



Trusti

**ANNUAL
REPORT
2023**

Trusti

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Fondi i Kursimeve Pensionale i Kosovës
Kosovski Penzijski Štedni Fond
Kosovo Pension Savings Trust



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KEY FACTS

INVESTMENT PERFORMANCE FOR THE LAST 10 YEARS (CUMULATIVE) - STANDARD PORTFOLIO

| Period | 1-Year | 2-Years | 3-Years | 4-Years | 5-Years | 6-Years | 7-Years | 8-Years | 9-Years | 10-Year |
|---------------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross investment return (in millions) | €87.7 | €(32.3) | €195.0 | €266.9 | €427.6 | €342.9 | €445.4 | €510.0 | €539.5 | €606.3 |

INVESTMENTS

| | 2023 | 2022 |
|---|--------------|---------------|
| STANDARD PORTFOLIO | | |
| Unit price at the end of the year | €1.6764 | €1.6268 |
| Change of unit price for the year | +3.05% | -5.54% |
| Gross return on investment for the year | €81,106,745 | -€121,600,526 |
| Other returns for the year | +€2,000,000* | -- |

CONSERVATIVE PORTFOLIO

| | | |
|---|------------|------------|
| Unit price at the end of the year | €2.1302 | €2.0588 |
| Change of unit price for the year | +3.47% | +2.94% |
| Gross return on investment for the year | €4,556,800 | €2,719,123 |

ASSETS UNDER MANAGEMENT (UNITISED)

| | | |
|------------------------|----------------|----------------|
| Standard Portfolio | €2,570,540,693 | €2,316,363,922 |
| Conservative Portfolio | €131,267,932 | €94,812,043 |

CONTRIBUTIONS AND CONTRIBUTORS

| | | |
|--|----------------|----------------|
| Contributions received during the year | €286,181,346 | €241,462,429 |
| Contributions received since inception | €2,716,896,333 | €2,430,714,987 |
| Accounts opened during the year | 41,968 | 40,409 |
| Account-holders at the end of the year | 834,963 | 792,995 |
| Active contributors during the year | 442,383 | 428,891 |

* Surplus from unused investment management fee.

RETIREMENT

| | 2023 | 2022 |
|---|--------------|--------------|
| Newly withdrawn accounts during the year* | 7,703 | 6,907 |
| Value of withdrawals for the year | €71,606,416 | €54,871,291 |
| Accounts permanently withdrawn** | 73,973 | 67,229 |
| Value of withdrawals since inception*** | €630,407,296 | €558,800,880 |

* This number includes annual retirements for age, death, and disability for foreign citizens.
 ** This value includes retirements of age, cases of death and foreign citizens, but does not include cases of disability.
 *** This figure also includes the value exceptionally withdrawn, amounting 10% to handle the impact of the Covid-19 pandemic (December 2020 to April 2021).

FEES AND EXPENSES

| | | |
|------------------------------------|------------|------------|
| Investment fee | 0.320% | 0.320% |
| Operational fee | 0.050% | 0.057% |
| Value of fees charged for the year | €9,421,417 | €8,849,446 |
| Investment expenses for the year | €5,846,523 | €6,695,395 |
| Operating expenses for the year | €1,054,703 | €1,139,768 |

UNALLOCATED CONTRIBUTIONS AND eTRUSTI ACCOUNTS

| | | |
|---|------------|------------|
| Unallocated contributions at year end | €3,192,323 | €2,950,426 |
| Unallocated contributions as percentage | 0.117% | 0.121% |
| Number of eTrusti accounts | 316,140 | 301,798 |

ALLOCATION OF INVESTMENTS ON 31.12.2023

In the Standard Portfolio pension assets are invested through open-end funds administered by managers of these funds in shares, debt instruments, cash and other financial instruments of global corporations and sovereign treasuries. At the end of the year, KPST had direct and indirect investments in the financial instruments on 1,993 global issuers (2022: 1,988).

In the Conservative Portfolio pension assets are invested directly in the bonds of the Government of the Republic of Kosovo through public auctions and in bank deposits in Kosovo. At the end of the year 2023, 98.1% of investments of this portfolio were in the bonds of Government of Kosovo, and the other portion (1.9%) were in term deposits.

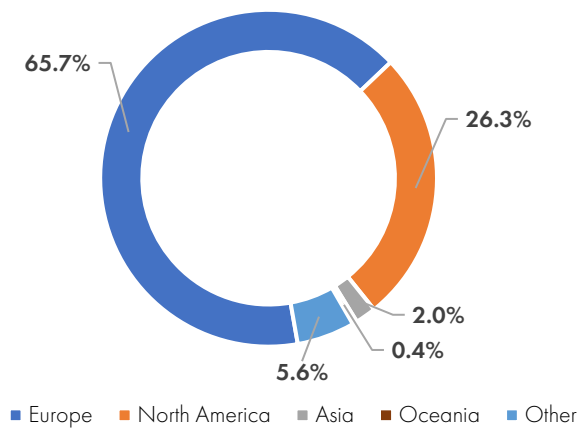
10 MAIN DESTINATIONS OF PLACEMENT (SINGLE ENTITIES), AS A PERCENTAGE OF KPST

| No. | SINGLE ENTITIES | PERCENTAGE | KPST ASSETS (IN MILLION) |
|-----|--------------------|--------------|--------------------------|
| 1. | Treasury of Kosovo | 16.5% | €447.1 |
| 2. | Groupe BPCE | 2.3% | €63.3 |
| 3. | Credit Agricole | 2.3% | €62.9 |
| 4. | Credit Mutuel | 2.1% | €56.9 |
| 5. | Societe General | 2.1% | €56.8 |
| 6. | BNP Paribas SA | 1.6% | €42.5 |
| 7. | Nordea Bank | 1.3% | €35.2 |
| 8. | Intesa Sanpaolo | 1.3% | €33.8 |
| 9. | Treasury of Italy | 1.2% | €32.6 |
| 10. | NLB Bank Kosovo | 1.2% | €32.4 |
| | TOP TEN | 31.9% | €863.5 |

10 HIGHEST RANKED COUNTRIES IN TERMS OF PLACEMENTS, AS A PERCENTAGE OF KPST

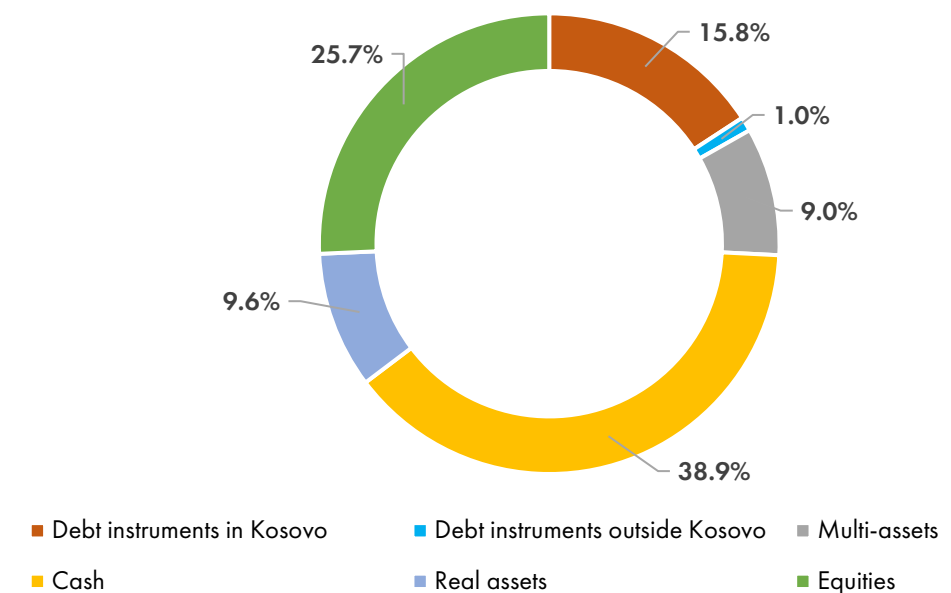
| No. | COUNTRIES | PERCENTAGE | KPST ASSETS |
|-----|----------------|---------------|-----------------------|
| 1. | Kosovo | 25.51% | €689,570,947 |
| 2. | USA | 24.56% | €663,883,220 |
| 3. | France | 14.78% | €399,524,975 |
| 4. | Italy | 3.39% | €91,641,825 |
| 5. | Jersey | 3.30% | €89,141,302 |
| 6. | UK | 3.21% | €86,808,063 |
| 7. | Netherlands | 2.60% | €70,283,830 |
| 8. | Spain | 2.17% | €58,710,572 |
| 9. | Germany | 2.16% | €58,504,649 |
| 10. | Sweden | 1.82% | €49,180,174 |
| | TOP TEN | 83.51% | €2,257,249,557 |

GLOBAL GEOGRAPHIC DISTRIBUTION OF KPST ASSETS



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.

DISTRIBUTION OF KPST ASSETS ACCORDING TO FINANCIAL INSTRUMENTS



| 2023 | 2022 | 2021 | 2021 | 2022 | 2023 |
|---|--|---|--|--|--|
| <p>Preparations for the third investment portfolio (Intermediate) and the Declaration of Investment Principles began. In the Standard Portfolio, the reduction of exposure to high-risk instruments continued.</p> | <p>A new investment portfolio is created (Conservative) that contributors close to the retirement to be protected from rapid fluctuations. It was reduced to the level of low exposure towards instruments with high volatility.</p> | <p>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.</p> | <p>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.</p> | <p>Launching the Conservative Portfolio without any difficulty in the IPSA software. QR Code has been added to the statements, in order their authenticity could be proven by third parties. It was also enabled the download of statements from the eKosovo portal.</p> | <p>Maintenance and advancement of the IPSA software continued without any issues. Updates in the protection and security of the digital data of the KPST were conducted. Digital remote services continued to expand.</p> |
| <p>Net return for the year was +3.1% for the Standard Portfolio and +3.5% for the Conservative Portfolio. AUM increased by 12.1%.</p> | <p>Net return for the year was -5.5% for the Standard Portfolio and +2.9% for the Conservative Portfolio. AUM increased by 2.5%.</p> | <p>Net return for the year was 10.7% while assets under management increased by 18.4%.</p> | <p>Unallocated contributions increased slightly to 0.12% of the collected contributions.</p> | <p>Unallocated contributions increased slightly to 0.12% of the collected contributions.</p> | <p>Unallocated contributions were approximately 0.12% of collected contributions.</p> |

GLOSSARY OF TERMS

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

PORTFOLIO - Is use of several financial instruments such are stocks, bonds, cash, ETFs and others in a common investment; investment results of which are calculated together and compose that portfolio.

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 - It means the likelihood or possibility of incurring losses from the investment undertaken against a certain level of profit.

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.

STANDARD PORTFOLIO - It is an investment portfolio dedicated to contributors of KPST aged up to 63 years, whose pension funds are invested in a mix of financial instruments such as bank deposits, Kosovo Treasury bonds and mainly in open (mutual) funds and with moderate investment risk.

CONSERVATIVE PORTFOLIO - It is an investment portfolio in dedicated to contributors of KPST aged 63+, whose pension funds are invested in financial instruments which are limited to Kosovo Treasury bonds and cash, and with minimal investment risk.

ACRONYMS

| | |
|-------------------|--|
| KPST | Kosovo Pension Savings Trust |
| TAK | Tax Administration of Kosovo |
| CBK | Central Bank of the Republic of Kosovo |
| ASSEMBLY | Assembly of the Republic of Kosovo |
| GOVERNMENT | Government of the Republic of Kosovo |
| IFRS | International Financial Reporting Standards |
| GDP | Gross Domestic Product (as published by the Kosovo Agency of Statistics) |
| KAS | Kosovo Agency of Statistics |
| PWP | Phased Withdrawal Program (of pension savings) |
| ETF | Exchange-traded funds from a broker, where a number of investment (stocks, bonds, commodities or mixed) instruments follow a certain index. AS |

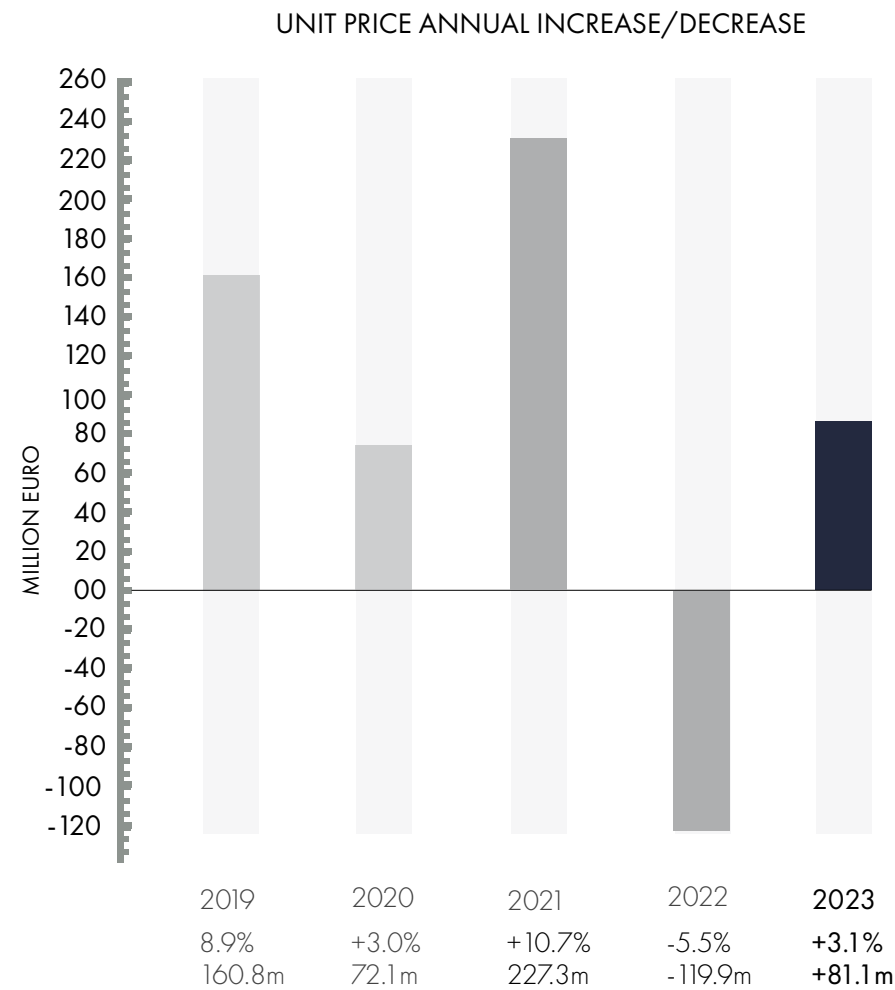
THE LAST FIVE YEARS - STANDARD PORTFOLIO

52.9%
NET PENSION ASSET GROWTH

20.8%
SHARE PRICE GROWTH

€342.9m
GROSS RETURN ON INVESTMENT

INVESTMENTS GROSS RETURN



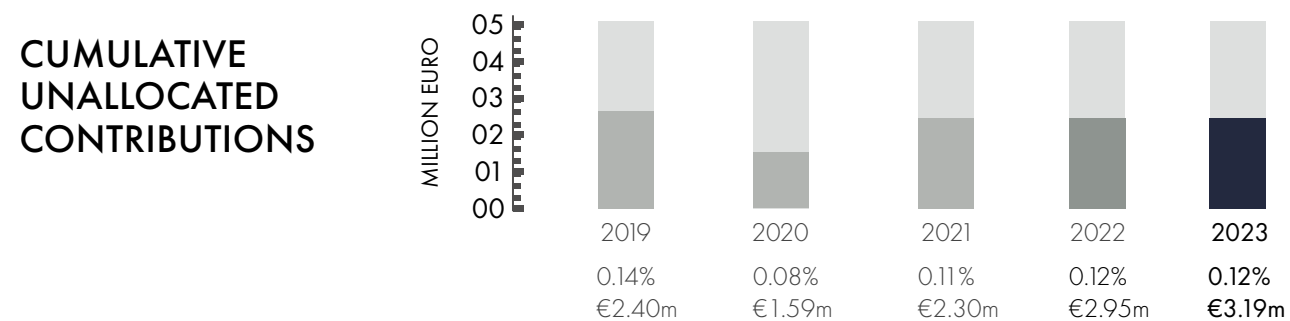
NUMBER OF ACCOUNTS AND CONTRIBUTORS BY GENDER

| YEAR | TOTAL ACCOUNTS | MEN | % | WOMEN | % | ACTIVE ACCOUNTS | MEN | % | WOMEN | % |
|------|----------------|---------|---------|---------|---------|-----------------|---------|---------|---------|---------|
| | (A) | (B) | (B)/(A) | (C) | (C)/(A) | (D) | (E) | (E)/(D) | (F) | (F)/(D) |
| 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% |
| 2022 | 792,995 | 507,028 | 63.9% | 285,967 | 36.1% | 428,891 | 262,339 | 61.2% | 166,552 | 38.8% |
| 2023 | 834,251 | 527,727 | 63.3% | 306,524 | 36.7% | 442,383 | 265,628 | 60.0% | 176,755 | 40.0% |

KPST NET AUM VS ANNUAL GDP OF KOSOVO

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|----------------|----------------|------------------|-----------------|------------------------|
| Net AUM (unitised) | €1,966,956,583 | €1,988,073,032 | €2,353,174,912 | €2,411,175,963 | €2,701,808,623 |
| Kosovo's GDP | €7,056,172,000 | €6,771,600,929 | €7,957,867,000 # | €8,895,728,000# | €8,237,333,000* |
| Net AUM vs Kosovo GDP | 27.9% | 29.4% | 29.6% | 27.1% | 28.0% |

CHANGE IN UNALLOCATED CONTRIBUTIONS AS A PERCENTAGE OF TOTAL CONTRIBUTIONS



KPST NET AUM AT THE END OF 2023 WERE

28.0%
OF GDP OF KOSOVO

*AS EVALUATED (FOR Q4 2023) BY THE KOSOVO AGENCY OF STATISTICS
#KAS assessment of GDP for 2022 (on quarterly bases) has been corrected in KAS annual report.



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 to our contributors and to be the most trusted institution in Kosovo.

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



FOREWORD FROM THE CHAIRMAN OF THE GOVERNING BOARD AND MANAGING DIRECTOR

Dear reader,

The annual report is the most important publication of the KPST, where, together with the audited financial statements, are disclosed the most important issues on investments and operations for the last calendar year.

We emphasise that on July 13, 2023, the new Governing Board was mandated by the Assembly of Kosovo, after the end of the mandate of the previous Board (on February 28, 2023), a very important body for the institution's investment decision-making process.

The main and the most important news of the annual report of the KPST is certainly the investment performance. We feel good that 2023 was added to the series of positive years in investments. Thus, we achieved a positive result in 19 of the 22 years of KPST's activity, and only in three did we record a negative result. The overall balance of this 22-year journey is an accumulated gross return of around €750m.

Both KPST's portfolios had positive returns this year. The Standard Portfolio rose by +3.05% (reaching the unit price of €1.6764), while the Conservative Portfolio rose by +3.47% (reaching the unit price of €2.1302). In nominal value, the Standard Portfolio accumulated a gross return of €83.1m, while the Conservative Portfolio €4.6m. Together they accumulated €87.7m. Meanwhile, adding to the performance the new contributions, for a record value of €289m, and deducting the paid pensions (€72m) and expenses for investment and operation (€7m), the assets under management rose by €294m and exceeded €2.72b in total.

The positive performance of the Standard Portfolio was achieved by the improvement of global macroeconomic indicators, which triggered the rise of financial markets. This market movement was particularly noticeable in the last quarter of 2023. The performance of the Conservative Portfolio reached an annual return of close to 3.5%, with investments in this portfolio being in a lower risk strategy (where 98.1% of investments at the end of the year were in the Kosovo Government bonds).

Because throughout the year, global geopolitical tensions continued to be elevated, this mainly due to the start of a two-year invasion of Ukraine from Russia; the Governing Board maintained a markedly conservative positioning of the Standard Portfolio. This positioning was directed at protecting investments from rapid negative oscillation in the markets, while KPST continued with the preparation of the Statement of Investment Principles, which will pave the way for the creation of a third investment strategy, through a new investment portfolio. Reaching this phase will allow the Governing Board to undertake different investment risks in accordance with the age of the contributors.

More specifically, KPST has planned that beginning in April 2024 to implement the investment strategy in three investment portfolios for contributors in the following age groups: 1) Standard Portfolio (for contributors aged 15 to 57); 2) Intermediate Portfolio (for contributors aged 58-62), and 3) Conservative Portfolio (for contributors aged 63 and above).

Through these investment portfolios, the Governing Board aims to advance the interest of contributors, both by handling the investment risk and by capitalising the long-term return from investments, while protecting the accumulated pension savings from short-term fluctuations. The plans are that during 2024, the KPST will continue with the structuring of internal professional capacities, to enable even more effective investments decision-making.

The day-to-day operation of the KPST, office and remote operations continue to be carried out without interruption. This standard was maintained at the highest level even though we had senior staff leaving the institution, which without well-designed technological and organisational processes would not have been possible to be upheld.

The institution's staff continued to improve internal digital processes, both increasing security and operational functionalities. Thanks to several years of digitalisation of the processes in the KPST, hundreds of thousands of services to contributors are being performed remotely, via the Internet. Such a technological option, in addition to being effective and efficient, is also highly preferred by contributors. This is best proven by the fact that during 2023, more than 800,000 contributors willing to access services remotely, where 600,000 through eTrusti portal and about 200,000 from the eKosovo portal. Also, thousands of services are being offered to contributors through phone, e-mail, and social media messaging.

These indicators of exceptional functioning are also reconfirmed by external supervisions and audits, which were done during this year as well. This confirms that KPST is operating in compliance with good corporate governance practices.

Despite all the achievements for the year, we believe that KPST will have to continue, not only to keep up with the very dynamic environment of international investments and advances in information technology, but also to embrace and implement the latest innovations in all areas of its operations.

Finally, we want to thank the Assembly of Kosovo, the Central Bank of Kosovo, the Tax Administration of Kosovo, the Civil Registration Agency, and to other relevant institutions, for their support and cooperation throughout the year 2023. We hope and express our optimism that this will continue in the years to come.

Sincerely,

Emanuel Bajra
Chairman of the Governing Board

Adrian Zalli
Managing Director



01

ORGANISATION AND FINANCES

Organisation, Board and organogram

Board members at year-end

Investment Decision-making Cycle

Governing Board Committees

Administration

Supervision and audit

Financing

Expenses

ORGANISATION

KPST was established as the sole institution for managing and investing the 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 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 29 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. 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. In 2021 we had a record number of investment funds and instrumentsever involved. In 2022, as part of protective measures, investments in high-risk instruments were significantly reduced. In 2023, the investment strategy of 2022 was mainly kept in force, with an increased attention to investment risk management in the Standard Portfolio.

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. In 2022, investments in Kosovo continued at the samepace. In 2023, we had a decrease in investments in Kosovo, since for several months the Governing Bord was non-functional, and no bids were sent to the auctions of Kosovo Government.

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.

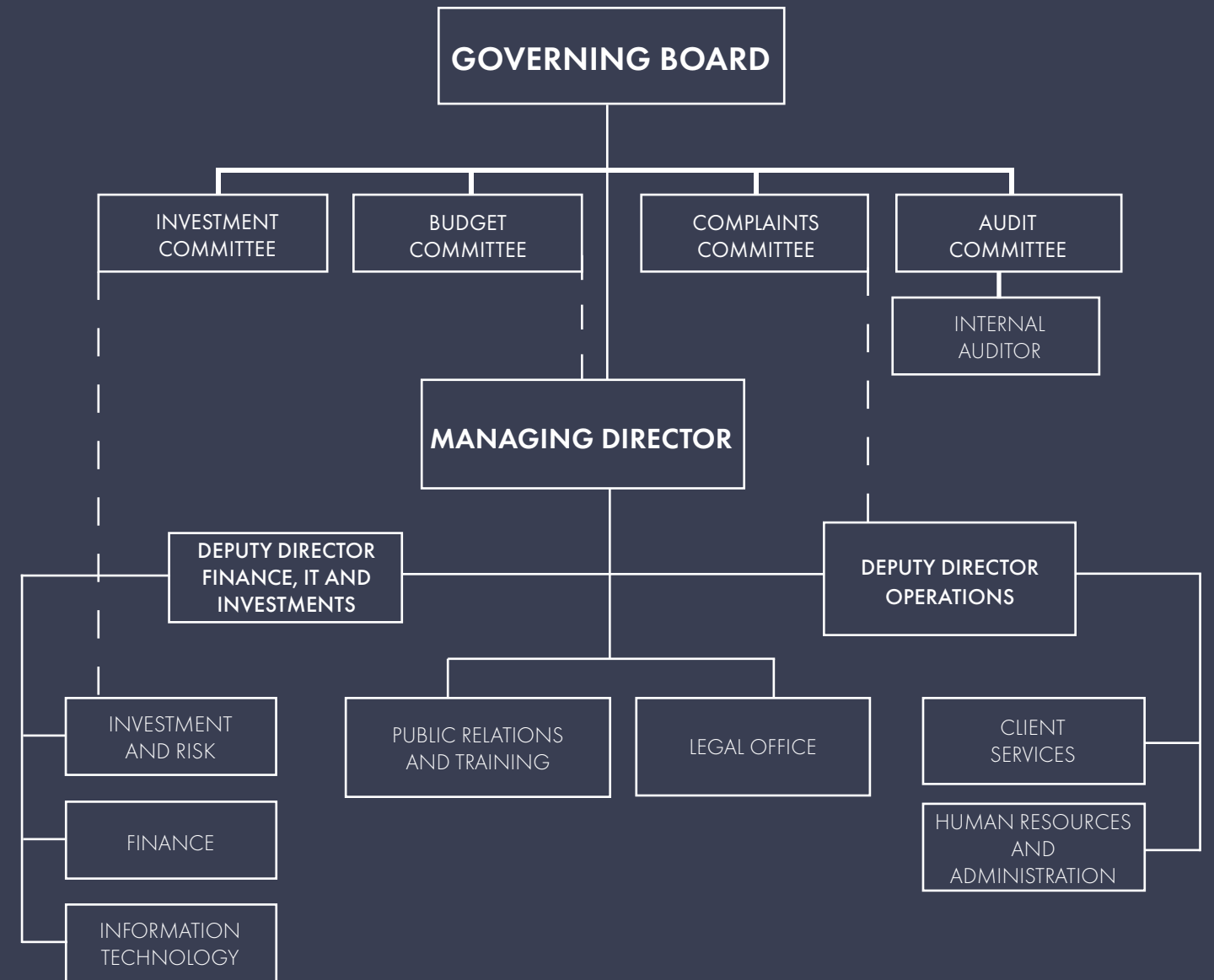
The pension rules of CBK provide the secondary legislation in relation to the investment of pension assets, performance measurement, withdrawal of pension savings and reporting requirements for KPST.

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. But even during 2023, the representative member of the Government, without the right to vote, has not been appointed to the Board of Directors

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.

At the end of December 2023, there were five members appointed in the Governing Board by the Assembly of Kosovo for a four-year term, starting from July 13, 2023. The representative positions of employers and employees in the Governing Board of the KPST remain vacant.



BOARD MEMBERS AT YEAR-END



MR. EMANUEL BAJRA

Chairman of the Governing Board, Chairman of the Budget Committee as well as member of the Investment and the Complaints committees.

Financier and expert of the financial and investment banking system, with 20 years of experience in the public and private sector. He has held various roles in commercial banking at Lloyds Banking Group, HBOS, LBCM and TSB as well as in the private - non-public markets. He has lecturing experience at Universities in Kosovo and abroad

APPOINTED:

July 2023

CURRENT MANDATE:

First



MRS. MIMOZA MUSTAFA

Chairperson of the Audit Committee and member of the Investment and Budget committees.

Lecturer at RIT Kosovo (A.U.K), with over 20 years of teaching experience in the field of mathematics and statistics. Specialised in the field of Quantitative Finance (MSc) and Applied Mathematics, leaving a mark both in academic and in the financial sector. She is currently pursuing her doctoral studies in the field of Interdisciplinary Statistics.

July 2023

First



DR. CYRIL DEMARIA

Chairman of the Investment Committee and member of the Audit Committee.

International private markets expert, with a PhD from the University of St Gallen. Associate Professor at EDHEC. He is Managing Director Senior Advisor in charge of Private Markets Strategy at Bank Julius Baer, was Partner at Wellershoff & Partners and Head of Private Markets Research at the Chief Investment Office of UBS.

July 2023

First



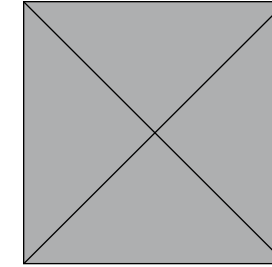
MR. TRIM SHALA

Chairman of the Complaints Committee, member of the Investments and Audit committees.

Manager with over 20 years of experience in customer service and operations management, and with a rich and crystallised combination of knowledge and direct experience throughout the evolving cycle of KPST. He holds a master's degree (MBA) in business administration from the University of Sheffield in Thessaloniki.

July 2023

First



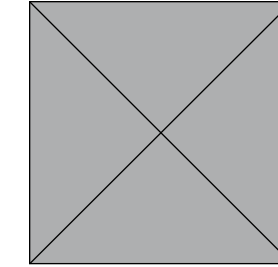
MR. SHPRESIM VRANOVCI

Member of the Investment, Budget and Complaints committees.

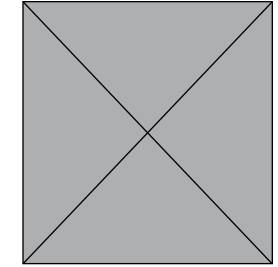
Well-known and respected professional in the field of banking and finance, with a rich career of over 20 years. He has served in key roles in several well-known and successful institutions in the financial sector in Kosovo. He has a long experience, over 10 years, in higher university education in Kosovo, as a lecturer of financial management and investments.

July 2023

First



VACANT POSITION
from February 2022



VACANT POSITION
from February 2023

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 open-end vehicles and of asset managers to implement the investment strategy and the established asset allocation; the selection of custodians and other third parties; hiring of the executive personnel of KPST; approving financial statements of KPST.

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

INFORMING OF GOVERNING BOARD

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

INVESTMENT OF PENSION ASSETS

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

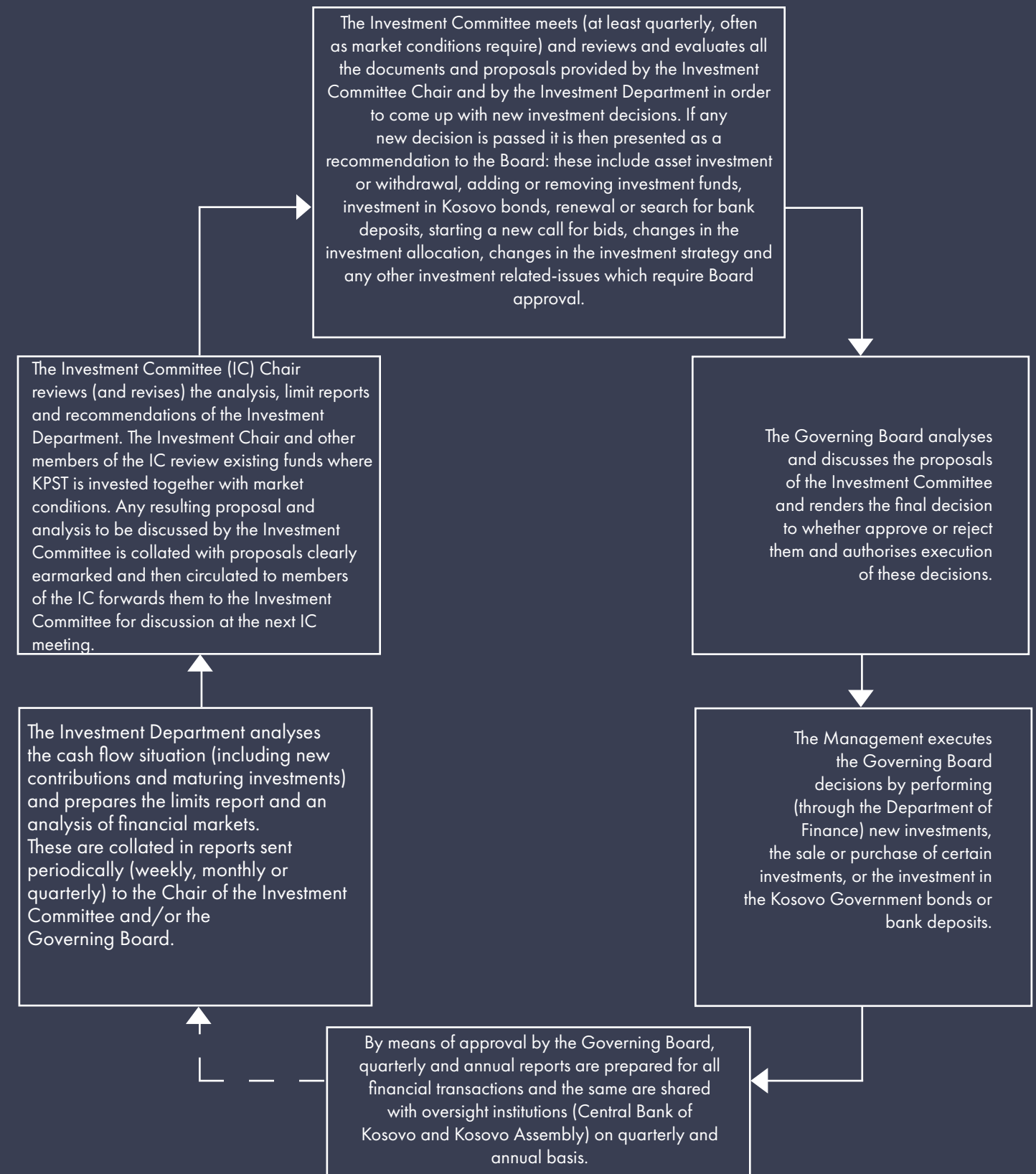
REPORTING AND TRANSPARENCY

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 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



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

THE INVESTMENT COMMITTEE
Predominantly reviews the policies, principles and the investment strategy of pension assets, as well as the performance of investments and open-end funds through which KPST invests its assets. The committee also reviews the compliance of investments with legal and regulatory requirements. The committee makes recommendations to the Board for the investment of pension assets.

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

CHAIRMAN: Cyril Demaria

MEMBERS: Emanuel Bajra
Mimoza Mustafa
Trim Shala
Shpresim Vranovci

Mimoza Mustafa

Trim Shala
Cyril Demaria
Mirlinda Ahmeti (external member)

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: Trim Shala

MEMBERS: Shpresim Vranovci
Emanuel Bajra

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.

Emanuel Bajra

Shpresim Vranovci
Mimoza Mustafa

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 Governing Board and Management ensure that the current Administration continues to improve its knowledge and experience, continues to be highly motivated, and continues to put all its intellectual capacities and skill set to serving the 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.

In 2023, there were 29 permanent positions in the KPST, of which two were part-time (in 2022: 29 permanent positions - one part-time).

In 2023, KPST continued to register departures of permanent staff. Two senior staff members left and one member's contract expired. Also a senior staff member switched to remote engagement.

In order to make the necessary replacements, four new staff members were recruited this year, of which two were in the IT unit, one in the finance unit and one in the investment unit. During the year, interns were also engaged in customer service and information technology, supporting them to create professional experience. For 2024, it is planned to continue to engage interns in customer service and other units.

Employees belonging to minorities in 2023 were 7% of the workforce, i.e. of those who have declared their ethnic affiliation. Women make 41% of the staff (2022: 41%); 81% of staff were older than 35 years (2022: 90%), and 3% of staff were with permanent disability.

Due to movement of permanent staff and recruitment of new staff, the average age of KPST staff decreased to 43.7 years (2022: 45.2 years).

MANAGEMENT

1 MANAGING DIRECTOR

| UNIT | CLIENT SERVICES | INFORMATION TECHNOLOGY | FINANCE | INVESTMENT AND RISK |
|---------------------|--|--|--|---|
| PERMANENT POSITIONS | 8 | 5 | 3 | 3 |
| POSITIONS | 1 Manager of Unit 6 Pension advisors 1 Receptionist | 1 Manager of Unit 2 Program developer 1 Network admin 1 Database admin | 1 Accountant 2 Finance officers | 1 Manager of Unit 2 Investment and risk analysts |
| DESCRIPTION | Offers client services. Provides information on individual's account such as pension contributions or the balance of savings, and also gives advice to clients on pensions and assistance in applications for the withdrawal of savings. Maintains a relationship with employers with the purpose of improving the information and allocating contributions to individual accounts. In general, staff of this unit are closest to the clients throughout their saving cycle, that is from their first contribution up to the retirement. | Ensure that the whole IT infrastructure operates smoothly and without issues at all times, looking after the hardware, software, licenses, internal and external networks and the security and integrity of KPST's data. Ensure that the disaster recovery plan is actionable every day and that the plan is tested on regular basis. | Perform all financial transactions, including investing and redeeming funds in financial markets; bookkeeping and accounting for pension funds and KPST's operations. Calculate the daily share price and prepare financial statements, monthly and quarterly reports and other reports deemed necessary by the Board of KPST, the regulator and the Assembly. Additionally, liaise with fund managers | Prepares analysis on: investments performance; risk and oscillation of investment portfolio; compliance of investments with the law; maintaining of Board's investment strategy, and gives advices to the Governing Board and Management requests+. |

2 DEPUTY DIRECTORS

| HUMAN RESOURCES AND ADMINISTRATION | LEGAL OFFICE | 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 of Unit 1 Officer for PR & trainings |
| Ensure health and safety at work, the respect of work schedule and other office rules by staff, and handle the hiring procedures when needed. Responsible for the payroll and other compensation. Additionally responsible for overall office logistics such as: dealing with supplies, vehicles, maintenance and security of the office; support staff and the Governing Board members for training and other trips, in and outside the country. | The Legal Office examines the overall legality of the institution vis-à-vis applicable legislation and assists in drafting contracts and agreements; provides legal opinions and represents KPST in the judicial system. Gives legal advices as per Governing Boards and Managements requests. The Legal Officer (as of 2023) also serves as the Secretary of the Governing Board. | Assures the Board that management's activities and those of the Administration, and all the processes in KPST, comply with: internal procedures; CBK rules; and laws in force. Performs regular quarterly audits and provides recommendations to resolve issues raised. Auditor reports are reviewed by the Audit Committee and the Governing Board. | Maintains the relationship and handles the communication with the media and public institutions, interviews and conference activities, drafting of the annual report and the quarterly bulletin for contributors; manages the website content, and when delegated takes the role of KPST spokesperson; drafts the annual performance plan; coordinates and facilitates the translation of the all the documents. |

SUPERVISION AND AUDIT

KPST, as an independent public institution, is subject to supervision by regulators and audit by independent professional auditors. Since its inception in 2002, KPST's processes and results were approved and certified, confirming its professionalism and quality.

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 approved by the Central Bank of Kosovo, did not result in a qualified opinion of 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 2023 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 2023.

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

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 CBK's consent. The Annual Report is also published on the website.

During 2023, CBK finalized the inspection for years 2021-22, where a large number of documents were reviewed; from Board and Committee meeting minutes to all investment and operational questions. CBK prepared a detailed report after the inspection, and has send it to the Governing Board of KPST. From that report, only one point was raised related to the nature of best governance practices.

However, under no circumstances, is this point related to legal or regulatory matters. The KPST Governing Board has reviewed the said report and had no comment about the single issue raised.

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.

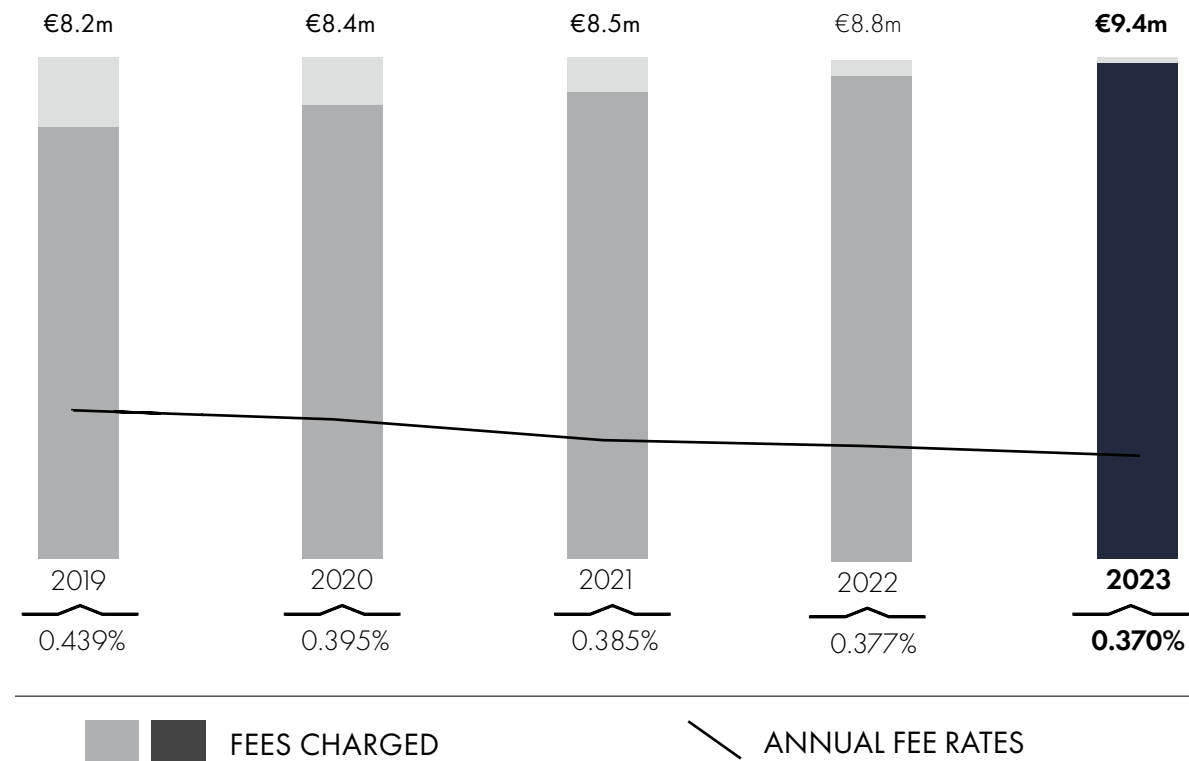
KPST employs an internal auditor, who reports at least four times per year to the Audit Committee of the KPST Board of Directors on all aspects of institutional activities. From 2022, a specialized company for internal IT audit has also been contracted, which will conduct the IT audit of KPST for the next three years.

Since 2018, 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 2023 AND THEIR STATUS

| | RECOMMENDATION | FOLLOW UP/COMMENT |
|------------------|---|--|
| EXTERNAL AUDITOR | <p>1. We noticed that a Governing Board consisting of five (5) members was appointed in July 2023. As required by Article 4 of Law No. 04/L-101 for Kosovo Pension Funds, the Governing Boards still lacks three (3) members to have a full composition of eight (8) members. In the list of absent members there is also a non-voting member who is a representative of the Government, who has not yet been appointed. Also, according to Article 4.5 of the Law, at least one (1) of the members of the Governing Board must have professional experience in representing or advising employers in Kosovo.</p> <p>We have noticed that none of the existing members meet the specific criteria in representing or advising employers in Kosovo. The composition of the Governing Board according to the Law on Pension Funds of Kosovo is essential to maintain the highest standards of governance and representation in the KPST. Therefore, we recommend that the remaining appointments be made properly, ensuring the composition of the Board as provided in the Law.</p> | <p>The appointment of the members of the Board is not the responsibility of the Governing Board. The Governing Board and Management constantly reiterate the importance of having a full and functional Board in all their meetings with the CBK Governor, the Auditor General, the Minister of Finance and the Prime Minister.</p> |
| | <p>2. The IT Internal Audit Report, which was scheduled to be completed and released within 2023, has not been finalised as of the date of this report. Additionally, we noted that the scope of the 2023 Internal IT Audit was limited to reviewing processes through 2022. This limits the audit's ability to provide a current and comprehensive assessment of the IT environment, including any changes or developments that may have occurred in the current year. We recommend that the IT Internal Audit Report be finalised and issued without further delay. The scope of the audit, in future cases, should be expanded to include the review of the processes and controls of the last period. This will ensure that the audit findings are relevant, and that the organisation is aware of and can address current IT risks and challenges.</p> | <p>These recommendations will be implemented during 2023.</p> |
| | <p>3. The IPSA application hosted within the KPST network has not implemented the SSL/TLS certificate. This server/application is accessed by the Tax Administration of Kosovo through site-to-site VPN. Additionally, TAK users access IPSA from the VPN subnet without 2FA authentication layer.</p> | <p>1. SSL certificate is implemented within the network as recommended; 2. The implementation of 2FA for non-KPST users is in the research phase for the implementation method.</p> |
| INTERNAL AUDITOR | <p>1. In one case, a minor applied to inherit the benefits of a deceased contributor. Although, based on the notarial decision, the minor is one of the beneficiaries, he is represented by his mother, as a foster parent, as required by the Family Law 2004/32 article 133. In similar situations, in the future, the representatives must apply on behalf of the minor, regardless of who appears as the beneficiary in notarial or judicial decisions. Additionally, the procedures and website should be updated to include a paragraph informing customer relations staff or direct contributors of this process.</p> | <p>Management agrees with the finding and will act in accordance with the instructions of the legal office.</p> |
| | <p>2. During the audit tests, two contributors were identified - who appear as deceased in the records of the KPST but not in the Civil Registration Agency (CRA). Further investigations reveal that the KPST had correctly filled in the death dates of the contributors, as the CRA records at the time were also the same. The current discrepancy is attributed to limitations in the updates that the KPST receives from the CRA. The recommendation is to send a request to the CRA to facilitate timely updating of contributors' data in the system, ensuring accurate information.</p> | <p>In the case the KPST system deliberately prevents the automatic cancellation of the date of death and requires authorisation from the Deputy Director, as a way to prevent improper/suspicious activity, and will continue to do so. The management of KPST held a meeting with the CRA, where they were informed by the CRA authorities that they are in the process of reorganising of the data storage and processing process.</p> |
| | <p>3. According to paragraph 12.4 of Law 04/L-101: "The fund must officially inform a participant in writing of their approaching retirement age six (6) to twelve (12) months before reaching retirement. Retirement notices were sent in accordance with the legal requirements, however, for some beneficiaries who have already reached retirement age, the text sent is "you are expected to turn 65..." It is recommended that the wording in this notice be changed so that it is suitable for all scenarios.</p> | <p>This scenario can occur when a participant enters the pension savings scheme after reaching retirement age, i.e. in bulk few cases.</p> <p>However, the Management has revised the text.</p> |

FINANCING



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 Governing Board, is approved by the Kosovo Assembly; providing the Assembly with an implicit degree of control on KPST spendings.

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 2022, KPST for 2023 has reduced the fees charged (in percentage) for operational activities, while keeping the fee charged on investments the same.

The operational fee of 0.050% annually, continues to be the lowest compared to all similar operators in the region, but it is also amongst the lowest globally.

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 clarified here that some of the activities of the Governing Board, related to investments, such as: interviewing and selection of asset managers, which are activities related to investments, are covered by an operational fee.

Annual fees charged on pension funds for 2023 have been reduced to a total of 0.370% (2022: 0.377%).

The investment fee did not change for 2023, at 0.320%, while the operational fee was slightly reduced to 0.050% (2022: 0.057%). But in nominal value, the fees charged on pension assets for 2023 rose by 6.5%, or by €571,971 - due to the increase in assets under management. The increase in the management fee came only from the investment fee, since the operational fee has also been reduced in nominal value for the year 2023.

The fees charged for 2023 were worth €9,421,417 (2022: €8,849,446). Of which €8,132,780 (2022: €7,511,466) were dedicated to cover investment expenses and €1,288,637 (2022: €1,337,980) were for operational expenses.

The planned budget for 2023 has not been spent in its entirety. As a result, the surplus from the budget for investment and operational expenses was €2,691,403. From the above value of the surplus, 2 million euros have been returned to the contributors' pension assets. The rest of this year's surplus, and the surplus carried over from the previous year, will be used to finance the increase of the reserve budget to 6 million euros (from 5 million euros previously).

KPST's non-tariff revenues for this year amounted to €174,817 (2022: €80,623), making KPST's total incomes for 2022 €9,596,234, or 7.5% higher than a year ago (2022: €8,930,069).

About 95% of the non-tariff revenues were from interest on deposits and the cash account in the bank, while the rest from the change in refunded contributions and other operational activity.

Table: List of services that KPST offers to contributors

| | | | |
|----|---|-----|--|
| 1. | Direct service at the office (service, counseling, information) every working day from 08:00 to 16:00. | 7. | Notice by regular mail for retirement. |
| 2. | Delivery of account statement at home or via e-mail. | 8. | Free retirement application and no charges by KPST for bank transfers. |
| 3. | Unlimited printing of account statements at KPST office. | 9. | Free maintenance on accounts with local commercial banks for the phased withdrawal of savings. |
| 4. | Complete maintenance of the pension savings account. | 10. | Contract with banks for above-average interest on savings in the withdrawal plan in stages. |
| 5. | Standby backup servers in a different location. | 11. | A portion of the investment costs (selection of asset managers, the Governing Board expenses etc). |
| 6. | Electronic service on-line access to personal pension account, and the service of direct communication through Facebook platform. | 12. | Downloading the account statement from the eKosova portal. |

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 brokerage and custody fees.

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.

For 2023, investment expenses accounted for 84.7% of KPST expenses (2022: 85.5%). Those in nominal value were €5,846,523 (2022: €6,695,395). Of these, €5,510,238 were for committed investment funds, while €336,285 were for brokerage, custody and other investment expenses.

The level of realisation of the expenses foreseen for the investment fee for 2023 was 71.9% (2022: 89.1%). The decrease in the level of realisation of planned investment expenses for 2023 is related to the lack of investment investments along with the lack of members appointed to the Governing Board of KPST (March 1 to July 13, 2023). This made it impossible to change the state of the invested funds, therefore, the additional planned costs for the investment of pension funds were not realised.

It should be emphasized that when investment fees are assessed for the next year, the aim of KPST is to be as close as possible to the actual needs for that year. However, it is very difficult to predict either an investment performance or strategic allocation of funds (due to external factors which can affect both the markets and the decision-making of the Governing Board on investments). These make the surplus (or deficit) from investment activities inevitable.

It is worth to remember that (usually) actively managed investment funds charge an average of 0.5% to 1.0% for fund management. Meanwhile, ETFs have lower fees.

INVESTMENT FEE

Investment fee of invested funds of the KPST for the years 2023 and 2022 are presented in the following table. Additional details are presented in the financial statements (attached) under the Pension Assets chapter.

| | 2023 | 2022 |
|--|-------------------|-------------------|
| OPEN-END FUNDS | NET FEE | NET FEE |
| Vanguard – GSIF (ISIN: IE00B03HD316) | €25,311 | €45,340 |
| BNY Mellon – RRF (ISIN: IE00B504KX99) | €1,032,156 | €1,482,878 |
| Nordea 1 – GSEF (ISIN: LU0257969260) | €670,184 | €517,879 |
| Nordea 1 – SRF (ISIN: LU0539147214) | €1,279,152 | €1,571,199 |
| Amundi – 3M-I (ISIN: FR000703813) | €95,363 | €52,364 |
| S&P500 Minvol ETF (ISIN: IE00BYX8XD24) | €44,748 | €16,568 |
| SPDR® S&P Oil & Gas (ISIN: US78468R5569) | €196,774 | €166,432 |
| Global X U.S. Infra.&Dev. (ISIN: US37954Y6730) | €305,553 | €213,719 |
| iShares U.S. Infrastructure (ISIN: US46435U7138) | €247,168 | €186,056 |
| BNP Paribas Funds CI (ISIN: LU0406802768) | €78,014 | €21,206 |
| Schroder ISF GSG (ISIN: LU2305367323) | €113,951 | €23,844 |
| iShares Global Clean Energy (ISIN: US4642882249) | €69,258 | €74,303 |
| Invesco KBW Bank ETF (ISIN: US46138E6288) | €184,077 | €225,237 |
| Lyxor EUR 2-10Y IE (ISIN: LU1390062245) | €110,437 | €136,202 |
| Vanguard Value Index Fund (ISIN: US9229087443) | €43,100 | €32,934 |
| iShares Edge MSCI EF (ISIN: IE00BQN1K901) | €214,543 | €171,108 |
| Lyxor EURO STOXX Banks (ISIN: LU1829219390) | €185,046 | €165,126 |
| iShares Core Dividend Growth (ISIN: US46434V6213) | €28,314 | €19,345 |
| SPDR MSCI Europe Energy (ISIN: IE00BKWQ0F09) | €55,102 | €2,620 |
| WisdomTree Industrial Metals (ISIN: GB00B15KYG56) | €132,005 | €6,423 |
| WisdomTree Physical Gold (ISIN: JE00B8DFY052) | €47,906 | -- |
| SPDR S&P Euro Dividend Aristocrats (ISIN: IE00B5M1WJ87) | €53,012 | -- |
| WisdomTree WTI Crude Oil (ISIN: GB00B15KXV33) | €101,430 | -- |
| iShares MSCI Global Metals&Mining (ISIN: US46434G8481) | €181,046 | -- |
| EUR Eurozone Government Bond (ISIN: IE00BH04GL39) | €4,488 | -- |
| iShares Residential and Multisector (ISIN: US4642885622) | €5,492 | -- |
| Pacer Benchmark Data & Infrastructure (ISIN: US69374H7411) | €6,608 | -- |
| AXA - Global Inflation Linked Bonds Eur (ISIN: LU0227145629) | -- | €5,918 |
| BNP Paribas IP – Parvest Diversified Dynamic (ISIN: LU0102035119) | -- | €56,979 |
| iShares Edge MSCI Europe Min Vol ETF (ISIN: IE00B86MWN23) | -- | €5,097 |
| Invesco QQQ Trust ETF (ISIN: US46090E1038) | -- | €68,274 |
| United States Oil Fund, LP ETF (ISIN: US91232N2071) | -- | €100,315 |
| Amundi MSCI Europe Quality Factor (ISIN: LU1681041890) | -- | €45,405 |
| First Trust Nasdaq Cybersecurity (ISIN: US33734X8469) | -- | €21,393 |
| L&G Ecommerce Logistics (ISIN: IE00BF0M6N54) | -- | €25,998 |
| Pacer Benchmark Industrial Real Estate (ISIN: US69374H7668) | -- | €26,046 |
| Vanguard Real Estate Index Fund (ISIN: US9229085538) | -- | €7,254 |
| Invesco DB Base Metals Fund (ISIN: US46140H7008) | -- | €276,002 |
| T. Rowe Price Funds - Global Technology Equity (ISIN: LU1244139827) | -- | €28,355 |
| Amundi Global Disruptive Opportunities (ISIN: LU1530899811) | -- | €66,425 |
| AXA World Funds - Framlington Digital Economy (ISIN: LU1694772994) | -- | €30,018 |
| Goldman Sachs Global Millennials Equity Portfolio (ISIN: LU1820776075) | -- | €31,795 |
| First Trust Nasdaq® Clean Edge® Green Energy (ISIN: US33733E5006) | -- | €5,448 |
| Lyxor USD 10Y Inflation Expectations (ISIN: LU1390062831) | -- | €44,562 |
| Global X Cybersecurity ETF (ISIN: US37954Y3844) | -- | €64,516 |
| TOTAL | €5,510,238 | €6,040,583 |

84.7%
2023

85.5%
2022

OPERATING EXPENSES

Operating expenses¹⁾ 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 Governing Boards' expenses, where the main part of the Board's activity relates to investment decision-making.

For the year 2023, operational expenses were €1,054,703 (2022: €1,139,768) and constituted 15.3% of the total expenses of KPST (2022: 14.5%) - when investment expenses are included in calculation. As shown, operational expenses were lower this year (for €85,065) than last year by -8.1%.

In 2023, the planned operational budget for goods and services was realised at 88.4% of the plan (2022: 85.2%).

The value of the surplus for the year 2023 from the operational fee was in the amount of €233,934. But apart from that, there was an additional €115,944 (from other incomes) that brings the total operating surplus to €349,878.

The total value of the surplus from operations will go to finance operational expenses for the following year.

The decrease in operational expenses this year came mostly from the decrease in expenses for the Governing Board. From March 1, 2023 to July 12, 2023, no members of the KPST Board were appointed, and there were no corresponding expenses during that period.

In addition to expenses for the Board, there was also a reduction in depreciation and amortisation expenses as well as the entire line of other operational expenses.

On the other hand, we had an increase in expenses for staff costs, for printing and sending account statements and correspondence.

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

| | 2023 | | 2022 | |
|---------------------------------------|-------------------|-------------|-------------------|-------------|
| Staff costs | €642,021 | 60.9% | €625,155 | 54.8% |
| Governing Board expenses | €62,606 | 5.9% | €132,658 | 11.6% |
| Depreciation and amortisation | €100,392 | 9.5% | €118,771 | 10.4% |
| Account statements and correspondence | €99,784 | 9.5% | €98,519 | 8.6% |
| Other operating expenses | €149,900 | 14.2% | €164,665 | 14.4% |
| TOTAL | €1,054,703 | 100% | €1,139,768 | 100% |



15.3%
2023

14.5%
2022

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 and Management

Account management

Contribution allocation

Client services

ACTIVITIES OF THE GOVERNING BOARD

The commitment of the Governing Board, as the highest decision-making body of the KPST, this year is reported in two segments: 1) from January 1 to February 28, 2023, when the composition of the Governing Board mandated in 2018 was in office, and 2) from July 13, 2023 onwards, when the newly constituted Governing Board is in office, appointed by the Assembly of Kosovo on July 13, 2023. The period from March 1 to July 12, 2023 was with vacant positions in the Governing Board, consequently the Board was non-functional.

The previous Governing Board at the end of its mandate, on February 24, 2023, had reallocated pension assets, with a total value of around 250 million euros. Apart from them, the previous Governing Board had also decided to participate in two auctions of Kosovo Government bonds. After that date, the strategic allocation of investments remained in effect until July 27, 2023, when the Governing Board, in its new composition, began the tactical allocation of pension assets.

The actual Governing Board, from July 27 to December 31, 2023, undertook dozens of reallocation decisions with the total value of around 1.3 billion euros. Of these, around 710 million euros were for additional investments and around 590 million euros for withdrawals. All these movements were for the Standard Portfolio (for pension assets in financial markets outside Kosovo), with the main purpose of protecting invested pension assets from possible negative fluctuations in the markets. In parallel with this, the Governing Board initiated the revision of the Statement of

Investment Principles, which essentially opened the possibility of creating a third investment strategy, which would be intermediate between the Standard and Conservative strategies - which were already in force from February 2022. During this period, the actual Governing Board fully withdrew investments from six investment funds, while engaging seven new investment funds.

Regarding investments in Kosovo (in Government bonds and bank deposits), the actual Governing Board allocated about 89 million euros (about 35 million euros in Government bonds and 54 million euros in bank deposits). Participation in Kosovo Government auctions is expected to be continuous during 2024.

In addition to decisions about the investment of pension funds, among the important activities of the Governing Board for 2023 was the review and approval of the annual budget of the KPST, together with the proposal of the level of management fees for 2024 submitted for approval in the Assembly of Kosovo. The various internal reports of KPST (quarterly internal audit reports and performance plan for 2024) were also discussed and approved. At the same time, several strategic and operational plans of the institution have been initiated.

In addition to investment and administrative issues, the Governing Board held meetings with the Central Bank of Kosovo and the regular committees of the Assembly of Kosovo. Also, the actual Governing Board welcomed a visit by the Prime Minister of Kosovo at the end of 2023.

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 Governing Board in decision-making investment process (inside and abroad); maintaining and advancing the IPSA software (for managing contributor accounts); conducting competitions to fill vacant positions in the KPST; the preparation of the budget proposal for 2024 and the corresponding fees; preparing of the Statement of Investment Principles, and the delivery of all the requests of the CBK, the internal auditor and the external auditor for the entire operating chain of the institution.

ACTIVITIES OF THE MANAGEMENT

In addition to providing assistance to the Governing 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 320 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

ACCOUNT MANAGEMENT

More than 606 thousand account statements were sent via mail and e-mail.

Out of a total of 834,963 accounts that have been opened since the inception of KPST, in the 2023 cycle, 606,097 statements were sent, of which 449,024 by e-mail and 157,073 by mail (2022: 433,172 by e-mail and 143,276 by mail).

So, for the year 2023, there were 29,649 more statements sent than the previous year, of which 15,852 more statements were sent by e-mail and 13,797 more statements by mail. The impact on the increase in the number of statements sent this year came from the opening of additional 41,968 new accounts.

We clarify here that the following cases are excluded from the list of sending annual statements (from the total number of 834,963 total accounts): 1) statements of account holders who have not had any transactions in the last three years (as provided by law); 2) statements of those who lack their address of residence which for 2023 were 14,018 (2022 were 19,590); as well as 3) those who are in permanent retirement (thus not including disability retirees). This category from its establishment until the end of 2023 reached 73,973 people. This category of contributors is sent notification by post before retirement (age 65).

For this year, we had 5,599 contributors and 3,753 self-employed who had paid contributions in the previous year but not in 2023. While 10,702 contributors and 243 self-employed returned in 2023 while they had not contributed during 2022.

Calculated as a whole, for the year 2023, there were 4.75 million transactions posted to the accounts of contributors and over 601 thousand to the accounts of employers (2022: 4.61 million, respectively 571 thousand).

Included in the transactions of employers' accounts are 2.18 million cases of: a) incorrectly paid contributions or overpayments and b) TAK fines. For clarification here, the fines consist of the fines and interests charged by TAK on employers (and the self-employed) for late payment or incorrect declaration of pension contributions - and which the employers have paid together with the pension contribution.

Employers on average declared and paid for 9.57 months of 2023, with a slight decrease from the previous year (2022: 9.62); and the self-employed for 3.37 quarters of 2023, unchanged from the previous year (2022: 3.37).

KPST opened 41,968 new individual accounts (2022: 40,409), bringing the total number of accounts opened since inception to 834,963.

Of the new accounts opened during the year (ie out of 41,968) 40,120 of them were for initiator contributors, i.e. that started the contribution in 2023, while the rest (1,848) were cases of contribution for previous years, for which the KPST received either the payment or the information in 2023.

During the year there were 46,937 employers and 26,878 self-employed who paid contributions for the reporting year (2022: 43,183 and 27,380, respectively). So we had an increase in the category of employers (by 8.7%) and a decrease in the self-employed (by -1.8%).

9.6

THE AVERAGE NUMBER OF MONTHS FOR WHICH EMPLOYERS PAID CONTRIBUTIONS

(2022: 9.6)

3.4

THE AVERAGE NUMBER OF QUARTERS FOR WHICH THE SELFEMPLOYED PAID CONTRIBUTIONS

(2022: 3.4)



CONTRIBUTION ALLOCATION

In the KPST account together with pension contributions, fines and interest are also paid for non-reporting and non-payment of pension contributions on time. These funds belong to TAK, and KPST on a quarterly basis, in cooperation with TAK, identifies and returns them to TAK. After the return to TAK of the unallocated funds, if the KPST receives information to whom these funds belong, they are returned and allocated to the relevant account.

Due to the fines and interests of Q4 2023 (which belong to TAK and which are expected to be returned to TAK in the first part of 2024) and mainly the contributions paid during 2023, which belong to previous years and which are outside the regular declaration process (EDI) executed together with the pension contributions to the KPST account, the unallocated funds in nominal value rose at the end of this year to €3,192,323 (2022: €2,950,426). It should be noted that when all the reports are confirmed, the KPST initiates the return to TAK of funds that are not pension contributions.

However, it is worth to recall that unequal contributions, which are older than six years, according to the legislation in force, are returned to the budget of Kosovo. Whereas, after the transfer of these funds, the applicable law has preserved contributors' right that whenever they provide information about these contributions, they will be reimbursed with the value of contribution, adding to it the average return from the investments of the KPST for the period from the moment of payment to the date of reimbursement.

Contributions reconciled as a percentage of total contributions collected:

| | As of 31 December 2023 | As of 31 December 2022 |
|---|---------------------------|---------------------------|
| Unallocated contributions (unconsolidated as of the reporting date) | €3,192,323 | €2,950,426 |
| Cumulative contributions reconciled as of the reporting date | €2,716,896,334 | €2,430,714,987 |
| Unallocated contributions as a percentage of contributions as of the reporting date | €0.117% | €0.121% |

Unreconciled contributions account for 0.12% of the total contributions collected since inception.

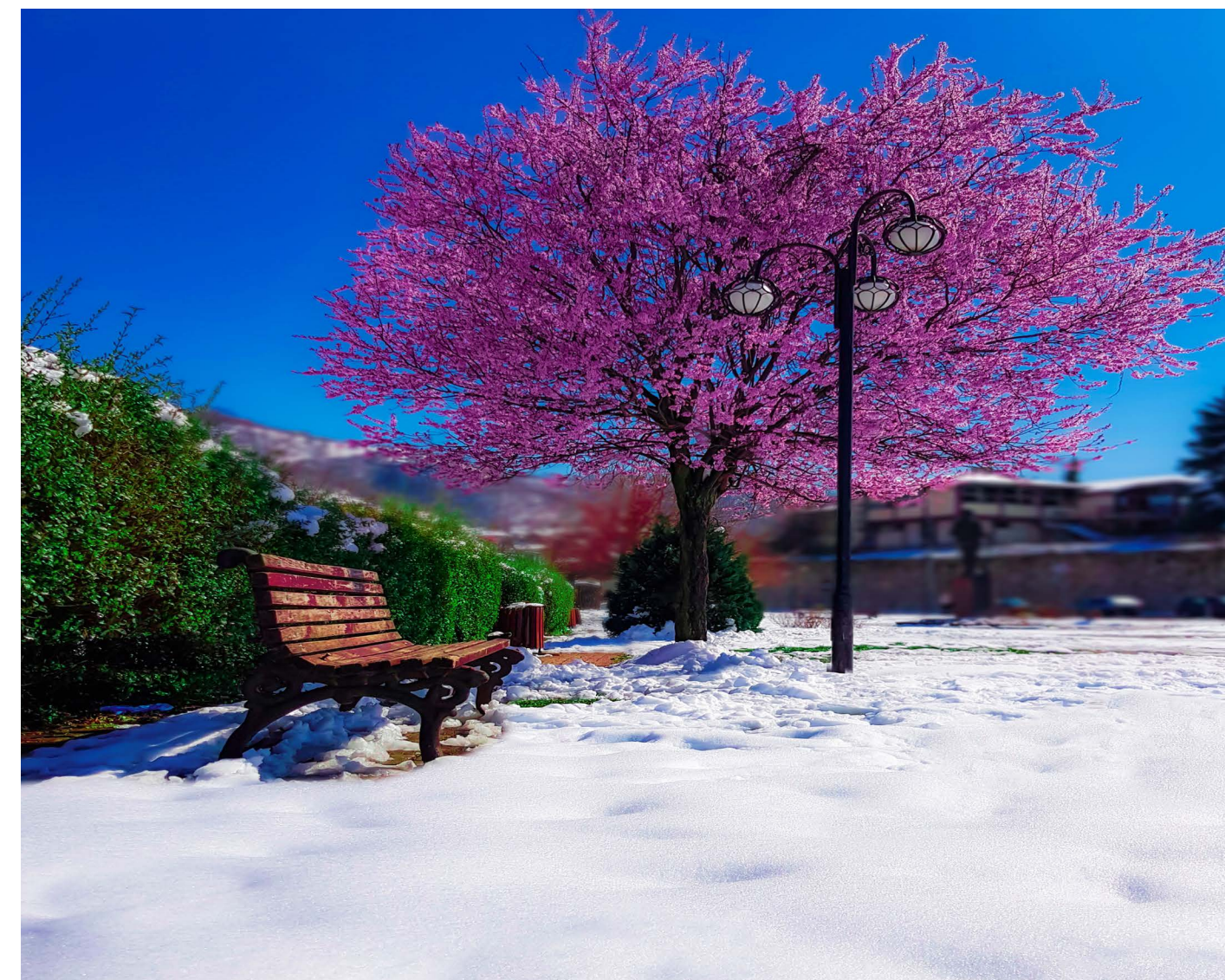
The Governing Board and Management of KPST continue to have in their list of commitments the allocation of contribution for periods younger than six years, and especially for the payments of the last year. Thus, for the year 2023, the Governing Board had set the target for unallocated funds, giving this process continued attention in the daily operations of the institution.

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

We recall here that the main reasons for unallocated contributions are: (i) fines and interests for late payments (to TAK) are included in the payment of contributions; (ii) employers send list of payments, but make underpayments or overpayments of contributions; (iii) data for contributors in the list (personal number or name) is null; (iv) employers make contribution payments but do not send the detailed list to whom they are made; and (v) the source of payment (employer) is not identified.

BALANCE OF FUNDS IN INDIVIDUAL ACCOUNTS

| | | |
|--------|--------|-----------|
| ▶ 2018 | 99.92% | €1,442.2m |
| ▶ 2019 | 99.87% | €1,594.8m |
| ▶ 2020 | 99.91% | €1,781.4m |
| ▶ 2021 | 99.91% | €2,350.4m |
| ▶ 2022 | 99.87% | €2,408.0m |
| ▶ 2023 | 99.87% | €2,698.2m |



CLIENT SERVICES

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

Kosovo Pension Savings Fund has been operating since its inception with a single service office, headquartered in Prishtina. However, pension services for: printing the account statement, applying for pension and information on pension savings are also offered in the six regional offices of Tax Administration of Kosovo (TAK). This excellent institutional cooperation between KPSF and TAK has enabled services in all the main centers of the country without additional costs for TAK in terms of staff employment, payment for rent of regional offices and other operating costs. KPST offers its services in Prishtina through the engagement of six pension officers, a receptionist, a security officer and the unit manager.

Since 2022, with the change in the account management system (now IPSA), the institution has also updated the way of handling services. With the provision of possibility of receiving an account statement from the eKosovo state portal, currently the most requested service (receiving the statement) is easier than ever before.

In certain periods, one to two interns are engaged, who, while providing services to clients, also create their first work experience.

During 2023, there were 235,224 contributors who received services from the KPST office and TAK regional offices in the six regions of Kosovo (2022: 147,426).

It is a very positive development that now most contributors now use self-service methods to get their account statement from KPST through the eTrusti and eKosovo portals. The number of self-services performed this year in eTrusti exceeded the figure of 600 thousand, being obviously the highest number ever. The number of contributors who downloaded the report from eKosovo themselves also increased significantly and exceeded the figure of 200 thousand. This year contributors through eTrust and eKosovo have used the self-service mechanism in more than 800 thousand cases.

The most requested service this year remained the printing of account statements with 99,104 printed statements. This number accounted for 42% of all services that KPST provided in its office in Pristina and regional offices of TAK. In the KPST office, the following were the most requested services this year: printing account statements (39,436 cases), approving the request for account opening in eTrusti (30,070 cases), updating addresses (11,040 cases), approving applications for pension (7,728 cases), and services for updating data (7,472 cases).

In TAK's regional offices, the most requested service was also the printing of statements with 59,668 cases, constituting 54.9% of all services offered, while the second service was checking the account statement (in 44,810 cases).

In addition to all the services provided in the office, the KPST has prepared and sent the annual statements for 2023 to all active contributors. From a total of 845,835 accounts, 606,097 statements were sent in the 2023 cycle, of which 449,024 were sent by e-mail and 157,073 by mail (2022: 433,172 by e-mail and 143,276 by mail). According to the legislation in force, not all accounts are sent annual statements, leaving out accounts that were not active in the last three years, those for which there is no address and accounts that have been retired.

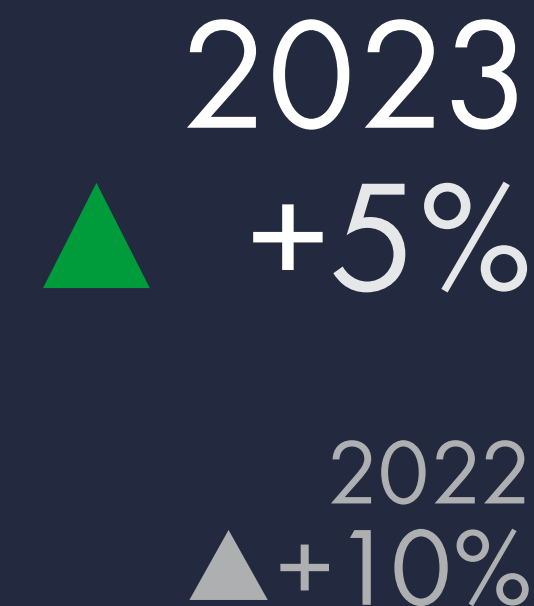
Even on cases of retirement (which are close to the age of 65), KPST regularly sends letters to contributors by mail; where it informs them about the age of retirement and on the application procedures for withdrawing pension savings from the KPST. Also, starting from last year, all contributors who reach the age of 63.5 years, and carried in the Conservative Portfolio, are notified in advance of this move.

| | |
|-------------------------------|-----------------|
| NUMBER OF ACCOUNTS IN eTRUSTI | 2023 316,140 |
| | 2022 301,798 |

| | |
|--|-----------------|
| THE NUMBER OF SELF-SERVICES ON eTRUSTI | 2023 610,497 |
| | 2022 227,746 |

| | |
|---|-----------------|
| THE NUMBER OF SERVICES OF PROVIDED FROM THE KPST OFFICE AND TAK OFFICES - FOR INDIVIDUALS AND EMPLOYERS | 2023 235,224 |
| | 2022 147,426 |

INCREASE OF NUMBER OF ACCOUNTS IN eTRUSTI



#eTRUSTI is

an online service

provided to all contributors

since 2010.

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

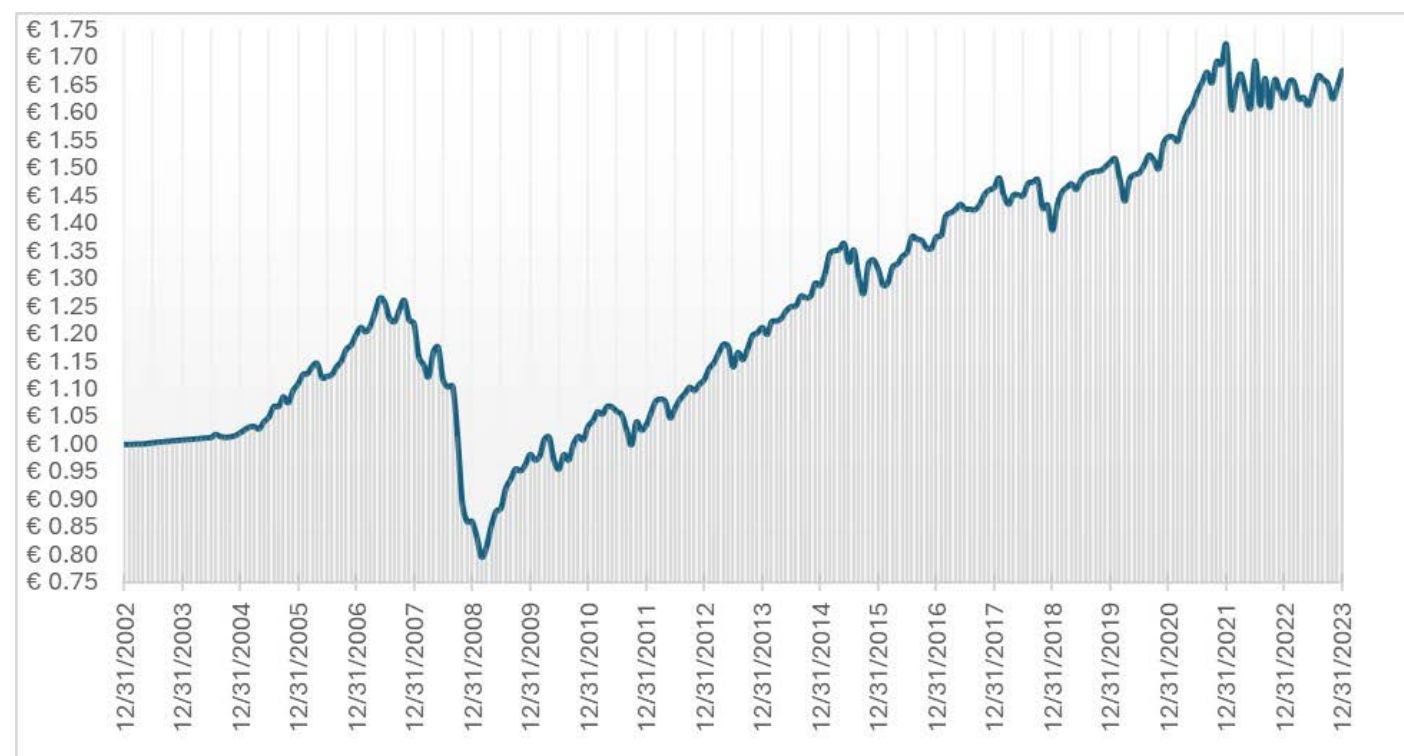
03

INVESTMENT OF PENSION ASSETS

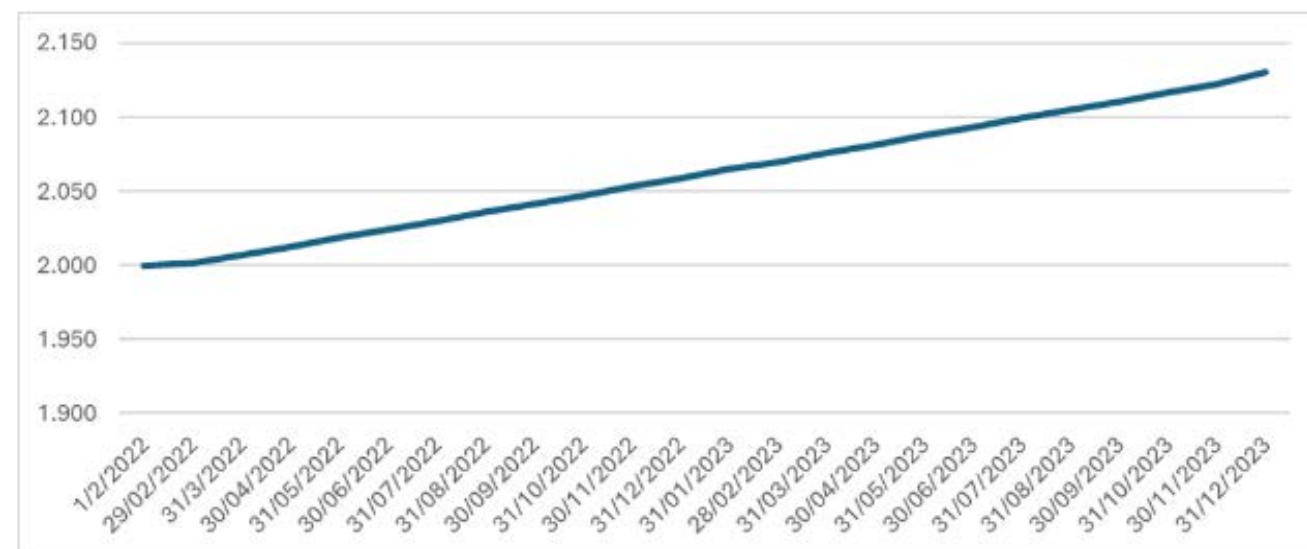
Investment principles and policy
Asset allocation
Geographic allocation
Main issuers
Asset classes and currencies
Investment performance and comparison

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.

UNIT PRICE MOVEMENT OF THE STANDARD PORTFOLIO SINCE INCEPTION



CONSERVATIVE PORTFOLIO UNIT PRICE MOVEMENT SINCE INCEPTION



INVESTMENT PRINCIPLES AND POLICY

KPST continued to fully adhere to the Declaration of Investment Principles and Policies. This Declaration has defined the Consumer Price Index of Kosovo as a benchmark against which the investment performance of the KPST and the Standard Portfolio will be compared.

The Investment Policy Guidelines (IPG), recognising 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.

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.

The Conservative Portfolio, launched in February 2022 for contributors aged 63, who are potentially more at risk of losing the purchasing power of their retirement savings due to the volatility of financial markets, has proven its worth, continuing to rise by 3.5 % for 2023. The funds of this portfolio are mainly invested in the Kosovo Government bonds.

In the Standard Portfolio (for contributors under the age of 63) investment policy is based on a combination of: a) asset classes - which is, financial instruments of direct investments and those within investment funds; and b) an investment strategy adopted by the investment fund. In all these asset classes and strategies there are established limits for investing in them.

Because from March 1, 2023, until July 13, 2023, the members of the Governing Board had not been appointed by the Assembly of Kosovo, KPST had no opportunity to change or update the investment principles and policy documents. These documents will be updated throughout 2024.

| TYPE OF INVESTMENT | STRATEGY | CURRENT ALLOCATION | LIMITS |
|-----------------------|--------------|--------------------|--------|
| Cash and money market | Income | 38.9% | 0%-50% |
| Pure equity funds | Directional | 25.6% | 0%-60% |
| Pure fixed income | Income | 16.9% | 0%-60% |
| Real assets | Directional | 9.6% | 0%-20% |
| Multi-asset funds | Risk managed | 9.0% | 0%-55% |

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 invest through derivatives (such as futures that is agreement to financial instruments in the future, with a predetermined date and price), in order to protect from markets going into an unwanted direction.

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 on where each of the KPST placements belongs on December 31, 2023 is provided above.

Funds complementing risk management with risk targeting

ASSET ALLOCATION

In the Standard Portfolio, at the end of 2023, the assets under management were in the amount of €2,571.2 million (2022: 2,317.0), distributed as follows: €2,013.5 million were invested in international financial markets via investment funds (2022: €1,689.3 million); €317.7 million were invested in Kosovo bonds (2022: €459.0 million); €9.1 million were in term deposits in banks operating in Kosovo (2022: €136.9); while €149.9 million were uninvested in CBK (2022: €31.8 million).

While in the Conservative Portfolio, at the end of 2023 there was a total of €131.9 million assets under management (2022: €95.0), distributed as follows: €129.4 million (2022: €94.0 million) in bonds of the Government of the Republic of Kosovo and €2.45 million (2022: €1.0 million) were in cash in banks operating in Kosovo. Throughout the new mandate, the Board, has maintained a mainly defensive position in the Standard Portfolio, being in preparation for the new investment strategy.

Distribution of investments by instrument, class and strategy on 31st December 2023 in the Standard Portfolio.

| INVESTMENT | ASSET CLASS / STRATEGY | ASSETS | ALLOCATION |
|--------------------------------------|---------------------------------|------------------------|----------------|
| Amundi 3M-I | Cash / Income | €849,040,517 | 33.02% |
| Treasury of the Republic of Kosovo | Debt instruments / Income | €317,723,986 | 12.36% |
| Nordea SRF | Multi-assets / Managed risk | €232,134,896 | 9.03% |
| Nordea GSE | Equities / Managed risk | €162,769,170 | 6.33% |
| Vanguard GSIF | Equities/Directional | €119,953,739 | 4.67% |
| Term deposits in Kosovo | Debt instruments / Managed risk | €90,088,203 | 3.50% |
| iShare MSCI Eur Value ETF | Equities/Directional | €90,047,414 | 3.50% |
| iShare US Infr ETF | Real assets / Directional | €64,391,579 | 2.50% |
| GlobalX US Infr ETF | Real assets / Directional | €63,745,183 | 2.48% |
| Vanguard Value ETF | Equities/Directional | €61,550,538 | 2.39% |
| SPDR S&P Oil & Gas ETF | Equities/Directional | €55,506,017 | 2.16% |
| W.Tree Crude Oil ETF | Real assets / Directional | €34,264,437 | 1.33% |
| iShare MSCI Glob Met. Mining ETF | Equities/Directional | €31,972,648 | 1.24% |
| SPDR EU Energy ETF | Equities/Directional | €31,764,192 | 1.24% |
| Invesco KBW Bank ETF | Equities/Directional | €31,434,451 | 1.22% |
| Schroders ISF GSG | Equities/Directional | €28,283,645 | 1.10% |
| W.Tree Physical Gold ETF | Real assets / Directional | €27,433,379 | 1.07% |
| Vanguard Eurozone Gov Bond ETF | Debt instruments / Directional | €26,930,801 | 1.05% |
| W.Tree Metals ETF | Real assets / Directional | €25,814,601 | 1.00% |
| Lyxor Stoxx Bank ETF | Equities/Directional | €23,892,604 | 0.93% |
| SPDR SP Eur Div Aristocrats ETF | Equities/Directional | €21,991,190 | 0.86% |
| iShare Resid. M-Factor R. Estate ETF | Real assets / Directional | €15,629,945 | 0.61% |
| Data & Infra. Real Estate ETF | Real assets / Directional | €14,967,191 | 0.58% |
| Cash in CBK (Un-invested) | -- | €149,901,531 | 5.83% |
| TOTAL | | € 2,571,231,857 | 100.00% |

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

GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS

(STANDARD PORTFOLIO AND CONSERVATIVE PORTFOLIO)

EUROPE
€1,775,606,233
65.69%

NORTH AMERICA
€711,359,793
26.32%

ASIA
€53,832,075
1.99%

OCEANIA
€12,141,304
0.45%

OTHER
€150,149,682
5.55%



In the Standard Portfolio pension assets are invested through open-end funds administered by managers of these funds in shares, debt instruments, cash and other financial instruments of global corporations and sovereign treasuries. At the end of the year, KPST had direct and indirect investments in the financial instruments on 1,993 global issuers (2022: 1,988).

In the Conservative Portfolio pension assets are invested directly in the bonds of the Government of the Republic of Kosovo through public auctions and in bank deposits in Kosovo. At the end of the year 2023, 98.1% of investments of this portfolio were in the bonds of Government of Kosovo, and the other portion (1.9%) were in term deposits.

| No. | COUNTRY | % | ASSETS |
|-----|--------------|--------|--------------|
| 1. | Kosovo | 25.51% | €689,570,947 |
| 2. | USA | 24.56% | €663,883,220 |
| 3. | France | 14.78% | €399,524,975 |
| 4. | Italy | 3.39% | €91,641,825 |
| 5. | Jersey | 3.30% | €89,141,302 |
| 6. | UK | 3.21% | €86,808,063 |
| 7. | Netherlands | 2.60% | €70,283,830 |
| 8. | Spain | 2.17% | €58,710,572 |
| 9. | Germany | 2.16% | €58,504,649 |
| 10. | Sweden | 1.82% | €49,180,174 |
| 11. | Finland | 1.77% | €47,899,435 |
| 12. | Canada | 1.54% | €41,761,732 |
| 13. | Luxembourg | 1.18% | €31,854,642 |
| 14. | Japan | 1.02% | €27,451,875 |
| 15. | Switzerland | 0.83% | €22,390,829 |
| 16. | Ireland | 0.73% | €19,621,772 |
| 17. | Denmark | 0.68% | €18,257,962 |
| 18. | Belgium | 0.66% | €17,749,861 |
| 19. | Norway | 0.46% | €12,465,077 |
| 20. | Australia | 0.43% | €11,694,095 |
| 21. | Taiwan | 0.21% | €5,567,286 |
| 22. | China | 0.20% | €5,407,205 |
| 23. | South Korea | 0.15% | €3,975,961 |
| 24. | Austria | 0.14% | €3,917,899 |
| 25. | Brazil | 0.14% | €3,828,349 |
| 26. | Hong Kong | 0.14% | €3,781,518 |
| 27. | Israel | 0.14% | €3,662,857 |
| 28. | Portugal | 0.13% | €3,557,112 |
| 29. | Singapore | 0.11% | €2,944,469 |
| 30. | India | 0.09% | €2,436,807 |
| 31. | Mexico | 0.05% | €1,261,659 |
| 32. | South Africa | 0.04% | €1,046,627 |
| 33. | Indonesia | 0.04% | €1,045,597 |
| 34. | New Zealand | 0.02% | €447,209 |
| 35. | Saudi Arabia | 0.02% | €443,923 |
| 36. | Thailand | 0.01% | €360,877 |
| 37. | Chile | 0.01% | €267,225 |
| 38. | Malaysia | 0.01% | €242,198 |
| 39. | Bermuda | 0.01% | €218,903 |
| 40. | Other | 5.56% | €150,278,568 |

MAIN ISSUERS

The list of the top 25 issuers, for both portfolios (Standard and Conservative) are presented below. KPST is exposed to these issuers indirectly, through investment funds, while placements in the Treasury of the Republic of Kosovo, time deposits (in local and international banks) are direct. This list does not include investments in mutual funds or money market.

As can be seen, the Treasury of the Republic of Kosovo was the largest placement in a single entity for 2023. The novelty of this year is that the placements are dominated by investments in companies and not state treasuries, with exception of Treasury of Italy in this year's list.

16.5% of all assets were invested in the Treasury of the Republic of Kosovo.

It shall be remembered that legal restrictions require that the KPST does not exceed placements as follows: a) no more than 30% in the Treasury of Kosovo; b) no more than 20% of assets in debt bonds of a single issuer rated AA or higher; c) 10% in bonds rated A or higher; d) 5% in bonds rated BBB or lower; e) no more than 5% of 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 limits on investments in a single issuer on 31st December 2023.

| No. | ISSUER | ASSETS (in million) | ALLOCATION TOWARDS AUM |
|-----|------------------------------------|---------------------|------------------------|
| 1. | Treasury of the Republic of Kosovo | €447.1 | 16.5% |
| 2. | BPCE | €63.3 | 2.3% |
| 3. | Credit Agricole | €62.9 | 2.3% |
| 4. | Credit Mutuel | €56.9 | 2.1% |
| 5. | Societe Generale | €56.8 | 2.1% |
| 6. | BNP Paribas | €42.5 | 1.6% |
| 7. | Nordea Bank | €35.2 | 1.3% |
| 8. | Intesa Sanpaolo | €33.8 | 1.3% |
| 9. | Treasury of Italy | €32.6 | 1.2% |
| 10. | NLB Bank in Kosovo | €32.4 | 1.2% |
| 11. | ING | €30.7 | 1.1% |
| 12. | Handelsbanken | €28.3 | 1.0% |
| 13. | UniCredit | €25.2 | 0.9% |
| 14. | Banco Santander | €22.2 | 0.8% |
| 15. | Alphabet | €20.9 | 0.8% |
| 16. | PCB Bank in Kosovo | €20.6 | 0.8% |
| 17. | Microsoft | €20.4 | 0.8% |
| 18. | Engie SA | €16.1 | 0.6% |
| 19. | BE Bank in Kosovo | €14.9 | 0.6% |
| 20. | BBVA | €13.7 | 0.5% |
| 21. | Barclays | €13.6 | 0.5% |
| 22. | Shell | €13.1 | 0.5% |
| 23. | Johnson & Johnson | €13.0 | 0.5% |
| 24. | BpB Bank in Kosovo | €12.1 | 0.4% |
| 25. | Fiserv Inc | €11.9 | 0.4% |

ASSET CLASSES

In the Standard Portfolio, at the end of 2023, the total assets of €2,571,231,857 were divided according to these investment classes: in Debt Instruments there were €434,742,989 or 16.9% of the assets; in shares were €659,165,608 or 25.6% of assets; in multi-assets were €232,134,896 or 9.0% of assets; in cash they were €998,942,048 or 38.9% of assets and in real assets they were €246,246,316 or 9.6% of assets.

Whereas in the Conservative Portfolio, on this date, the assets of €131,857,228 were divided into: debt instruments (Kosovo bonds) €129,411,518 or 98.1% of assets and cash in banks €2,445,710 or 1.9% of assets.

At the end of this year, the instrument with the most investments in the Standard Portfolio was the money market (with 38.9%), while in the Conservative Portfolio it was the investment in the bonds of the Republic of Kosovo (with 98.1%). When calculated together, the invested funds of KPST, directly and indirectly, for both investment portfolios

Bonds accounted for 19.6% of total invested assets.

(Standard and Conservative) at the end of the year had a composition of 40.8% investments in money market (2022: 18.8%).

Investments in Kosovo, which here are only for investments in securities issued by the Government of the Republic of Kosovo, despite not having a ranking, are de facto assessed highly secure and investable.

Out of the 21 funds through which KPST was invested on reporting date: (a) 12 were EUR denominated, total amount of EUR 1,646,036,940 or 60.5% of total assets; (b) 9 were USD denominated, total amount of EUR 367,481,198, or 13.5% of total assets (2022: 11 EUR denominated funds amounting EUR 1,217,778,938 or 50.2% of total assets, and 9 USD denominated funds with EUR 471,471,073, or 19.4% of total assets).

RATING OF PLACEMENTS IN DEBT INSTRUMENTS AND INDIRECT CASH

RISK

—



| RATING | QUALITY OF PLACEMENT | PERCENTAGE OF DEBT INSTRUMENTS AND CASH |
|-------------|-----------------------|---|
| -- | Investments in Kosovo | 16.5% |
| -- | Outside Kosovo | 4.1% |
| AAA | Prime | 0.3% |
| AA | High | 0.6% |
| A | Upper middle tier | 2.3% |
| BBB | Lower middle tier | 0.8% |
| BB | Speculative | 0.0% |
| B | Highly speculative | 0.0% |
| C and below | High risk | 0.0% |

INVESTMENT PERFORMANCE

The actual Governing Board has generally maintained a low-risk strategic approach to Standard Portfolio investments. This is because the general economic, financial and geopolitical situation was obviously burdened by events with a high potential of negative impact on investment performance. This approach will be reviewed and (if necessary) changed during 2024, with the adoption of the Statement of Investment Principles.

In the gross return from investments for the year 2023 in the Standard Portfolio (€81.1 million) the biggest contribution

Standard Portfolio had a positive gross return of €81.1m or an increase of +3.05% for 2023.

was made from investments in financial markets outside Kosovo, through investment funds, in the amount of €61.0 million and together with dividends (of €8.1 million) for a total amount of €69.2 million.

Thus, investments in the financial markets contributed 85.3% to the overall return of the Standard Portfolio. Investments in bonds (€8.8 million) and bank deposits in Kosovo (€3.1 million) contributed together with €11.9 million or 14.5% of the total gross return.

| ISSUER | AS OF 31.12.2023 | YEARLY GROSS RETURN |
|--|-----------------------|---------------------|
| Vanguard – GSIF ISIN: IE00B03HD316 | €119,953,739 | €8,103,677 |
| BNY Mellon – RRF ISIN: IE00B504KX99 | -- | €(9,690,431) |
| Nordea 1 – GSEF ISIN: LU0257969260 | €162,769,170 | €14,306,255 |
| Nordea 1 – SRF ISIN: LU0539147214 | €232,134,896 | €8,066,299 |
| Amundi – 3M-I ISIN: FR0007038138 | €849,040,517 | €16,006,885 |
| iShares Edge S&P 500 Minimum Volatility ISIN: IE00BYX8XD24 | -- | €(722,816) |
| SPDR S&P Oil & Gas Exploration & Production ISIN: US78468R5569 | €55,506,017 | €(1,241,047) |
| Global X U.S. Infra-structure Development ISIN: US37954Y6730 | €63,745,183 | €14,981,588 |
| iShares U.S. Infrastructure ISIN: US46435U7138 | €64,391,579 | €4,576,252 |
| BNP Paribas Funds Climate Impact ISIN: LU0406802768 | -- | €(2,998,153) |
| Schroder ISF Global Sustainable Growth ISIN: LU2305367323 | €28,283,645 | €3,743,154 |
| iShares Global Clean Energy ISIN: US4642882249 | -- | €(7,577,067) |
| Invesco KBW Bank ETF ISIN: US46138E6288 | €31,434,451 | €(11,396,017) |
| Lyxor EUR 2-10Y Inflation Expectations UCITS ISIN: LU1390062245 | -- | €1,082,704 |
| Vanguard Value Index Fund ISIN: US9229087443 | €61,550,538 | €(829,024) |
| iShares Edge MSCI Europe Value Factor UCITS ISIN: IE00BQN1K901 | €90,047,414 | €10,960,895 |
| Lyxor EURO STOXX Banks (DR) UCITS ISIN: LU1829219390 | €23,892,604 | €16,462,594 |
| iShares Core Dividend Growth ETF ISIN: US46434V6213 | -- | €1,083,522 |
| SPDR MSCI Europe Energy UCITS ETF ISIN: IE00BKWQ0F09 | €31,764,192 | €2,290,227 |
| WisdomTree Industrial Metals ETF ISIN: GB00B15KYG56 | €25,814,601 | €(4,153,992) |
| WisdomTree Physical Gold - EUR Daily Hedged ISIN: JE00B8DFY052 | €27,433,379 | €3,479,125 |
| SPDR S&P Euro Dividend Aristocrats UCITS ISIN: IE00B5M1WJ87 | €21,991,190 | €1,044,219 |
| WisdomTree WTI Crude Oil ISIN: GB00B15KXV33 | €34,264,437 | €(633,998) |
| iShares MSCI Glob. Metals&Mining Producers ISIN: US46434G8481 | €31,972,649 | €(8,446,783) |
| EUR Eurozone Government Bond UCITS ISIN: IE00BH04GL39 | €26,930,801 | €1,935,702 |
| iShares Residential and Multisector Real Estate ISIN: US4642885622 | €15,629,945 | €635,467 |
| Pacer Benchmark Data&Infrastructure Real Estate ISIN: US69374H7411 | €14,967,191 | €(26,186) |
| Kosovo Gov. T-bills and term deposits in the banks operating in Kosovo | €406,946,583 | €11,923,024 |
| Other income - Dividends from the revaluation of open-end funds | -- | €8,140,670 |
| TOTAL | €2,420,464,721 | €81,106,745 |

Conservative Portfolio had a positive gross return of €4.6m or one increase of +3.47% for 2023.

We remind you that from February 2023 the KPST operates with two investment portfolios: the Standard Portfolio (for contributors under the age of 63) and the Conservative Portfolio (for contributors aged 63 and over). This separation was made to protect contributors especially those close to retirement from possible short-term fluctuations in the financial markets. The Conservative portfolio, as expected, had a positive improvement of +3.47% in unit

price or a gross return of 4.6 million euros. It is understood that the investments of this portfolio have only one protective purpose. For this reason, the assets of the contributors of for this age group were 98% invested in the bonds of the Government of Kosovo. This portfolio has eliminated the possibility of contributors close to retirement being hit by rapid and severe downturns in international financial markets.

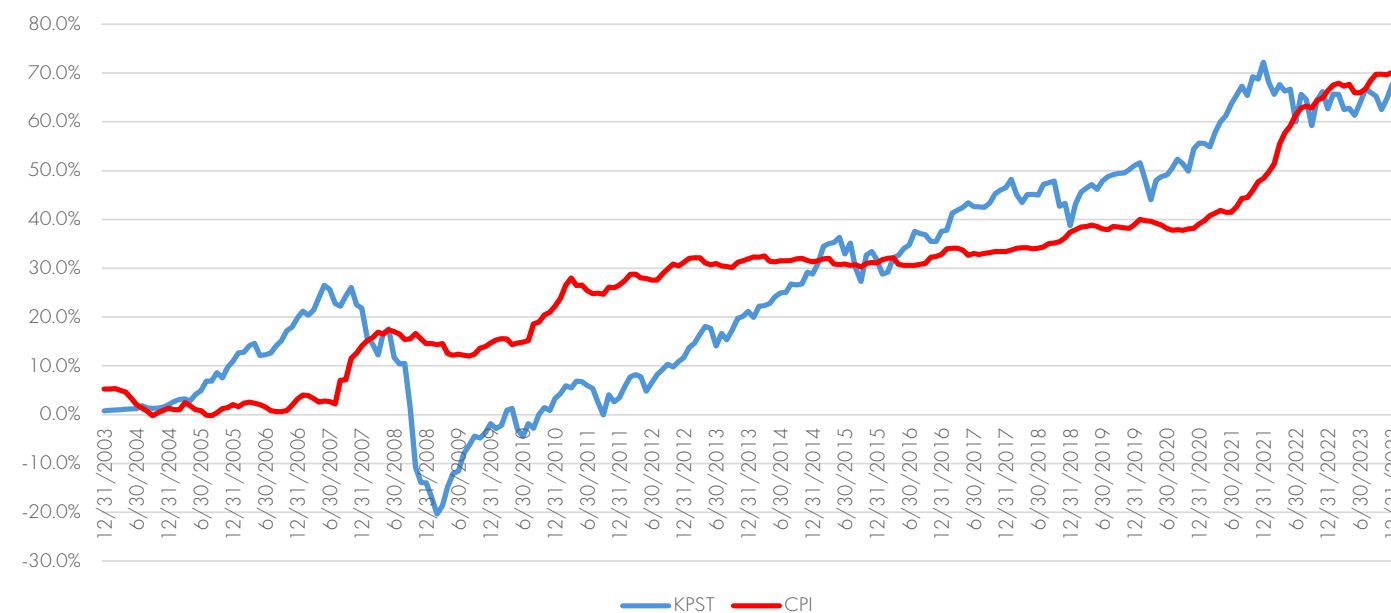
| ALLOCATION | AS OF 31.12.2023 | YEARLY GROSS RETURN |
|---|---------------------|---------------------|
| T-bills of the Government of the Republic of Kosovo | €129,411,518 | €4,556,800 |
| Term deposits | €2,445,710 | -- |
| TOTAL | €131,857,228 | €4,556,800 |

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 performance of the KPST in the Standard Portfolio for 2023 (+3.05%) and the decrease in the inflationary acceleration (+2.29%) affected the unit price of the Standard Portfolio in relation to the consumer price index in Kosovo (CPI). While the unit price of KPST rose to the quota of 67.64% from the establishment, CPI reached 70.16%.

COMPARISON OF KPST SHARE PRICE OF STANDARD PORTFOLIO AND CONSUMER PRICE INDEX IN KOSOVO (FROM 31.12.2003 UNTIL 31.12.2023)



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 18.2% while the benefit payments increased by 30.5%.

KPST calls active contributors persons who pay contributions for the reporting year, in this case for 2023. On the other hand, KPST calls initiating contributors the active contributors, 8.97% of them, who pay for the first time contributions in and for 2023 (2022: 11.5%).

First-time contributors totaled 40,120 while there were 51,902 others (2022: 8,538), or 15.1% (2022: 2.6%) of average active contributors, who retired this year (contributed in 2022 but not in 2023); and this number does not include 6,744 permanently retired accounts in 2023.

Meanwhile, 13.3% of initial contributors in 2023 were employed⁽¹⁾ for the first time at age 40+ (2022: 13.6%), which is an increase of almost two percentage points from last year.

The average age of initial contributors in 2023 was 26.0 years, while 65.8% of them were 25 years or younger (respectively 2022: 26.4 and 62.8% of them were 25 years or younger).

The self-employed, who made up about 1.6% of the starting contributors (2022: 1.8%), continued to be older on average. Their average age was 34.1 years, and 55.4% of them were 33 years old or younger.

Share of female entrepreneurs was 51.3% for employees (2022: 51.1%); and 36.6% (2022: 33.9%) for the self-employed.

On the other hand, women became passive again this year at lower rates thus constituting 41.0% of the employed and 22.8% of the self-employed who became passive (2022: 43.3% and 21.1%, respectively), but slightly more than the previous year. This is an indication that women had higher stability in employment.

The passivation of contributors this year mostly happened to the age group 21-26 years old (2022: 21-26 years old). Further, 52% of 2023 contributors who were inactive during the year were 30 of age or younger among employed and 43 or younger among self-employed.

The percentage of contributors (excluding the self-employed) who became inactive in 2022 but returned to the contribution scheme in 2023 decreased slightly to 20.7%, compared to 2022 when the number of contributors who were inactive in 2021 who had returned to the scheme in 2022 was 21.5% of them.

Analysis of data for the last five years reveals that 238,439 employed contributors, and 18,091 self-employed contributors, contributed at least one month in each of these five years (2022: 225,142 and 18,295). Therefore, while employed contributors have increased five-year contribution stability, self-employed contributors show signs of instability.

CONTRIBUTION

There have been €2,716.9m contributions collected since the establishment of the institution.

The new collected contributions this year amounted to €286.2 million (2022: €241.5 million), which were payments of pension contributions of employees and the self-employed.

The contributions collected during 2023 increased by 18.5% compared to the previous year. In 2022 they had increased by 13.1% while in 2021 by 9.8%. Contributions that are not under management are recognised to be withdrawn in the case of pension payments or refunds and are no longer part of the fund.

We had 6,965 new employers this year, thus being an increase of 11.9% from the previous year (2022: 6,226). The previous year this number had risen by 9.2%. New employers are considered businesses, institutions, and others, which for the first time contribute to their employees.

While we had a double-digit increase in new employers this year, it turns out that at the same time we also had 13.5%

more dormant employers, thus going to 5,687 the number of dormant employers (2022: 5,011). A year ago, this figure had changed by 8.0%. Therefore, it results that the difference between new employers and inactive ones is only 1.6 percentage points.

KPST considers as passive businesses or institutions or organisations that have contributed for the employee during the previous year but not in the reporting year.

On the other hand, the number of active contributors on average during 2023 reached 343,906, which was 3.7% higher on average than last year (2022: 331,555).

At the end of the year, the average balance for all contributors' pension savings accounts rose by a slight 4.2% to €3,554 (2022: €3,412). This increase came from both a positive return on investment and a slight improvement in the average contribution.

CONTRIBUTIONS COLLECTED AND NET AUM

| PERIOD | COLLECTED CONTRIBUTIONS (in million) | NET AUM (in million) |
|-------------|---|-------------------------|
| 2002-2019 | €1,781.4 | €1,966.9 |
| 2020 | €1,975.8 | €1,988.0 |
| 2021 | €2,189.2 | €2,353.1 |
| 2022 | €2,430.7 | €2,426.6 |
| 2023 | €2,716.9 | €2,720.2 |

COMPOSITION OF NET ASSETS UNDER MANAGEMENT

2023

CONTRIBUTIONS UNDER MANAGEMENT



GAINS



2022

CONTRIBUTIONS UNDER MANAGEMENT



GAINS



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

RETIREMENTS AND BENEFIT PAYMENTS

Profit realised from the pensions withdrawn in 2023 it was 24.3%.

During 2023, the KPST has paid pensions of age (65 years old), for disability (according to the decision of the competent Ministry) and for death cases (inherited by family members). The withdrawal of funds from the KPST (according to the legislation in force) was also done by foreign citizens (who were not obliged to pay pension savings to the KPST).

The funds that were paid out for these categories of pensions for 2023 were worth a total of €71.6 million (2022: €54.9 million in total). The highest value paid out for retirement is associated with the largest number of beneficiaries retiring during 2023.

Of the amount withdrawn for 2023 (€71.6 million), €54.2 million was the part of the contributions paid, while €17.4 million were profits realised from the investment of pension funds. Thus, the average percentage of profits realised in 2023 is 24.3% of total payments (2022: 25.7%).

For all retirement cases in 2023 we had 7,703 accounts (2022: 6,907 accounts). Together with retired permanent withdrawal accounts this year, the number of permanent withdrawal accounts since establishment stands at 73,973. The number of people who in 2023 were paid after

reaching retirement age (65 years) was 5,876 or 76.3% of approved applications (2022: 5,124 or 74.2%). Due to disability, 946 people, or 12.3% of the entire number, withdrew their pension savings (2022: 779 or 11.3%).

For death before retirement there were 946, or 12.3% withdrawals from heirs (2022: 945 or 13.7%). Contributors, with the status of non-resident citizens of Kosovo, who withdrew their pension savings this year were 27 cases or 0.4% of retired accounts (2022: 59 cases or 0.9%).

From inception until the end of 2023, a total of €630.4 million has been withdrawn. Of this amount withdrawn, €503.8 million were contributions accumulated by contributors (through monthly payments) and €126.7 million were profits realised from investments. So, from the entire amount withdrawn for pensions (since the establishment of the KPST), the contributors have realised an average of 25.1% of profits.

WHEN AND HOW CAN PENSION SAVINGS BE WITHDRAWN?

According to the legislation in force, which has not undergone any changes even for 2023, pension savings can be withdrawn from the KPST by the contributor or the heir in the following cases:

- When the retirement age is reached (currently age of 65 as defined by the law);
- When there is certificate of disability from the Ministry of Labor and Social Welfare;
- When he dies before the age of retirement, in which case his/her legal heirs withdraw entire saved balance;
- In cases where foreign citizens have paid pension contributions, since they were not lawfully obliged to pay them to KPST.

HOW CAN SAVINGS BE WITHDRAWN?

Program of Phased Withdrawal (PPW)

PPW is such that beneficiaries in this scheme withdraw from their savings every month (€200¹⁾ or 1% of the balance at the time of retirement (depending on the balance: up to 20 thousand euros balance from 200 euros and over 20 thousand euros from 1%), until the entire balance is exhausted.

Beneficiaries can choose one of the five banks that offer the PPW service: NLB Bank, BpB Bank, Banke

Ekonomike and BKT Bank, thus benefiting from a specific treatment, according to the KPST contract with these banks. Contributors who withdraw savings after reaching retirement age choose to receive 0% or 20% of savings in one payment and the remaining amount is directed to the PPW.

Lump-sum withdrawal

If a contributor has an account balance of less than €3,000¹⁾ pension savings then the entire amount is withdrawn in a single payment.

Other withdrawals (disability and death cases)

Contributors who withdraw funds due to disability will receive their savings in the amount of €200¹⁾ until: i) the period that their disability ends; or ii) until their savings are exhausted - whichever occurs first. On the other hand, beneficiaries of deceased contributors may choose to withdraw all savings at once or transfer them to their pension savings account at KPST.

For each case of withdrawal, they are subject to income tax, according to the legislation in force.

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

WITHDRAWALS

| PERIOD | PAID CONTRIBUTIONS (in million) | GAINS (in million) | WITHDRAWALS OF BENEFITS (in million) | GAIN IN PERCENTAGE |
|--------------|---------------------------------|--------------------|--------------------------------------|--------------------|
| 2004-2018 | €128.9 | €22.0 | €150.8 | 17.1% |
| 2019 | €41.9 | €10.7 | €52.6 | 25.5% |
| 2020* | €188.6 | €46.4 | €235.0 | 24.6% |
| 2021* | €49.4 | €16.1 | €65.5 | 32.6% |
| 2022 | €40.8 | €14.1 | €54.9 | 34.6% |
| 2023 | €54.2 | €17.4 | €71.6 | 32.1% |
| TOTAL | €503.8 | €126.7 | €630.4 | 25.1% |

*They include amount of early withdrawals through 10% (according to the amended legislation).

Withdrawal of pension savings for foreign citizens

Withdrawal of pension savings from KPST (according to the Law No. 04/L-101) can be made by all foreign citizens who were and are not obliged to pay pension savings to KPST (excluding citizens of countries with which Kosovo has bilateral agreements otherwise). In case of foreign citizens, the entire accumulated balance is withdrawn immediately.

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 2023 and compares them to the previous year.

It should be underlined that this chapter presents the results of the analysis for all accounts, which in 2023 reached 834,963 (2022: 792,995 accounts) but also for active accounts, which in 2023 averaged 343,906 (2022: 331,555 average). The total number of accounts also includes permanently retired accounts (such as old-age pension and cases of death). This number at the end of 2023 reached 73,973 accounts.

The number of active contributors is presented for each month in the last five years (in the table on the next page) as well as the annual average for each year. The number of contributors for each month pre-equals the engagement of contributors each month and is not cumulative. From the monthly data, it is noticed that the end of the quarter is always with a higher number of contributors. This happens because the self-employed realise reports and payments per quarter and not every month, like the employed, and that's why this difference occurs.

This year there were an average of 343,906 active contributors (2022: 331,555). With at least one contribution as an employee during the year, 416,182 appear and as self-employed 21,626; in these figures counted twice are 4,571 contributors, who appear during 2023 as both employed and self-employed (2022 respectively: 402,187, 22,026 and 4,674).

The positive fact was that for each month of 2023 we had more active contributors than the year before. While for 2023 we had 41,968 new accounts (which is not the highest number of the last five years), and on average the number of active contributors for 2023 is 12,351 higher than the previous year (2022: 15,833).

The average active account balance at the end of 2023 increased to €5,223 (2022: €4,888), or an increase of +6.8%. The increase in the average balance is due to the increase in the value of pension funds from investments, but also with the increase of monthly contributions in the average.

The relatively low level of the average balance of all accounts is influenced by the fact that the number of all accounts with low balances is quite large. Likewise, the number of those contributors who are in the scheme from the beginning or have continuous contributions with an average salary is low. Another impact was the very low average participation and contribution, especially in the first 10 years.

It is important to make some comparisons between the number of the active population for work in Kosovo and the active contributors to the KPST. According to the Statistics Agency of Kosovo, in the Labor Force Survey report for 2022, the country's working-age population (aged 15 to 64) is 1,160,664. While the active labor force (according to KAS) is calculated at 458,338, and the rest is evaluated as passive.

Under these conditions, it results that 343,906 employees and self-employed (estimated as the average annual commitment) who contributed to the KPST during 2023 constitute 75.0% of the active workforce (458,338). The change from the previous year when the average number of active contributors during 2022 was 68% compared to the active workforce this year, we have an improvement. The active labor force, in the 2021 report, which was the last report available from KSA, was 483,338 people.

Furthermore, the average balance of accounts in the KPST is far from being sufficient for a dignified pension (with a little over 5 thousand euros the average balance for active accounts).

The KPST is emphasising, and repeating these facts, believing that this is how it is fulfilling part of its social responsibility: that every citizen of Kosovo should have saved enough for their pension, which will enable them a more safe life, in the financial sense. In contrary, with this contribution trend, most of today's employees cannot plan to have a dignified pension from pension savings in KPST, and thus risk of continuing to be a burden for the state and/or society.

THE NUMBER OF ACTIVE CONTRIBUTORS PER MONTH IN THE LAST FIVE YEARS

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| JANUARY | 328,834 | 315,905 | 291,571 | 278,915 | 265,810 |
| FEBRUARY | 330,471 | 317,639 | 296,573 | 281,309 | 271,033 |
| MARCH | 355,133 | 344,748 | 330,988 | 333,976 | 296,655 |
| APRIL | 337,361 | 328,814 | 303,679 | 321,387 | 277,462 |
| MAY | 341,050 | 330,856 | 306,769 | 258,718 | 279,096 |
| JUNE | 364,610 | 353,434 | 328,749 | 304,820 | 303,988 |
| JULY | 346,098 | 332,154 | 312,725 | 287,817 | 284,046 |
| AUGUST | 344,534 | 331,105 | 311,886 | 289,344 | 284,911 |
| SEPTEMBER | 363,584 | 351,045 | 332,912 | 313,612 | 308,340 |
| OCTOBER | 340,433 | 330,169 | 324,599 | 298,224 | 294,570 |
| NOVEMBER | 336,129 | 321,635 | 320,014 | 298,792 | 290,682 |
| DECEMBER | 338,640 | 321,150 | 328,195 | 319,225 | 307,393 |
| ANNUAL AVERAGE | 343,906 | 331,555 | 315,722 | 298,845 | 288,666 |

GEOGRAPHIC DISTRIBUTION

Since a large part of the contributors (18% of them) are paid by the Ministry of Public Administration, the office of which is registered in Prishtina, we are not able to analyse 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.

For 2023, we had 30 municipalities with an increase in the number of contributors and in 8 municipalities a decrease in the number of active contributors. The special feature of 2023 is that, except in the Municipality of Junik, we had a decrease in active contributors only in the municipalities where there were employees from the Serbian community,

which most likely happened due to the voluntary departure of several employees of this community from the institutions of the Republic of Kosovo.

Also, noticeable this year is the decrease in the number of active contributors in the Municipality of Prishtina, which in the top ten (after South Mitrovica) had the lowest rate of increase (with 3.3%). In this list, the only change was the passing of the Municipality of Gjakova by the Municipality of Gjilan, which remained in sixth place for the number of active contributors.

Estimated as a whole, the number of active contributors at the end of 2023 rose by 13,493 from the end of the previous year.



| No. | MUNICIPALITY | NO. OF CONTRIBUTORS | PARTICIPATION | CHANGE FROM 2022 | |
|-----|-----------------|---------------------|---------------|------------------|--------|
| | | | | IN NO. | IN % |
| 1. | PRISTINA | 79,616 | 18.0% | 2,549 | 3.3% |
| 2. | PRIZREN | 36,035 | 8.1% | 1,205 | 3.5% |
| 3. | FERIZAJ | 28,790 | 6.5% | 1,560 | 5.7% |
| 4. | PEJA | 24,643 | 5.6% | 908 | 3.8% |
| 5. | GJILAN | 23,749 | 5.4% | 971 | 4.3% |
| 6. | GJAKOVA | 23,477 | 5.3% | 458 | 2.0% |
| 7. | PODUJEVA | 21,678 | 4.9% | 828 | 4.0% |
| 8. | SOUTH MITROVICA | 18,510 | 4.2% | (399) | -2.1% |
| 9. | VUSHTRRIA | 18,257 | 4.1% | 702 | 4.0% |
| 10. | LIPJAN | 16,078 | 3.6% | 998 | 6.6% |
| 11. | DRENAS | 14,862 | 3.4% | 803 | 5.7% |
| 12. | FUSHE Kosovo | 12,792 | 2.9% | 772 | 6.4% |
| 13. | SUHAREKA | 11,991 | 2.7% | 228 | 1.9% |
| 14. | SKENDERAJ | 11,743 | 2.7% | 495 | 4.4% |
| 15. | RAHOVEC | 9,549 | 2.2% | 166 | 1.8% |
| 16. | ISTOG | 9,150 | 2.1% | 297 | 3.4% |
| 17. | MALISHEVA | 9,147 | 2.1% | 357 | 4.1% |
| 18. | VITI | 8,704 | 2.0% | 193 | 2.3% |
| 19. | KLINA | 7,440 | 1.7% | 417 | 5.9% |
| 20. | KACANIK | 7,303 | 1.7% | 590 | 8.8% |
| 21. | KAMENICA | 7,250 | 1.6% | 169 | 2.4% |
| 22. | OBILIQ | 6,940 | 1.6% | 286 | 4.3% |
| 23. | DECAN | 6,375 | 1.4% | 112 | 1.8% |
| 24. | SHTIME | 6,240 | 1.4% | 355 | 6.0% |
| 25. | DRAGASH | 4,701 | 1.1% | 227 | 5.1% |
| 26. | GRACANICA | 2,183 | 0.5% | 27 | 1.3% |
| 27. | SHTERPCA | 1,886 | 0.4% | 88 | 4.9% |
| 28. | PARTESH | 1,606 | 0.4% | (119) | -6.9% |
| 29. | HANI I ELEZIT | 1,306 | 0.3% | 33 | 2.6% |
| 30. | LEPOSAVIQ | 923 | 0.2% | (1,016) | -52.4% |
| 31. | MAMUSHA | 818 | 0.2% | 180 | 28.2% |
| 32. | NOVOBERDA | 792 | 0.2% | 108 | 15.8% |
| 33. | ZUBIN POTOK | 744 | 0.2% | (228) | -23.5% |
| 34. | JUNIK | 650 | 0.1% | (24) | -3.6% |
| 35. | ZVECAN | 543 | 0.1% | (594) | -52.2% |
| 36. | NORTH MITROVICA | 491 | 0.1% | 42 | 9.4% |
| 37. | KLLOKOT | 417 | 0.1% | 15 | 3.7% |
| 38. | RANILLUG | 323 | 0.1% | (6) | -1.8% |
| | OTHER* | 4,682 | 1.1% | (260) | -5.3% |

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

CONTRIBUTORS AGE

An average age of all contributors in 2023 increased slightly to 41.4 years from 41.2 at the end of last year.

While the median of all contributors did not change - it remained 39 years old for 2023.

AVERAGE - MEN:

43.4



MEDIAN - MEN:

41.0



For men, it reached 43.4 years (from 43.2 years), while the median did not change, remaining at 41.0 years.

In women, the average has increased faintly to 38.0 years (from 37.7 years), while the median remained the same, 35.0 years.

AVERAGE - WOMEN:

38.0



MEDIAN - WOMEN:

35.0



As for contributors by age group, it is quite positive that in the 15-24 age group we had the highest increase in contributors this year (from 17.9% to 18.9%).

On the other hand, it is not satisfactory that the contributors of the age groups 25-34 years and 25-44 years had a reduction in numbers from last year. Moreover, apart from

the 15-24 age group, only the 45-54 age group and the 65+ age group had an increase in the number of contributors. These are indicators that unusual changes are occurring in the age structure of contributors and that the full picture of these changes will be seen in the following years.

| AGE GROUP | 2023 | 2022 |
|-----------|-------|-------|
| 15-24 | 18.9% | 17.9% |
| 25-34 | 27.3% | 28.1% |
| 35-44 | 22.9% | 23.0% |
| 45-54 | 17.9% | 17.8% |
| 55-64 | 12.1% | 12.3% |
| 65+ | 0.9% | 0.8% |

CONTRIBUTORS BY TYPE OF ENTERPRISE

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

Even in 2023 (as in 2022), it turns out that we had fewer employees in budget organisations, compared to the previous year. But while for 2022 the reduction in the number of contributors in budget organisations was related to the stimulus measures throughout 2021, this year the drop

in the number of contributors to budget organisations may have been related to the voluntary departure from Kosovo institutions by the Serbian community.

Meanwhile, the positive trend of raising contributors has continued in LLC's and individual businesses. But we had a reduction in contributors to the self-employed, joint-stock companies, NGOs, and partnerships. The good news is that across all types of enterprises we had a slight improvement in the engagement ratio, which technically equates to more working hours.

Even this year, the highest engagement coefficient was among budget organisations (of 0.910), easily improved from the previous year (2022: 0.909). While the lowest engagement coefficient this year was among NGOs (of 0.472) with a slight increase from the previous year (2022: 0.456).

| ENTERPRISE TYPE | 2023 | | | 2022 | | |
|-----------------------|------------------------|---------------------------|-------------------------|------------------------|---------------------------|-------------------------|
| | CONTRIBUTORS IN NUMBER | COEFFICIENT OF ENGAGEMENT | EQUIVALENT CONTRIBUTORS | CONTRIBUTORS IN NUMBER | COEFFICIENT OF ENGAGEMENT | EQUIVALENT CONTRIBUTORS |
| Budget organisations | 89,795 | 0.910 | 81,713 | 93,898 | 0.909 | 85,353 |
| LLCs | 236,867 | 0.670 | 158,701 | 251,729 | 0.664 | 167,148 |
| Individual businesses | 67,720 | 0.663 | 44,898 | 72,805 | 0.666 | 48,488 |
| Self-employed | 26,197 | 0.666 | 17,447 | 26,700 | 0.663 | 17,702 |
| Joint stock companies | 28,463 | 0.802 | 22,827 | 33,835 | 0.712 | 24,091 |
| NGOs | 20,708 | 0.472 | 9,774 | 24,710 | 0.456 | 11,268 |
| Partnerships | 3,199 | 0.655 | 2,095 | 3,374 | 0.635 | 2,142 |
| Others | 10,866 | 0.601 | 6,530 | 10,577 | 0.635 | 6,716 |



AVERAGE CONTRIBUTIONS

The following tables present data on the average monthly contribution for the last three years until the end of 2023. The data is presented according to the type of contribution, the age group and gender of the contributors.

In general, it turns out that we had an increase in the value of the monthly contribution in each of the presented data, except for the 65+ age group, where there was a slight decrease from the previous year. This should be closely related to raising wages and, therefore, pension contributions.

An important change this year was the highest rise in the average monthly contribution of the 15-24 age group compared to all other age groups. This is an important indicator that reflects at higher entry into the labor market of the young age.

The 17.8% rise in contribution from the 15-24 age group was followed by a close 17.6% rise in the 25-34 age group. Other age groups had similar improvement, except for the 65+ age group, which had a decrease of -3.5%.

As for the gender contribution, the bad news this year is that the women self-employed had a slight drop in their average monthly contribution, which is a sign of the difficulties the self-employed may have faced. For the self-employed men, we had a positive increase from the previous year.

As for male employees, the monthly contribution continued to improve even for 2023, which was also visible for female employees. But it is negative that the average monthly contribution gap widened for the third year in a row, in favour of the male gender.

AVERAGE MONTHLY CONTRIBUTIONS

| YEAR | EMPLOYED | SELF-EMPLOYED |
|-------------|---------------|---------------|
| 2021 | €45.32 | €33.36 |
| 2022 | €53.07 | €35.08 |
| 2023 | €59.70 | €36.08 |

AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

| AGE | 2023 | | 2022 | | 2021 | |
|-------|----------|---------------|----------|---------------|----------|---------------|
| | EMPLOYED | SELF-EMPLOYED | EMPLOYED | SELF-EMPLOYED | EMPLOYED | SELF-EMPLOYED |
| 15-24 | €41.82 | €22.76 | €35.50 | €23.27 | €29.75 | €20.63 |
| 25-34 | €59.66 | €29.17 | €50.75 | €26.78 | €42.68 | €25.77 |
| 35-44 | €67.20 | €36.42 | €60.08 | €35.37 | €51.82 | €33.99 |
| 45-54 | €66.87 | €38.39 | €60.10 | €37.41 | €53.12 | €35.70 |
| 55-64 | €68.51 | €40.97 | €61.14 | €40.04 | €56.37 | €39.40 |
| 65+ | €68.12 | €51.48 | €70.56 | €44.08 | €68.57 | €40.33 |

AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

| YEAR | WOMEN | | MEN | |
|-------------|---------------|---------------|---------------|---------------|
| | EMPLOYED | SELF-EMPLOYED | EMPLOYED | SELF-EMPLOYED |
| 2021 | €40.07 | €25.86 | €44.41 | €33.45 |
| 2022 | €46.87 | €28.20 | €57.17 | €36.84 |
| 2023 | €52.73 | €28.10 | €64.55 | €38.23 |

LEVEL OF CONTRIBUTING

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

As we have repeatedly emphasised, this minimum wage level is too low to ensure a retirement savings balance that would provide adequate security after retirement. Despite the low level of contribution, the number of employees who declare themselves below the required legal minimum is still occurring.

While the number of employees who pay below the minimum has been reduced considerably (to 1.42% of this year's contributors) and those

who pay the minimum (to 1.62% of this year's contributors), the number of self-employed contributors who pay pension contributions below the legally required minimum and only that the legal minimum remained very high even for 2023.

Of all self-employed contributors, 4.25% contributed less than the legal minimum and 39.67% only the required legal minimum. The rest of the self-employed contributors (56.08%) turn out to pay more than the required legal minimum for 2023.

THE LEVEL OF CONTRIBUTING BY THE EMPLOYED

| | PAYMENT | | |
|----------------|---------------|------------|---------------|
| | BELOW MINIMUM | AT MINIMUM | ABOVE MINIMUM |
| UP TO 35 YEARS | 0.69% | 0.10% | 49.62% |
| OVER 35 YEARS | 0.73% | 1.52% | 47.34% |

THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

| | PAYMENT | | |
|----------------|---------------|------------|---------------|
| | BELOW MINIMUM | AT MINIMUM | ABOVE MINIMUM |
| UP TO 35 YEARS | 0.13% | 6.72% | 15.93% |
| OVER 35 YEARS | 4.12% | 32.95% | 40.15% |

"HOW MUCH SHOULD YOU SAVE?"

KPST finds its social responsibility to advise contributors on how much they should put aside in order to reach a savings balance that could offer them more safety after retirement.

From a simple calculation of data from KAS, it appears that people who turn 65 years old, they live an average of 78.5 years (77.6 for men and 79.4 for women). Thus, this is an average age of death for all those over 65 which approximates current life expectancy. In this case, pension savings will be needed to fund a pension for 162 months.

Therefore, below we present some tips and suggestions that we consider important.

Example: under the assumption that the KPST share price will increase every month at a constant rate of 2.5% per year (an average increase since the establishment of KPST), for a person who is hired on his 25th birthday and who contributes (at least) the legal minimum (currently 13 Euros) for 40 years until retirement, will have an accumulated balance in his KPST account of €10,704.

However, inflation erodes the purchasing power of money and this average inflation has been around 2% per year (average inflation since the foundation), today's value of this balance would be around €6,900. If this balance were prorated over 162 months, the monthly amount to be repaid would be €42.60. If an amount of €100 of the basic pension is added to this, a pensioner would only have €143 available per month.

In the current circumstances such a person would retire on the program of phased withdrawal, with the possibility of withdrawal in an initial payment of 20% of the total balance and withdrawal of the remaining amount of €200 per month would be enough for only 34.5 months.

On the other hand, if the same person would contribute with an average contribution (for year 2023 which is €59.70) and taking into account the above parameters, then the total balance of pension savings would be around €31,700. If this balance were to be prorated for 162 months, the monthly amount that could be earned from the KPST would be €196, where together with the basic pension of €100 euro it would reach €296. Even this amount is quite low for a pension, but whatever it is substantially higher than the one with minimal contribution

The main reason for the low amount of pension savings is the low contribution rate. In most pension schemes, at least 20% of the gross salary is allocated to pension savings (whereas in this rate it is 10%). The second reason is low rate of average annual return. This is because the fund is relatively new and that at the beginning it was more focused on the safety of assets and that savings of all age groups were invested in one portfolio.

From the beginning of 2022 there are two portfolios and later it is planned to add an intermediate portfolio, which will enable investments to be made based on age groups. The younger age group portfolio may be invested aggressively with a higher risk tolerance and a higher potential return

Whereas portfolio of the age group closer to retirement will be invested more conservatively in order to protect savings accumulated over the years.

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 Governing 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 ON LEGAL SUPPLEMENTS / AMENDMENTS

1. RESTRICTIONS ON INVESTMENTS IN THE BONDS OF THE GOVERNMENT OF KOSOVO

The current legal restriction that up to 30% of the funds may be invested in the bonds of the Government of the Republic of Kosovo may be increased to 50%, to enable more investments in this instrument. The other regulatory restriction that determines that KPST can offer a maximum of 50% of an amount of an auction of bonds issued by the Government of the Republic of Kosovo may also be revised

2. ANNUAL ACCOUNTS STATEMENTS

Legislation requires KPST to send a written annual statement to participants. Whilst, email deliveries are quite safe, those by mail due to the lack of correct addresses, do not reach the right person. Thanks to the eTrusti portal, and access to it through eKosovo, this legal requirement should be removed or changed, since access to the statement is possible at any time.

3. INVESTMENTS IN "PRIVATE EQUITY"

It is necessary that KPST, like many pension funds in the world, is allowed to invest through asset managers in alternative investments such as "Private Equity Funds". Alternative investments cover different asset classes, such as private equity, infrastructure or real estate. This would serve diversification, where allocation would be limited between 5% and 10% of the assets.

4. HARMONISATION OF SAVINGS PENSION PAYMENT AND LIFE EXPECTANCY

Due to fact that current legislation does not allow annuity from the second pillar to be lower than the minimum pension provided by the first pillar, a monthly amount paid by KPST is used up very quickly. Also, since the second pillar would have to finance the main pension, an amount saved shall also be related to the life expectancy. Because KPST has not yet reached complete maturity (40 years), it would have to be linked to the benefits of the first pillar, in order to have a unified pension. For example Proportion of the amount saved to the years of life expectancy, are added to basic pension, and the beneficiary will have the same retirement value throughout lifetime.

In the beginning, this would be yfinanced entirely by individual savings in KPST, while later (when these funds are used), this financing would be transferred to the state budget. The part that would be saved at the beginning, would serve to finance this combined pension until the end of the retiree's life. Hence, with this, the goal of the pension scheme would be rounded off, where each pensioner would receive the pension for his entire life, depending on his contribution. While they now receive 20% of savings as an immediate payment and at least 200€ per month, as well the basic pension, this balance is exhausted only for the first 4-5 years. Then the value of monthly pension declines drastically, relying only on the basic pension.

5. WITHDRAWAL OF PENSION SAVINGS FOR CASES OF INVALIDITY

This legal possibility shall be modified since the withdrawal of funds is currently being made possible even for persons who have either been skilled again or are still working

6. NACTIVE ACCOUNTS

It should be foreseen by law what should be done with savings accounts after they have stopped contributing for a long time (e.g. when the contributor reaches over 100 years and has not yet withdrawn funds himself or by any of heirs).



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