGOs	25,385	0.383	9,722	22,510	0.380	8,554
Partnerships	3,230	0.649	2,096	3,160	0.599	1,893
Others	16,259	0.452	7,349	10,776	0.584	6,293







## AVERAGE CONTRIBUTIONS

As 2020 recorded the highest decrease in the average monthly contribution, in 2021 the category of employees exceeded the level of the average monthly contribution even before the pandemic. The average monthly contribution in 2021 amounted to €45.32 from €42.85 in the previous year. However, it was rather unsatisfactory that this increase in the average monthly contribution was more significant in men than in women.

On the other hand, the self-employed persons recorded an increase in the average monthly

contribution to €33.36 (from €32.04 in the previous year) but were still at the level of the pre-pandemic average monthly contribution.

The increase in the average monthly contribution is reflected in all age groups in 2021, but the highest was in the age group 25-34 years old and 45-54 years old.

Slightly positive movements are also observed in employees for all age groups.

### AVERAGE MONTHLY CONTRIBUTIONS

YEAR	EMPLOYED	SELF-EMPLOYED
2019	€44.38	€33.96
2020	€42.85	€32.04
2021	€45.32	€33.36

### AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

AGE	2021		2020		2019	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
15-24	€29.75	€20.63	€27.62	€20.09	€28.81	€20.82
25-34	€42.68	€25.77	€38.57	€24.98	€41.00	€25.82
35-44	€51.82	€33.99	€47.86	€32.42	€51.09	€35.37
45-54	€53.12	€35.70	€49.02	€34.99	€51.30	€37.16
55-64	€56.37	€39.40	€54.58	€37.10	€57.02	€39.40
65+	€68.57	€40.33	€65.75	€40.31	€64.32	€36.43

### AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

YEAR	WOMEN		MEN	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
2019	€40.59	€26.53	€46.47	€35.63
2020	€40.07	€25.86	€44.41	€33.45
2021	€40.36	€26.72	€48.67	€34.96



## LEVEL OF CONTRIBUTING

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

As we have consistently pointed out, this minimum wage level is too low to ensure a pension saving balance that would provide adequate security at retirement age.

Despite the low level of contribution, the number of employees declaring below the legally required minimum is still occurring.

The number of contributors who have paid contributions below the

minimum has increased in 2021, especially among those under 35 years old.

Even more concerning is the fact that the number of contributors for whom only the legal minimum required has been paid has increased significantly, especially in the category over 35 years old. From 0.66% who had paid the minimum for this age group in 2020, this figure in 2021 reached 2.24%.

A slightly better situation of monthly contribution against this legal criterion has been observed among the self-employed persons, but there we have significantly lower monthly levels.

### THE LEVEL OF CONTRIBUTING BY THE EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS	3.89%	0.25%	46.70%
OVER 35 YEARS	2.64%	2.24%	44.27%

### THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS	0.21%	8.77%	14.12%
OVER 35 YEARS	5.31%	36.96%	34.64%

## "HOW MUCH SHOULD YOU SAVE?"

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

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

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

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

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

Life annuities are not yet being offered in Kosovo, and without such products in the market it is difficult to gauge the savings balance required to purchase the minimum life annuity. On the other hand, it is somewhat difficult to believe that savings below €25,000 (at present value), would suffice to purchase a life annuity.

With this amount as a target, a person getting employed at the age of 25 and who works until retirement without receiving a raise, must contribute €41.50 each month (both employee and employer).

But if the same person receives a 1% pay raise each year and have the same target, they would need to start with monthly contributions of €34.30 and on the year preceding their 65th birthday their contributions would need to be €74.23 per month.

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

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

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

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.

On the following page we have presented our proposals for legal amendments / changes on the most important current issues in the field of mandatory pension savings.

## 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 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. RESTRICTIONS ON ALTERNATIVE 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. RESTRICTIONS ON INVESTMENT IN KOSOVO GOVERNMENT T-BONDS

It is necessary to remove the current legal restrictions on investments in bonds of the Republic of Kosovo. The current legal limitation that only up to 30% of the total assets under management can be invested in the bonds of the Government of the Republic of Kosovo should be reviewed to allow the possibility for more investments in this instrument.

Also we propose to be reviewed the other legal restriction that stipulates that the KPST only can offer up to 50% of the amount of an auction of treasury bonds issued by the Government of Kosovo.

ANNEX

7

FINANCIAL STATEMENTS  
OPERATIONS



**KOSOVO PENSION SAVINGS TRUST  
OPERATIONS**

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

*As at and for the year ended December 31, 2021*

---

INDEPENDENT AUDITOR'S REPORT .....	1-2
STATEMENT OF FINANCIAL POSITION .....	3
STATEMENT OF COMPREHENSIVE INCOME .....	4
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO KPST OPERATIONS .....	5
STATEMENT OF CASH FLOWS .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7-28





RSM KOSOVO SH.P.K.

Str. Perandori Justinian 62  
Qyteza Pejton  
10 000 Prishtina  
Republic of Kosovo

DL +383 45 666 888

[www.rsm.global/kosovo](http://www.rsm.global/kosovo)

# 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 - Operations ("KPST-O"), which comprise the statement of financial position as at 31 December 2021, 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 2021, 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.

## 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. Those charged with governance are responsible for overseeing the KPST-O financial reporting process.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

### 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.

*RSM Kosovo Sh.p.k.*

RSM Kosovo Sh.p.k.

Prishtina, Republic of Kosovo

22 March 2022

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

Astrit Kelmendi


Engagement Partner



	Notes	As at December 31 2021	As at December 31 2020
		EUR	EUR
<b>Assets</b>			
<i>Current Assets</i>			
Cash in hand and at banks	4	866,077	738,772
Term deposits	5	3,458,954	3,004,880
Kosovo Treasuries	5	1,753,998	1,757,301
Accounts receivable	6	533,072	634,443
Prepaid expenses		14,345	32,406
		<b>6,626,446</b>	<b>6,167,802</b>
<i>Non-current Assets</i>			
Property, plant and equipment	9	681,239	692,674
Right-of-use assets	10	46,459	92,917
Intangible assets	11	30,778	38,627
		<b>758,476</b>	<b>824,218</b>
<b>Total assets</b>		<b>7,384,922</b>	<b>6,992,020</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts payable and accruals	12	1,225,358	1,169,729
Lease liabilities	10	52,482	49,283
		<b>1,277,840</b>	<b>1,219,012</b>
<i>Non-current Liabilities</i>			
Lease liabilities	10	-	52,482
		-	<b>52,482</b>
<b>Net assets of KPST Operations</b>		<b>6,107,082</b>	<b>5,720,526</b>

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 17 March 2022.

  
\_\_\_\_\_  
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 1 to 21 form an integral part of these financial statements

	Notes	Year ended December 31 2021	Year ended December 31 2020
		EUR	EUR
<b>Income</b>			
Fees charged on pension assets	14	8,492,038	8,363,834
Other income	15	126,087	138,616
<b>Total income</b>		<b>8,618,125</b>	<b>8,502,450</b>
<b>Expenses</b>			
<i>Investment expenses</i>			
Open-end vehicle net fees	16	(6,534,931)	(5,494,905)
CBK transfer and maintenance charges		(58,357)	(42,075)
Brokerage and custody expenses		(247,059)	(195,586)
<b>Total investment expenses</b>		<b>(6,840,347)</b>	<b>(5,732,566)</b>
<i>Operational expenses</i>			
Staff costs	17	(653,595)	(615,285)
Governing Board expenses	18	(128,592)	(165,184)
Account statements and correspondence for beneficiaries		(86,520)	(93,379)
Software maintenance		(102,727)	(99,791)
Depreciation and amortisation	9-11	(111,869)	(112,477)
Office operating expenses		(26,606)	(26,859)
CBK supervision charges		(21,024)	(20,238)
Professional services/Contractors/Consultants	20	(21,467)	(17,498)
Lease interest and rental charges for the year	10	(11,046)	(10,229)
External audit		(10,200)	(10,200)
Public education and advertising		(1,308)	(9,492)
Communication		(6,849)	(6,342)
Bank charges		(1,884)	(1,995)
Training, travel and other staff expenses		(1,523)	(1,300)
Other costs		(6,035)	(10,754)
<b>Total operational expenses</b>		<b>(1,191,245)</b>	<b>(1,201,023)</b>
<b>Total expenses</b>		<b>(8,031,592)</b>	<b>(6,933,589)</b>
Provisions for expected credit losses, net decrease / (increase)	5	23	(351)
<b>Net surplus for the year</b>		<b>586,556</b>	<b>1,568,510</b>

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



	Notes	Surplus	Reserve	Total
		EUR	EUR	EUR
<b>As at January 1, 2020</b>		<b>812,400</b>	<b>5,000,000</b>	<b>5,812,400</b>
Net surplus for the year		1,568,510	-	<b>1,568,510</b>
Paid to pension assets (KPST-PA)	<b>13</b>	(1,200,000)	(460,384)	<b>(1,660,384)</b>
<b>As at December 31, 2020</b>		<b>1,180,910</b>	<b>4,539,616</b>	<b>5,720,526</b>
Net surplus for the year		586,556	-	<b>586,556</b>
Paid to pension assets (KPST-PA)	<b>13</b>	(200,000)	-	<b>(200,000)</b>
Reserve replenishment	<b>13</b>	(460,384)	460,384	-
<b>As at December 31, 2021</b>		<b>1,107,082</b>	<b>5,000,000</b>	<b>6,107,082</b>

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

	Notes	Year ended December 31 2021	Year ended December 31 2020
		EUR	EUR
<b>Cash flows from operating activities</b>			
Net surplus for the year		586,556	1,568,510
<b>Adjustments for:</b>			
Depreciation and amortisation	9-11	111,869	112,477
Interest income	15	(73,903)	(110,590)
Net movements in provisions for expected credit loss	5	(23)	351
		624,499	1,570,748
Interest received		73,611	114,703
		698,110	1,685,451
<b>Changes in operating assets and liabilities:</b>			
(Decrease) in lease liabilities - net of discount		(49,283)	(46,256)
Increase in accounts payable / accruals		55,629	185,143
Decrease / (Increase) in accounts receivable / prepaid expenses excluding interest receivable	6	118,976	(29,923)
<b>Net cash flows from operating activities</b>		<b>823,432</b>	<b>1,794,415</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(39,842)	(39,946)
Purchase of software and licenses	11	(6,285)	-
(Increase) in term deposits		(3,450,000)	(3,000,000)
Decrease in / maturity of term deposits		3,000,000	5,259,500
(Increase) in Kosovo Treasuries		-	(1,758,491)
<b>Net cash flows (used in) / from investing activities</b>		<b>(496,127)</b>	<b>461,063</b>
<b>Cash flows from financing activities</b>			
Paid to pension assets (KPST-PA)		(200,000)	(1,660,384)
<b>Net cash flows (used in) financing activities</b>		<b>(200,000)</b>	<b>(1,660,384)</b>
<b>Increase in cash and cash equivalents</b>		<b>127,305</b>	<b>595,094</b>
Cash and cash equivalents at the beginning of the year		738,772	143,678
<b>Cash and cash equivalents at the end of the year</b>	4	<b>866,077</b>	<b>738,772</b>

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 2021 and 2020, the Board of Governors was operating without the non-voting member. From January 2021 onwards, the Board of Governors was also operating without one professional 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 2021 (2020: Director and 29 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, 2021 and 2020. 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:

- **Covid-19-related Rent Concessions** – Amendments to IFRS 16.

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, 2021:

- **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.
- **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-O 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-O 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-O 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-O'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-O's continuing recognition of the assets.

The KPST-O 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-O'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-O 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-O considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the KPST-O'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 2021. 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 2021			As at December 31 2020		
	1-6 Months	6-12 months	12-24 months	1-6 months	6-12 months	12-24 months
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Financial assets</b>						
Cash in hand and at banks	866,077	-	-	738,772	-	-
Term deposits	-	3,458,954	-	-	3,004,880	-
Kosovo Treasuries	-	1,753,998	-	-	-	1,757,301
Account receivables	533,072	-	-	634,443	-	-
	<b>1,399,149</b>	<b>5,212,952</b>	<b>-</b>	<b>1,373,215</b>	<b>3,004,880</b>	<b>1,757,301</b>
<b>Financial Liabilities</b>						
Account payables	1,225,358	-	-	1,169,729	-	-
Lease liabilities	25,836	26,646	-	24,275	25,008	52,482
	<b>1,251,194</b>	<b>26,646</b>	<b>-</b>	<b>1,194,004</b>	<b>25,008</b>	<b>52,482</b>
<b>Maturity gap</b>	<b>147,955</b>	<b>5,186,306</b>	<b>-</b>	<b>179,211</b>	<b>2,979,872</b>	<b>1,704,819</b>

### 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, 2021 and 2020.

	As at December 31 2021		As at December 31 2020	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
<b>Financial assets</b>				
Cash at bank	866,077	866,077	738,772	738,772
Term deposits	3,458,954	3,461,030	3,004,880	3,006,219
Kosovo Treasuries	1,753,998	1,774,136	1,757,301	1,758,949
Accounts receivable	533,072	533,072	634,443	634,443
	<b>6,612,101</b>	<b>6,634,315</b>	<b>6,135,396</b>	<b>6,138,383</b>
<b>Financial liabilities</b>				
Account payables	1,225,358	1,225,358	1,169,729	1,169,729
Lease liabilities	52,482	52,482	101,765	101,765
	<b>1,277,840</b>	<b>1,277,840</b>	<b>1,271,494</b>	<b>1,271,494</b>

##### 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, 2021 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 (2020: EUR 1,750,000). Kosovo Treasuries are not rated.
- **Term Deposits** - consist of term deposits placed with commercial banks in the Republic of Kosovo. As of December 31, 2021, placements were with two banks, 85% in one and 15% in the other (2020: all in a single bank).



### 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, 2021. Net deductions to the impairment provisions for expected losses during the year were EUR 760, making for an end balance as at December 31, 2021 of EUR 888 (2020: net additions of EUR 1,648 and an end balance of EUR 1,648).

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, 2021. Net additions to the provisions for expected losses during the year were EUR 737, making for an end balance as at December 31, 2021 of EUR 2,076 (2020: net deductions of EUR 1,297 and an end balance of EUR 1,339).

**4 CASH IN HAND AND AT BANKS**

	As at December 31 2021	As at December 31 2020
	EUR	EUR
ProCredit Bank - Current account	526,094	290,353
Banka për Biznes – Current account	313,698	317,140
Raiffeisen Bank Kosovo - Current account	772	60,865
Banka Kombëtare Tregtare – Current account	128	45,267
ISh Bankasi – Current account	23,615	23,618
Banka Ekonomike – Current account	806	845
NLB Prishtina - Current account	490	509
TEB Bank – Current account	-	-
Cash in hand	474	175
<b>Total cash in hand and at banks</b>	<b>866,077</b>	<b>738,772</b>

The current accounts of KPST-O 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, 2021 on this account amounted EUR 1,555, of which EUR 144 were receivables on reporting date (2020: interest earned EUR 3,780 of which EUR 600 were receivables).

**5 TERM DEPOSITS AND KOSOVO TREASURIES**

	As at December 31 2021	As at December 31 2020
	EUR	EUR
<b><i>Term deposits</i></b>		
Term deposits gross of provisions for expected credit losses	3,461,030	3,006,219
Provision for expected credit losses	(2,076)	(1,339)
<b>Term deposits net of provisions for expected credit losses</b>	<b>3,458,954</b>	<b>3,004,880</b>
<b><i>Kosovo Treasuries</i></b>		
Treasuries gross of provisions for expected credit losses	1,754,886	1,758,949
Provision for expected credit losses	(888)	(1,648)
<b>Treasuries net of provisions for expected credit losses</b>	<b>1,753,998</b>	<b>1,757,301</b>
<b>Term Deposits and Kosovo Treasuries</b>	<b>5,212,952</b>	<b>4,762,181</b>

As at December 31, 2021 KPST-O investments in term deposits measured at amortised cost consisted of 3 deposits that had original maturities of 1-year, fixed interest rates, an average duration (weighted) of 0.85 years, and average interest rate of 1.77%. The deposits are all placed with commercial banks licensed and operating in the Republic of Kosovo. As at December 31, 2020 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%.

**5 TERM DEPOSITS AND KOSOVO TREASURIES (CONTINUED)**

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
<b>As at January 1, 2020</b>	<b>2,636</b>	<b>-</b>	<b>2,636</b>
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	<b>(1,297)</b>	<b>1,648</b>	<b>351</b>
<b>As at December 31, 2020</b>	<b>1,339</b>	<b>1,648</b>	<b>2,987</b>
Additions to provision due to new placements	2,076	-	2,076
Releases in provision due to maturity / derecognition	(1,339)	(760)	(2,099)
Net movement of provisions for expected credit losses for the year	<b>737</b>	<b>(760)</b>	<b>(23)</b>
<b>As at December 31, 2021</b>	<b>2,076</b>	<b>888</b>	<b>2,964</b>

Provisions for expected credit losses for debt instruments for the year ended December 31, 2021 and 2020 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
<b>As at January 1, 2020</b>	<b>5,268,026</b>	<b>-</b>	<b>5,268,026</b>
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)
<b>As at December 31, 2020</b>	<b>3,004,880</b>	<b>1,757,301</b>	<b>4,762,181</b>
New placements	3,450,000	-	3,450,000
Interest earned	57,162	15,186	72,348
Interest – received	(52,351)	(19,249)	(71,600)
Principal – matured	(3,000,000)	-	(3,000,000)
Net movement of provisions for expected credit loss	(737)	760	23
<b>As at December 31, 2021</b>	<b>3,458,954</b>	<b>1,753,998</b>	<b>5,212,952</b>



**6 ACCOUNTS RECEIVABLE**

	As at December 31 2021	As at December 31 2020
	EUR	EUR
Net receivables from KPST-PA	453,811	553,691
Rebates receivable from open-end funds	79,117	80,152
Other receivables	144	600
<b>Total account receivables</b>	<b>533,072</b>	<b>634,443</b>

As at December 31, 2021 the balance of net receivables from KPST-PA amounting EUR 453,811 consists of fees charged on participants' accounts amounting EUR 441,441 as well as the positive difference from refunds of erroneous contributions amounting EUR 12,370 (2020: EUR 549,569 and positive difference amounting EUR 4,122 respectively); which were received after reporting date.

**7 CONTINGENT ASSETS AND LIABILITIES**

As at December 31, 2021 and 2020, KPST-O had no contingent assets nor liabilities.

**8 COMMITMENTS**

As at December 31, 2021 and 2020, 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
<b>Cost</b>						
<b>As at January 1, 2020</b>	<b>373,823</b>	<b>23,127</b>	<b>67,532</b>	<b>53,365</b>	<b>591,153</b>	<b>1,109,000</b>
Additions for the year	35,941	3,155	850	-	-	39,946
Disposals for the year	(5,233)	(141)	(1,175)	-	-	(6,549)
<b>As at December 31, 2020</b>	<b>404,531</b>	<b>26,141</b>	<b>67,207</b>	<b>53,365</b>	<b>591,153</b>	<b>1,142,397</b>
Additions for the year	38,248	895	699	-	-	39,842
Disposals for the year	(30,608)	(162)	(3,440)	-	-	(34,210)
<b>As at December 31, 2021</b>	<b>412,171</b>	<b>26,874</b>	<b>64,466</b>	<b>53,365</b>	<b>591,153</b>	<b>1,148,029</b>
<b>Accumulated depreciation</b>						
<b>As at January 1, 2020</b>	<b>(287,054)</b>	<b>(20,868)</b>	<b>(45,240)</b>	<b>(53,365)</b>	<b>-</b>	<b>(406,527)</b>
Charge for the year	(40,796)	(1,159)	(7,790)	-	-	(49,745)
Eliminated through disposals	5,233	141	1,175	-	-	6,549
<b>As at December 31, 2020</b>	<b>(322,617)</b>	<b>(21,886)</b>	<b>(51,855)</b>	<b>(53,365)</b>	<b>-</b>	<b>(449,723)</b>
Charge for the year	(43,021)	(1,136)	(7,120)	-	-	(51,277)
Eliminated through disposals	30,608	162	3,440	-	-	34,210
<b>As at December 31, 2021</b>	<b>(335,030)</b>	<b>(22,860)</b>	<b>(55,535)</b>	<b>(53,365)</b>	<b>-</b>	<b>(466,790)</b>
<b>Net book value</b>						
<b>As at December 31, 2021</b>	<b>77,141</b>	<b>4,014</b>	<b>8,931</b>	<b>-</b>	<b>591,153</b>	<b>681,239</b>
<b>As at December 31, 2020</b>	<b>81,914</b>	<b>4,255</b>	<b>15,352</b>	<b>-</b>	<b>591,153</b>	<b>692,674</b>

*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 2021 and 2020 KPST has written off fully depreciated assets.

As at 31 December 2021 and 2020, there are no encumbrances over KPST-0 assets.

**10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

	Right-of-use assets		Lease liabilities
	EUR		EUR
<b>As at January 1, 2020</b>	<b>139,376</b>	<b>As at January 1, 2020</b>	<b>148,021</b>
Additions for the year	-	Interest for the year	7,744
Depreciation for the year	(46,459)	Payments during the year	(54,000)
<b>As at December 31, 2020</b>	<b>92,917</b>	<b>As at December 31, 2020</b>	<b>101,765</b>
Additions for the year	-	Interest for the year	4,717
Depreciation for the year	(46,458)	Payments during the year	(54,000)
<b>As at December 31, 2021</b>	<b>46,459</b>	<b>As at December 31, 2021</b>	<b>52,482</b>

During the year ended December 31, 2021, 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, 2018 until December 31, 2022 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, 2019 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, 2021 the discounted lease liabilities amounting EUR 52,482, all of which are short-term lease liabilities. The undiscounted lease liabilities amount to EUR 54,000, all of which are short-term.

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.



**11 INTANGIBLE ASSETS**

	<b>Software and Licenses</b>
	<b>EUR</b>
<b>Cost</b>	
<b>As at January 1, 2020</b>	<b>455,716</b>
Additions for the year	-
Disposals for the year	-
<b>As at December 31, 2020</b>	<b>455,716</b>
Additions for the year	6,285
Disposals for the year	(92,695)
<b>As at December 31, 2021</b>	<b>369,306</b>
<b>Accumulated amortisation</b>	
<b>As at January 1, 2020</b>	<b>(400,816)</b>
Charge for the year	(16,273)
Eliminated through disposals	-
<b>As at December 31, 2020</b>	<b>(417,089)</b>
Charge for the year	(14,134)
Eliminated through disposals	92,695
<b>As at December 31, 2021</b>	<b>(338,528)</b>
<b>Net book value</b>	
<b>As at December 31, 2021</b>	<b>30,778</b>
<b>As at December 31, 2020</b>	<b>38,627</b>

## 12 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2021	As at December 31 2020
	EUR	EUR
Payables for investment activities	1,125,213	1,059,372
Accruals for printing and mailing member account statements	71,155	70,433
Other accounts payable and accruals	28,990	39,924
<b>Total accounts payable</b>	<b>1,225,358</b>	<b>1,169,729</b>

As at December 31, 2021 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 1,124,470 as well as brokerage fees in the amount of EUR 743 (2020: EUR 1,058,629 and EUR 743 respectively).

## 13 SURPLUS

	2021			2020		
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Income for the year</b>						
Income from fees charged	1,401,622	7,090,416	<b>8,492,038</b>	1,349,172	7,014,662	<b>8,363,834</b>
Other income	126,087	-	<b>126,087</b>	125,599	13,017	<b>138,616</b>
	<b>1,527,709</b>	<b>7,090,416</b>	<b>8,618,125</b>	<b>1,474,771</b>	<b>7,027,679</b>	<b>8,502,450</b>
Expenses for the year	(1,191,245)	(6,840,347)	<b>(8,031,592)</b>	(1,201,023)	(5,732,566)	<b>(6,933,589)</b>
Provisions for expected credit losses, net (increase) / decrease	23	-	<b>23</b>	(351)	-	<b>(351)</b>
<b>Surplus for the year</b>	<b>336,487</b>	<b>250,069</b>	<b>586,556</b>	<b>273,397</b>	<b>1,295,113</b>	<b>1,568,510</b>
Surplus at the start of the year	1,004,127	176,783	<b>1,180,910</b>	730,730	81,670	<b>812,400</b>
Return of surplus to KPST-PA and reserve replenishment	(660,384)	-	<b>(660,384)</b>	-	(1,200,000)	<b>(1,200,000)</b>
<b>Surplus at the end of the year</b>	<b>680,230</b>	<b>426,852</b>	<b>1,107,082</b>	<b>1,004,127</b>	<b>176,783</b>	<b>1,180,910</b>

During 2021 the Governing Board decided to refund EUR 200,000 to contributors' pension assets (KPST-PA) from surpluses from operating activities leaving a total net surplus balance of EUR 1,107,082 as of December 31, 2021. During 2020 the Governing Board had decided to refund EUR 1,200,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a net surplus balance of EUR 1,180,910 as of December 31, 2020.

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 financed by the reserve, with the reserve replenished during the 2021 from the surplus from operating activities as decided by the Governing Board.

#### 14 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
Fees charged for investment activities	7,090,416	7,014,662
Fees charged for operational activities	1,401,622	1,349,172
<b>Total fees charged on pension assets</b>	<b>8,492,038</b>	<b>8,363,834</b>

Fees are accrued on daily basis according to the formula:

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

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-0 for the year ended December 31, 2021 amounted EUR 8,492,038 (2020: EUR 8,363,834).

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, 2020	June 4, 2020	0.370% p.a.	0.069% p.a.	0.439% p.a.
June 5, 2020	November 21, 2021	0.330% p.a.	0.065% p.a.	0.395% p.a.
November 22, 2021	December 31, 2021	0.320% p.a.	0.065% p.a.	0.385% p.a.

#### 15 OTHER INCOME

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
<i>Operational activities</i>		
Interest income from deposits and current account	73,903	110,590
Net income from contribution refunds	52,073	14,629
Other income from operating activities	111	380
	<b>126,087</b>	<b>125,599</b>
<i>Investment activities</i>		
Rebate by AXA-WFOI	-	13,017
	-	<b>13,017</b>
<b>Total other income</b>	<b>126,087</b>	<b>138,616</b>

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, 2021 the net income from contribution refunds amounted EUR 52,073 (2020: net income amounting EUR 14,629).



**16 OPEN-END VEHICLE NET FEES**

	Year ended December 31 2021			Year ended December 31 2020		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
			-			
Vanguard – GSIF	272,609	(50,236)	<b>222,373</b>	82,423	(12,489)	<b>69,934</b>
BNY Mellon – RRF	2,169,117	-	<b>2,169,117</b>	1,825,958	-	<b>1,825,958</b>
AXA – GILB	230,413	(21,173)	<b>209,240</b>	367,298	(38,368)	<b>328,930</b>
Nordea 1 - GSEF	315,610	-	<b>315,610</b>	340,965	-	<b>340,965</b>
Nordea 1 - SRF	1,993,231	-	<b>1,993,231</b>	1,657,538	-	<b>1,657,538</b>
Amundi – 3M I	90,051	(40,094)	<b>49,957</b>	107,341	(48,004)	<b>59,337</b>
BNP Paribas – PDP	485,936	(128,191)	<b>357,745</b>	802,218	(211,086)	<b>591,132</b>
S&P500 MinVol ETF	25,132	-	<b>25,132</b>	77,913	-	<b>77,913</b>
MSCI EU MinVol ETF	34,009	-	<b>34,009</b>	67,276	-	<b>67,276</b>
Invesco QQQ ETF	113,633	-	<b>113,633</b>	84,051	-	<b>84,051</b>
USCF US Oil ETF	109,543	-	<b>109,543</b>	-	-	-
Amundi MSCI Qual	121,140	-	<b>121,140</b>	-	-	-
FirstT CybrSec ETF	178,049	-	<b>178,049</b>	-	-	-
LG eCom Logist ETF	144,551	-	<b>144,551</b>	-	-	-
SP OilGas Expl ETF	37,429	-	<b>37,429</b>	-	-	-
Pacer Industrial ETF	37,627	-	<b>37,627</b>	-	-	-
VG Real Estate ETF	20,028	-	<b>20,028</b>	-	-	-
Glob xUS Infr ETF	79,271	-	<b>79,271</b>	-	-	-
iShare US Infr ETF	65,279	-	<b>65,279</b>	-	-	-
Inv Base Metals ETF	153,702	-	<b>153,702</b>	-	-	-
BNP Climate Impact	24,918	(11,734)	<b>13,184</b>	-	-	-
T.Rowe Glob Tech	17,120	(1,351)	<b>15,769</b>	-	-	-
Amundi CPR Disrupt	26,082	(14,130)	<b>11,952</b>	-	-	-
AXA Digital Econ	21,299	(7,058)	<b>14,241</b>	-	-	-
GS Millennials	10,351	(1,998)	<b>8,353</b>	-	-	-
Schroder ISF GSG	11,569	-	<b>11,569</b>	-	-	-
FirstT Green ETF	11,763	-	<b>11,763</b>	-	-	-
iSh. Glb Clean ETF	11,434	-	<b>11,434</b>	-	-	-
Schroders - GDG	-	-	-	131,056	-	<b>131,056</b>
AXA - WFOI	-	-	-	53,467	-	<b>53,467</b>
Amundi - RPI2	-	-	-	80,665	-	<b>80,665</b>
Corp Bond Eur ETF	-	-	-	57,879	-	<b>57,879</b>
Amun. EurCorp ETF	-	-	-	46,375	-	<b>46,375</b>
MSCI USA Qual ETF	-	-	-	11,766	-	<b>11,766</b>
S&P500 Eur H. ETF	-	-	-	7,091	-	<b>7,091</b>
EuroStoxx50 ETF	-	-	-	3,572	-	<b>3,572</b>
<b>Total open-end vehicle net fees</b>	<b>6,810,896</b>	<b>(275,965)</b>	<b>6,534,931</b>	<b>5,804,852</b>	<b>(309,947)</b>	<b>5,494,905</b>

## 17 STAFF COSTS

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
Staff salaries	471,250	465,109
Employer's pension contributions	27,741	32,909
Cost of the Collective Agreement	54,067	49,331
Administration software development	71,370	41,220
Health insurance	7,119	7,413
Overtime, bonuses and other staff costs	22,048	19,303
<b>Total staff costs</b>	<b>653,595</b>	<b>615,285</b>

## 18 GOVERNING BOARD EXPENSES

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
Trustees honoraria	99,463	118,250
Fiduciary Insurance	18,074	30,547
Meetings (Travel/Hotel/Other costs)	6,661	9,275
Employer's pension contributions	4,394	7,112
<b>Total Governing Board expenses</b>	<b>128,592</b>	<b>165,184</b>

## 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, 2021 and 2020, 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, 2021 was EUR 171,054 (2020: EUR 161,174).

**20 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS**

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
Internal audit services	1,680	2,888
Design and public relation related services	180	8,211
Translation and proofreading services	830	623
Other services	18,777	5,776
<b>Total Professional services/Consultants/Contractors</b>	<b>21,467</b>	<b>17,498</b>

**21 EVENTS AFTER THE REPORTING PERIOD**

After December 31, 2021 there are no subsequent events that require adjustment or further disclosure in these financial statements.



ANNEX

8

FINANCIAL STATEMENTS  
PENSION ASSETS

**KOSOVO PENSION SAVINGS TRUST  
PENSION ASSETS**

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

*As at and for the year ended December 31, 2021*



---

INDEPENDENT AUDITOR'S REPORT .....	1-2
STATEMENT OF FINANCIAL POSITION .....	3
STATEMENT OF COMPREHENSIVE INCOME .....	4
STATEMENT OF CHANGES IN NET PARTICIPANTS' ASSETS.....	5
STATEMENT OF CASH FLOWS .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7-30





**RSM KOSOVO SH.P.K.**

Str. Perandori Justinian 62  
Qyteza Pejton  
10 000 Prishtina  
Republic of Kosovo

DL +383 45 666 888

[www.rsm.global/kosovo](http://www.rsm.global/kosovo)

## 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 2021, 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 2021, 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.

### **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.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

### **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.

*RSM Kosovo Sh.p.k.*

RSM Kosovo Sh.p.k.

Prishtina, Republic of Kosovo

21 March 2022

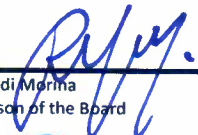
A handwritten signature in blue ink, appearing to read 'Astrit Kelmendi'.

Astrit Kelmendi

Engagement Partner

	Notes	As at December 31 2021	As at December 31 2020
		EUR	EUR
<b>Assets</b>			
Cash at bank	4	9,313,041	57,905,959
Contribution receivables	5	13,770,065	12,504,686
Investments in open-end funds	6	1,808,309,791	1,352,161,520
Kosovo Treasuries	7	491,257,920	449,848,742
Term deposits	7	44,749,329	129,504,216
		<b>2,367,400,146</b>	<b>2,001,925,123</b>
<b>Liabilities</b>			
Liabilities towards KPST-O	8	453,811	553,691
Liabilities for repurchased units	9	200,522	1,738,000
Non-contributions	10	59,311	281,367
Interest payable	4	14,143	33,302
		<b>727,787</b>	<b>2,606,360</b>
<b>Net participants' assets</b>		<b>2,366,672,359</b>	<b>1,999,318,763</b>

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 17 March 2022.

  
\_\_\_\_\_  
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 2021	Year ended December 31 2020
		EUR	EUR
<b>Income</b>			
Gains from investments in open-end funds - net	6	215,333,422	59,527,705
Interest income from Kosovo Treasuries	7	10,690,493	8,317,671
Interest income from term deposits	7	1,280,103	2,638,627
Other income	11	200,000	1,660,384
		<b>227,504,018</b>	<b>72,144,387</b>
<b>Expenses</b>			
Fees charged on participants' accounts	12	(8,492,038)	(8,363,834)
Interest expenses on cash at CBK	4	(170,401)	(274,518)
		<b>(8,662,439)</b>	<b>(8,638,352)</b>
Net decrease / (increase) in provisions for expected credit losses	7	986,336	(487,690)
<b>Increase in net participants' assets</b>		<b>219,827,915</b>	<b>63,018,345</b>

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



	Participants' Contributions	Retained Earnings	Total
	EUR	EUR	EUR
<b>As at January 1, 2020</b>	<b>1,600,306,221</b>	<b>378,153,286</b>	<b>1,978,459,507</b>
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
<b>As at December 31, 2020</b>	<b>1,604,553,546</b>	<b>394,765,217</b>	<b>1,999,318,763</b>
Contributions	214,716,188	-	214,716,188
Repurchases due to withdrawal of savings	(49,427,510)	(16,070,644)	(65,498,154)
Repurchases due to refunds	(1,640,280)	(52,073)	(1,692,353)
Increase in net participants' assets	-	219,827,915	219,827,915
<b>As at December 31, 2021</b>	<b>1,768,201,944</b>	<b>598,470,415</b>	<b>2,366,672,359</b>

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

	Notes	Year ended December 31 2021	Year ended December 31 2020
		EUR	EUR
<b>Cash flows from operating activities</b>			
Increase in net participants' assets		219,827,915	63,018,345
<i>Adjustments for:</i>			
(Gain) in open end funds (net of fees withheld)		(211,771,725)	(57,183,046)
Net movement in provisions for expected credit losses	7	(986,336)	487,690
Interest income	7	(11,970,596)	(10,956,298)
Interest expenses	4	170,401	274,518
		(4,730,341)	(4,358,791)
Interest paid		(189,558)	(255,843)
		<b>(4,919,899)</b>	<b>(4,614,634)</b>
<i>Movement of working capital:</i>			
(Decrease) in liabilities for fees	8	(108,128)	(3,461)
(Decrease) / Increase in liabilities for non-contributions	10	(222,056)	243,193
<b>Net cash flows (used in) operating activities</b>		<b>(5,250,083)</b>	<b>(4,374,902)</b>
<b>Cash flows from investing activities</b>			
(Additions) to investments in open-end funds	6	(1,225,050,654)	(986,035,600)
Redemption of investments in open-end funds	6	980,674,109	1,171,115,434
(Additions) to Kosovo Treasuries	7	(105,457,862)	(228,733,906)
Matured Kosovo Treasuries (principal)	7	64,868,302	77,470,910
(Additions) to term deposits	7	(40,520,921)	(84,194,052)
Matured term deposits (principal)	7	124,104,562	140,734,500
Interest from investments received		13,308,560	9,942,047
<b>Net cash flows (used in) / from investing activities</b>		<b>(188,073,904)</b>	<b>100,299,333</b>
<b>Cash flows from financing activities</b>			
Participants' contributions received		213,450,809	194,364,329
Withdrawal of savings		(66,791,447)	(234,177,253)
Refunds		(1,928,293)	(1,485,151)
<b>Net cash flows from / (used in) financing activities</b>		<b>144,731,069</b>	<b>(41,298,075)</b>
<b>(Decrease) / Increase in cash and cash equivalents</b>		<b>(48,592,918)</b>	<b>54,626,356</b>
Cash and cash equivalents at the beginning of the year		57,905,959	3,279,603
<b>Cash and cash equivalents at the end of the year</b>	4	<b>9,313,041</b>	<b>57,905,959</b>

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 2021 and 2020, the Board of Governors was operating without the non-voting member. From January 2021 onwards, the Board of Governors was also operating without one professional 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, 2021 and 2020. 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:

- **Covid-19-related Rent Concessions** – Amendments to IFRS 16.

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, 2021:

- **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.
- **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 2021		As at December 31 2020	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
<b>Fixed rate</b>				
Kosovo Treasuries	491,257,920	-	449,848,742	-
Term deposits	44,749,329		129,504,216	
<b>Total</b>	<b>536,007,249</b>	<b>-</b>	<b>579,352,958</b>	<b>-</b>

##### 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 90,415,490 (2020: EUR 67,608,076).

The maximum drawdown for the KPST-PA portfolio for the 1-year period ending December 31, 2021 was 2.3%, and for the 3-year period it was 9.4% (2020: 9.4%, and 9.4% respectively).

The ratio of performance vs volatility for the 1-year period ending December 31, 2021 was 2.82; where the annualised volatility was 3.8% and the performance +10.7% (2020: 0.58, 5.2% and +3.0% respectively). On the other hand, the ratio for the 3-year period was 1.88; where the annualised volatility was 4.0% and the annualised performance 7.5% (2020: 0.46, 4.4% and 2.0% 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, 2021, amounted to EUR 4,512,332 (2020: EUR 4,252,953). Average monthly incoming contributions for the year amounting EUR 17,787,567 (2020: EUR 16,197,027) 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 2021			As at December 31 2020		
	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
<b>Financial assets</b>						
Cash at bank	9,313,041	-	-	57,905,959	-	-
Open-end funds	1,808,309,791	-	-	1,352,161,520	-	-
Kosovo						
Treasuries	76,471,004	314,844,550	99,942,366	65,211,278	318,323,857	66,313,607
Term deposits	24,744,569	20,004,760	-	115,881,696	13,622,520	-
Contribution receivables	13,770,065	-	-	12,504,686	-	-
	<b>1,932,608,470</b>	<b>334,849,310</b>	<b>99,942,366</b>	<b>1,603,665,139</b>	<b>331,946,377</b>	<b>66,313,607</b>
<b>Financial liabilities</b>						
Account payables	727,787	-	-	2,606,360	-	-
	<b>727,787</b>	-	-	<b>2,606,360</b>	-	-
<b>Maturity gap</b>	<b>1,931,880,683</b>	<b>334,849,310</b>	<b>99,942,366</b>	<b>1,601,058,779</b>	<b>331,946,377</b>	<b>66,313,607</b>

##### 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 20 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.

Out of the 25 Open-end funds through which KPST invested on reporting date: (a) 13 were EUR denominated, total amount of EUR 1,440,149,487 representing 60.8% of assets; (b) 12 were USD denominated, total amount of EUR 368,160,304, representing 15.5% of assets. Although funds are EUR or USD denominated, their underlying holdings will be in many currencies at varying allocation percentages. Some fund managers use currency derivatives to manage and control the currency risk. However, as fund holdings are not determined or controlled by KPST, and assets are not invested directly by KPST in pure USD instruments at any significant level, no sensitivity analysis is performed on the effects of currency shifts on the comprehensive income for the year ended December 31, 2020 and 2021.

### 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, 2021, 89% 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, 2021 the exposure of KPST-PA in securities issued from the Government of Kosovo was significant, at 21% (2020: 22%). Kosovo Treasuries are not rated.
- **Term Deposits** - consist of term deposits placed with commercial banks in the Republic of Kosovo. As of December 31, 2021, the highest exposure to a single bank in the term deposits portfolio was 22% (2020: 25%).
- **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 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, 2021. Net decrease to the expected losses during the year were 965,508 EUR, making for an end balance as at December 31, 2021 of EUR 245,753 (2020: net additions of EUR 532,853 and an end balance of EUR 1,211,261).



### 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, 2021. Net decrease to the provisions for expected losses during the year were EUR 20,828, making for an end balance as at December 31, 2021 of EUR 26,866 [2020: net decrease of EUR 45,163 and an end balance of EUR 47,694].

##### 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, 2021 and 2020.

	As at December 31 2021		As at December 31 2020	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
<b>Financial assets</b>				
Cash at bank	9,313,041	9,313,041	57,905,959	57,905,959
Kosovo Treasuries	491,257,920	491,503,672	449,848,742	451,060,003
Term deposits	44,749,329	44,776,195	129,504,216	129,551,910
Contribution receivables	13,770,065	13,770,065	12,504,216	12,504,216
	<b>559,090,355</b>	<b>559,362,973</b>	<b>649,763,133</b>	<b>651,022,088</b>
<b>Financial liabilities</b>				
Account payables	727,787	727,787	2,606,360	2,606,360
	<b>727,787</b>	<b>727,787</b>	<b>2,606,360</b>	<b>2,606,360</b>

##### 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 2021	As at December 31 2020
		EUR	EUR
Investments in open-end funds	1	1,808,309,791	1,352,161,520

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2021 and 2020.

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, 2021 and 2020 approximates their carrying amounts due to short term maturities.

##### 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, 2021 by each open-end fund can be obtained from their respective fund prospectus, with the main risks summarised being: Price; Credit / Counterparty; Country / Political; Interest Rate / Currency.

#### 4 CASH AT BANK

	As at December 31 2021	As at December 31 2020
	EUR	EUR
Central Bank of Republic of Kosovo (CBK)	8,270,472	57,043,139
Erste Bank Austria (broker)	1,042,569	862,820
<b>Total cash at bank</b>	<b>9,313,041</b>	<b>57,905,959</b>

From January 1, 2020 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 June 30, 2021 a negative interest of -0.60% p.a. was applied on amounts in excess of EUR 20,000,000 of the daily balance. From July 1 to August 31, 2021 a negative interest of -0.60% p.a., and from September 1 – December 31, 2021 a negative interest of -0.70% p.a., was applied on the daily balance.

The broker charged a negative interest of -0.60% p.a. on daily balances during the year ended December 31, 2021 (2020: -0.50% p.a.).

The total interest expenses were as follows:

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
Central Bank of Republic of Kosovo	144,592	196,028
Erste Bank Austria (broker)	25,809	78,490
<b>Total interest expenses</b>	<b>170,401</b>	<b>274,518</b>

The balance of payable interest expenses on reporting date was EUR 14,143, all of it to the CBK (2020: EUR 33,302 to CBK).

#### 5 CONTRIBUTION RECEIVABLES

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. As at December 31, 2021 contribution receivables amounted EUR 13,770,065 (2020: EUR 12,504,686).

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, 2021, there were 29,808 participants who withdrew 10% of the balance of their savings, amounting to EUR 12,643,456 (2020: 397,557 participants with 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 26,106, and their withdrawals amounted to EUR 5,360,042 (2020: 346,546 participants with EUR 96,412,701), representing the debt of the Government owed to participants. The Government has decided to reimburse the total owed EUR 101,772,746 in five equal instalments, one in each of the years 2023-2027, with the exact timetable and priority of reimbursement (if any), yet to be agreed.

## 6 INVESTMENTS IN OPEN-END FUNDS

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

							2021
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	33,673,844	229,051,081	29,612,816	(272,609)	(279,000,000)	13,065,132
BNY Mellon – RRF	6.2	357,973,238	-	29,675,169	-	(20,000,000)	367,648,407
AXA – GILB	6.3	154,357,691	27,699	(2,301,249)	(230,413)	(129,000,000)	22,853,728
Nordea 1 – GSEF	6.5	33,945,261	40,000,000	16,766,115	-	-	90,711,376
Nordea 1 – SRF	6.6	336,904,158	-	42,909,788	-	(20,000,000)	359,813,946
Amundi – 3M-I	6.7	265,370,148	400,042,820	(771,607)	(90,051)	(300,000,106)	364,551,204
BNP Paribas – PDP	6.9	109,423,312	-	3,033,709	(485,936)	(60,000,000)	51,971,085
S&P500 Minvol ETF	6.12	9,149,305	-	2,222,124	(25,132)	-	11,346,297
MSCI Minvol ETF	6.17	12,340,471	-	2,726,942	(34,009)	-	15,033,404
Invesco QQQ ETF	6.18	39,024,092	20,214,223	20,707,556	(113,633)	(79,832,238)	-
USCF US Oil ETF	6.19	-	39,957,399	8,226,189	(109,543)	(48,074,045)	-
Amundi MSCI Qual	6.20	-	59,499,857	14,067,874	(121,140)	-	73,446,591
FirstT CybrSec ETF	6.21	-	35,201,046	12,279,368	(178,049)	(19,899,664)	27,402,701
LG eCom Logst ETF	6.22	-	35,022,853	4,283,683	(144,551)	-	39,161,985
SP OilGas Expl ETF	6.23	-	20,486,131	4,419,354	(37,429)	(24,868,056)	-
Pacer Indust ETF	6.24	-	29,777,702	4,177,595	(37,627)	-	33,917,670
VG Real Estate ETF	6.25	-	40,241,259	5,725,909	(20,028)	-	45,947,140
Glob xUS Infr ETF	6.26	-	40,315,910	5,795,963	(79,271)	-	46,032,602
iShare US Infr ETF	6.27	-	40,181,747	4,153,863	(65,279)	-	44,270,331
Inv Bas Metals ETF	6.28	-	40,257,687	5,703,090	(153,702)	-	45,807,075
BNP Clim. Impact	6.29	-	20,000,000	(255,289)	(24,918)	-	19,719,793
T.Rowe Glob Tech	6.30	-	20,000,000	(2,012,883)	(17,120)	-	17,969,997
Amund CPR Disrupt	6.31	-	24,999,989	(800,730)	(26,082)	-	24,173,177
AXA Digital Econ	6.32	-	25,000,000	(1,059,033)	(21,299)	-	23,919,668
GS Millennials	6.33	-	25,000,000	825,699	(10,351)	-	25,815,348
Schroder ISF GSG	6.34	-	20,000,000	751,368	-	-	20,751,368
FirstT Green ETF	6.35	-	9,890,591	3,393,986	(11,763)	-	13,272,814
iSh. Glb Clean ETF	6.36	-	9,882,660	(164,274)	(11,434)	-	9,706,952
<b>Total investments in open-end funds</b>		<b>1,352,161,520</b>	<b>1,225,050,654</b>	<b>214,093,095</b>	<b>(2,321,369)</b>	<b>(980,674,109)</b>	<b>1,808,309,791</b>

In addition to net gains of EUR 214,093,095 from the revaluation of open-end funds, a further EUR 1,240,327 were received as dividends during the year ended December 31, 2021, making for total net gains from open-end funds in the value of EUR 215,333,422.

## 6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

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

							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
<b>Total investments in open-end funds</b>		<b>1,480,058,308</b>	<b>986,035,600</b>	<b>59,032,381</b>	<b>(1,849,335)</b>	<b>(1,171,115,434)</b>	<b>1,352,161,520</b>

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.



AMOUNTS IN EUR UNLESS OTHERWISE SPECIFIED

**6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)**

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

						2021
Fund	Note	As at	Additions	Redemptions	As at	As at
		January 1			December 31	December 31
		Units	Units	Units	Units	Price (EUR)
Vanguard – GSIF	6.1	1,387,559	8,860,076	(9,810,396)	437,239	29.88
BNY Mellon – RRF	6.2	229,558,316	-	(11,911,852)	217,646,464	1.69
AXA – GILB	6.3	891,262	162	(764,572)	126,852	180.16
Nordea 1 – GSEF	6.5	1,188,976	1,246,883	-	2,435,859	37.24
Nordea 1 – SRF	6.6	16,778,095	-	(899,280)	15,878,815	22.66
Amundi – 3M-I	6.7	253	383	(286)	350	1,041,735.59
BNP Paribas – PDP	6.9	663,373	-	(365,698)	297,675	174.59
S&P500 Minvol ETF	6.12	1,259,021	-	-	1,259,021	9.01
MSCI Minvol ETF	6.17	265,102	-	-	265,102	56.71
Invesco QQQ ETF	6.18	152,942	74,338	(227,280)	-	-
USCF US Oil ETF	6.19	-	1,043,510	(1,043,510)	-	-
Amundi MSCI Qual	6.20	-	700,000	-	700,000	104.92
FirstT CybrSec ETF	6.21	-	998,570	(408,250)	590,320	46.42
LG eCom Logst ETF	6.22	-	2,565,980	-	2,565,980	15.26
SP OilGas Expl ETF	6.23	-	291,150	(291,150)	-	-
Pacer Indust ETF	6.24	-	684,563	-	684,563	49.55
VG Real Estate ETF	6.25	-	449,961	-	449,961	102.11
Glob xUS Infr ETF	6.26	-	1,811,158	-	1,811,158	25.42
iShare US Infr ETF	6.27	-	1,320,435	-	1,320,435	33.53
Inv Bas Metals ETF	6.28	-	2,342,970	-	2,342,970	19.55
BNP Clim. Impact	6.29	-	52,375	-	52,375	376.51
T.Rowe Glob Tech	6.30	-	525,765	-	525,765	34.18
Amund CPR Disrupt	6.31	-	107	-	107	224,926.60
AXA Digital Econ	6.32	-	108,887	-	108,887	219.67
GS Millennials	6.33	-	1,199,041	-	1,199,041	21.53
Schroder ISF GSG	6.34	-	204,987	-	204,987	101.23
FirstT Green ETF	6.35	-	179,420	-	179,420	73.98
iSh. Glb Clean ETF	6.36	-	520,900	-	520,900	18.63

						2020
Fund	Note	As at	Additions	Redemptions	As at	As at
		January 1			December 31	December 31
		Units	Units	Units	Units	Price (EUR)
Vanguard – GSIF	6.1	2,188,446	3,087,982	(3,888,869)	1,387,559	24.27
BNY Mellon – RRF	6.2	187,374,053	42,184,263	-	229,558,316	1.5594
AXA – GILB	6.3	184,529	706,733	-	891,262	173.19
Schroders – GDG	6.4	243,321	-	(243,321)	-	-
Nordea 1 – GSEF	6.5	4,144,448	871,688	(3,827,160)	1,188,976	28.55
Nordea 1 – SRF	6.6	11,538,924	5,239,171	-	16,778,095	20.08
Amundi – 3M-I	6.7	260	336	(343)	253	1,047,362.15
AXA – WFOI	6.8	276,178	100	(276,278)	-	-
BNP Paribas – PDP	6.9	663,373	-	-	663,373	164.95
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	7.27
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	46.55
Invesco QQQ ETF	6.18	-	393,942	(241,000)	152,942	255.15

AMOUNTS IN EUR UNLESS OTHERWISE SPECIFIED

## 6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

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

		Year ended December 31 2021			Year ended December 31 2020		
		Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	272,609	(50,236)	222,373	82,423	(12,489)	69,934
BNY Mellon – RRF	6.2	2,169,117	-	2,169,117	1,825,958	-	1,825,958
AXA – GILB	6.3	230,413	(21,173)	209,240	367,298	(38,368)	328,930
Nordea 1 – GSEF	6.5	315,610	-	315,610	340,965	-	340,965
Nordea 1 – SRF	6.6	1,993,231	-	1,993,231	1,657,538	-	1,657,538
Amundi – 3M-I	6.7	90,051	(40,094)	49,957	107,341	(48,004)	59,337
BNP Paribas – PDP	6.9	485,936	(128,191)	357,745	802,218	(211,086)	591,132
S&P500 Minvol ETF	6.12	25,132	-	25,132	77,913	-	77,913
MSCI Minvol ETF	6.17	34,009	-	34,009	67,276	-	67,276
Invesco QQQ ETF	6.18	113,633	-	113,633	84,051	-	84,051
USCF US Oil ETF	6.19	109,543	-	109,543	-	-	-
Amundi MSCI Qual	6.20	121,140	-	121,140	-	-	-
FirstT CybrSec ETF	6.21	178,049	-	178,049	-	-	-
LG eCom Logst ETF	6.22	144,551	-	144,551	-	-	-
SP OilGas Expl ETF	6.23	37,429	-	37,429	-	-	-
Pacer Indust ETF	6.24	37,627	-	37,627	-	-	-
VG Real Estate ETF	6.25	20,028	-	20,028	-	-	-
Glob xUS Infr ETF	6.26	79,271	-	79,271	-	-	-
iShare US Infr ETF	6.27	65,279	-	65,279	-	-	-
Inv Bas Metals ETF	6.28	153,702	-	153,702	-	-	-
BNP Clim. Impact	6.29	24,918	(11,734)	13,184	-	-	-
T.Rowe Glob Tech	6.30	17,120	(1,351)	15,769	-	-	-
Amund CPR Disrpt	6.31	26,082	(14,130)	11,952	-	-	-
AXA Digital Econ	6.32	21,299	(7,058)	14,241	-	-	-
GS Millennials	6.33	10,351	(1,998)	8,353	-	-	-
Schroder ISF GSG	6.34	11,569	-	11,569	-	-	-
FirstT Green ETF	6.35	11,763	-	11,763	-	-	-
iSh. Glb Clean ETF	6.36	11,434	-	11,434	-	-	-
Schroders – GDG		-	-	-	131,056	-	131,056
AXA – WFOI		-	-	-	53,467	-	53,467
Amundi - RPI2		-	-	-	80,665	-	80,665
Corp Bond Eur ETF		-	-	-	57,879	-	57,879
Amun EurCorp ETF		-	-	-	46,375	-	46,375
MSCI USA Qual ETF		-	-	-	11,766	-	11,766
S&P500 Eur H. ETF		-	-	-	7,091	-	7,091
EuroStoxx50 ETF		-	-	-	3,572	-	3,572
<b>Total open-end fund fees and rebates</b>		<b>6,810,896</b>	<b>(275,965)</b>	<b>6,534,931</b>	<b>5,804,852</b>	<b>(309,947)</b>	<b>5,494,905</b>

AMOUNTS IN EUR UNLESS OTHERWISE SPECIFIED

## 6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

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

Fund	Asset class / Strategy	Fees	Redemptions (EUR)	Realised gain (loss) (EUR)
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. (2020: 0.25% p.a.). A rebate of up to 0.11% p.a. is provided based on assets	279,000,000	33,775,665
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.	20,000,000	4,310,904
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. (2020: 0.40% p.a.). A rebate of 0.05% p.a. provided when assets exceed EUR 50 million	129,000,000	4,492,619
6.5 Nordea 1 – Global Stable Equity Fund  ISIN: LU0257969260	Equities / Value and quality stocks with risk management	Billed at 0.43% p.a.	-	-
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.	20,000,000	16,344,951
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. (2020: 0.057% p.a.). A rebate of 0.012% p.a. provided when assets exceed EUR 50 million	300,000,106	(1,045,489)
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. (2020: 0.76% p.a.). A rebate up to 0.22% p.a. is provided based on assets	60,000,000	3,057,901
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. (2020: 0.25% p.a.)	-	-
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. (2020: 0.25% p.a.)	-	-

## 6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

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

Fund	Asset class / Strategy	Fees	Redemptions (EUR)	Realised gain (loss) (EUR)
6.18 Invesco QQQ Trust ETF  ISIN: US46090E1038	Equities / Tracking Nasdaq index	Withheld daily from the fund at 0.20% p.a. (2020: 0.20% p.a.)	79,832,238	26,556,155
6.19 United States Oil Fund, LP ETF  ISIN: US91232N2071	Real assets / Oil	Withheld daily from the fund at 0.45% p.a.	48,074,045	8,116,646
6.20 Amundi MSCI Europe Quality Factor UCITS ETF - EUR  ISIN: LU1681041890	Equities / Quality stocks	Withheld daily from the fund at 0.23% p.a.	-	-
6.21 First Trust Nasdaq Cybersecurity ETF  ISIN: US33734X8469	Equities / Cybersecurity	Withheld daily from the fund at 0.60% p.a.	19,899,664	5,508,258
6.22 L&G Ecommerce Logistics UCITS ETF  ISIN: IE00BF0M6N54	Equities / Ecommerce	Withheld daily from the fund at 0.49% p.a.	-	-
6.23 SPDR® S&P Oil & Gas Exploration & Production ETF  ISIN: US78468R5569	Equities / Energy	Withheld daily from the fund at 0.35% p.a.	24,868,056	4,381,925
6.24 Pacer Benchmark Industrial Real Estate SCTR ETF  ISIN: US69374H7668	Real assets / Real Estate	Withheld daily from the fund at 0.60% p.a.	-	-
6.25 Vanguard Real Estate Index Fund ETF  ISIN: US9229085538	Real assets / Real Estate	Withheld daily from the fund at 0.12% p.a.	-	-
6.26 Global X U.S. Infrastructure Development ETF  ISIN: US37954Y6730	Real assets / Infrastructure	Withheld daily from the fund at 0.47% p.a.	-	-
6.27 iShares U.S. Infrastructure ETF  ISIN: US46435U7138	Real assets / Infrastructure	Withheld daily from the fund at 0.40% p.a.	-	-



AMOUNTS IN EUR UNLESS OTHERWISE SPECIFIED

## 6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

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

Fund	Asset class / Strategy	Fees	Redemptions (EUR)	Realised gain (loss) (EUR)
6.28 Invesco DB Base Metals Fund  ISIN: US46140H7008	Real assets / Metals	Withheld daily from the fund at 0.75% p.a.	-	-
6.29 BNP Paribas Funds Climate Impact  ISIN: LU0406802768	Equities / Sustainability	Withheld daily from the fund at 0.885% p.a. A rebate of up to 0.386% p.a. is provided based on assets	-	-
6.30 T. Rowe Price Funds - Global Technology Equity Fund I USD  ISIN: LU1244139827	Equities / Technology Megatrend	Withheld daily from the fund at 0.87% p.a. A rebate of up to 0.125% p.a. is provided based on assets	-	-
6.31 Amundi Global Disruptive Opportunities  ISIN: LU1530899811	Equities / Multi-themed Megatrend	Withheld daily from the fund at 1.35% p.a. A rebate of up to 0.74% p.a. is provided based on assets	-	-
6.32 AXA World Funds - Framlington Digital Economy I Capitalisation  ISIN: LU1694772994	Equities / Consumer Megatrend	Withheld daily from the fund at 0.76% p.a. A rebate of up to 0.20% p.a. is provided based on assets	-	-
6.33 Goldman Sachs Global Millennials Equity Portfolio I Acc EUR  ISIN: LU1820776075	Equities / Consumer Megatrend	Withheld daily from the fund at 0.88% p.a. A rebate of up to 0.15% p.a. is provided based on assets	-	-
6.34 Schroder ISF Global Sustainable Growth  ISIN: LU2305367323	Equities / Sustainability	Billed at 0.50% p.a.	-	-
6.35 First Trust Nasdaq® Clean Edge® Green Energy Index ETF  ISIN: US33733E5006	Equities / Energy	Withheld daily from the fund at 0.40% p.a.	-	-
6.36 iShares Global Clean Energy ETF  ISIN: US4642882249	Equities / Energy	Withheld daily from the fund at 0.42% p.a.	-	-

## 7 KOSOVO TREASURIES AND TERM DEPOSITS

	As at December 31 2021	As at December 31 2020
	EUR	EUR
<b>Kosovo Treasuries</b>		
Gross of provisions for expected credit losses	491,503,673	451,060,003
Provision for expected credit losses	(245,753)	(1,211,261)
Net of provisions for expected credit losses	<b>491,257,920</b>	<b>449,848,742</b>
<b>Term deposits</b>		
Gross of provisions for expected credit losses	44,776,195	129,551,910
Provision for expected credit losses	(26,866)	(47,694)
Net of provisions for expected credit losses	<b>44,749,329</b>	<b>129,504,216</b>
<b>Kosovo Treasuries and term deposits</b>	<b>536,007,249</b>	<b>579,352,958</b>

Provisions for expected credit losses for debt instruments for the years ended December 31, 2021 and 2020 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, 2021 and 2020 for the above instruments were:

	Kosovo Treasuries	Term deposits	Debt instruments
	EUR	EUR	EUR
<b>As at January 1, 2020</b>	<b>678,408</b>	<b>92,857</b>	<b>771,265</b>
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	<b>532,853</b>	<b>(45,163)</b>	<b>487,690</b>
<b>As at December 31, 2020</b>	<b>1,211,261</b>	<b>47,694</b>	<b>1,258,955</b>
Additions to provision due to new placements	45,302	18,614	63,916
Releases in provision due to maturity / derecognition	(1,010,810)	(39,442)	(1,050,252)
Net movement of provisions for expected credit losses	<b>(965,508)</b>	<b>(20,828)</b>	<b>(986,336)</b>
<b>As at December 31, 2021</b>	<b>245,753</b>	<b>26,866</b>	<b>272,619</b>

## 7 KOSOVO TREASURIES AND TERM DEPOSITS (CONTINUED)

As at December 31, 2021 KPST-PA investments in Kosovo Treasury debt instruments measured at amortised cost consisted of 38 securities with EUR 486,950,000 in nominal value, original maturities of between 12 months and 10 years, average duration (weighted) of 3.15 years, and average rate/coupon of 2.38%. As at December 31, 2020 they 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, 2021 KPST-PA investments in term deposits measured at amortised cost consisted of 6 deposits with banks that had original maturities of between 1 and 2 years, fixed interest rates, an average duration (weighted) of 1.28 years, and average interest rate of 1.76%. As at December 31, 2020 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%.

	Kosovo Treasuries	Term deposits	Debt Instruments
	EUR	EUR	EUR
<b>As at January 1, 2020</b>	<b>298,483,698</b>	<b>185,620,151</b>	<b>484,103,849</b>
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)
<b>As at December 31, 2020</b>	<b>449,848,742</b>	<b>129,504,216</b>	<b>579,352,958</b>
New placements	105,457,862	40,520,921	145,978,783
Interest earned	10,690,493	1,280,103	11,970,596
Interest / coupons - received	(10,836,383)	(2,472,177)	(13,308,560)
Principal - matured	(64,868,302)	(124,104,562)	(188,972,864)
Net movement in provisions for expected credit loss	965,508	20,828	986,336
<b>As at December 31, 2021</b>	<b>491,257,920</b>	<b>44,749,329</b>	<b>536,007,249</b>

## 8 LIABILITIES TOWARDS KPST-O

	As at December 31 2021	As at December 31 2020
	EUR	EUR
Fees charged on participants' accounts - payable	441,441	549,569
<b>Plus / (Less):</b> Difference from refunds of erroneous contributions	12,370	4,122
<b>Net liabilities towards KPST-O</b>	<b>453,811</b>	<b>553,691</b>

As at December 31, 2021 the balance of payable fees amounting EUR 441,441 relates to KPST fees charged to the participants' accounts which were not transferred to KPST-O as of reporting date (2020: EUR 549,569). 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, 2021 the balance of differences from refunds was EUR 12,370, making for net liabilities towards KPST-O in the amount EUR 453,811 (2020: EUR 4,122 and EUR 553,691, 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 2021	As at December 31 2020
	EUR	EUR
Liabilities for refunds	-	244,188
Liabilities for the withdrawal of savings	200,522	1,493,812
<b>Total liabilities for repurchased units</b>	<b>200,522</b>	<b>1,738,000</b>

As at December 31, 2021 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 200,522 (2020: EUR 1,738,000).

## 10 NON-CONTRIBUTIONS

As at December 31, 2021 the balance of non-contributions yet to be returned to the payer as of reporting date amounts to EUR 59,311 (2020: EUR 281,367). Note 3.2.7 provides the policy for the recognition and treatment of non-contributions.

## 11 OTHER INCOME

During the year ended December 31, 2021 the Governing Board of KPST had decided to refund EUR 200,000 to pension assets out of the KPST-0 surplus from operating activities (2020: EUR 1,200,000 out of the surplus from investment activities).

## 12 FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	Year ended December 31 2021	Year ended December 31 2020
	EUR	EUR
Fees for investment activities	7,090,416	7,014,662
Fees for operational activities	1,401,622	1,349,172
<b>Total fees charged on participants' accounts</b>	<b>8,492,038</b>	<b>8,363,834</b>

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-0 for the year ended December 31, 2021 amounted EUR 8,492,038 (2020: EUR 8,363,834). 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, 2020	June 4, 2020	0.370% p.a.	0.069% p.a.	0.439% p.a.
June 5, 2020	November 21, 2021	0.330% p.a.	0.065% p.a.	0.395% p.a.
November 22, 2021	December 31, 2021	0.320% p.a.	0.065% p.a.	0.385% p.a.



### 13 INDIVIDUAL PARTICIPANTS' ACCOUNTS

	As at December 31 2021	As at December 31 2020
	Number of Accounts	Number of Accounts
Accounts with no permanent withdrawals of savings	691,472	648,998
Accounts with permanent withdrawals of savings	61,114	58,390
<b>Total accounts</b>	<b>752,586</b>	<b>707,388</b>

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 752,586 contributors for whom KPST has opened a pension savings account, 419,657 had contributions belonging to the year ended December 31, 2021 (2020: 387,526 out of 707,388 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, 2021 amounted EUR 2,320,470 (2020: EUR 1,589,207). 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 2021 no units were redeemed under this provision, making for EUR nil of proceeds for the KCB (2020: EUR nil).

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

	As at December 31 2021	As at December 31 2020
	EUR	EUR
Un-allocated contributions (unitised up to reporting date)	2,320,470	1,589,207
Cumulative contributions unitised up to reporting date	2,189,252,434	1,975,810,503
<b>Un-allocated contributions as percentage of unitised contributions up to reporting date</b>	<b>0.106%</b>	<b>0.080%</b>

### 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 2021	As at December 31 2020
		Value EUR	Value EUR
Net participants' assets		2,366,672,359	1,999,318,763
<i>Adjusted for:</i>			
Contribution receivables not unitised on reporting date	5	(13,770,065)	(12,504,686)
Balance of provision from impairment losses	7	272,619	1,258,955
<b>Net unitised participants' assets</b>		<b>2,353,174,913</b>	<b>1,988,073,032</b>
Balance of funds in individual accounts		2,350,394,536	1,986,242,275
<b>Percentage of net unitised participants' assets in individual accounts</b>		<b>99.88%</b>	<b>99.91%</b>

### 14 STATEMENT OF UNIT MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	Notes	2021	2020
		Units	Units
<b>As at January 1</b>		<b>1,277,336,299</b>	<b>1,302,093,199</b>
Units issued for received contributions		130,639,445	128,835,126
Units redeemed through withdrawal of savings		(40,608,554)	(152,453,080)
Units redeemed through refunds		(1,014,467)	(1,138,946)
<b>As at December 31</b>		<b>1,366,352,723</b>	<b>1,277,336,299</b>
Net unitised participants' assets	13	2,353,174,912	1,988,073,032
<b>NAV per unit on reporting date</b>		<b>EUR 1.7222</b>	<b>EUR 1.5564</b>

### 15 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the statement of financial position date that may require adjustment or disclosure in the financial statements.

**DRAFTED BY**  
THE UNIT FOR PUBLIC RELATIONS OF KPST

**AUTHOR**  
JETON DEMI

**AUTHORISED BY**  
THE GOVERNING BOARD OF KPST

**ADDRESS**  
Str. "Agim Ramadani" #182-184  
10000 Prishtina, Kosovo

**E-MAIL & WEB**  
[info@trusti.org](mailto:info@trusti.org)  
[www.trusti.org](http://www.trusti.org)