

**RAIFFEISEN VOLUNTARY PENSION FUND**

**Financial Statements  
as at and for the year ended 31 December 2023**

(with Independent auditor's report thereon)

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of Raiffeisen Invest sh.a, management company of the Pension Funds and Collective Investments Enterprises**

### Opinion

We have audited the financial statements of the Collective Investment Undertakings Raiffeisen Pension Fund (hereafter referred as “the Fund”) which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, prepared by management in accordance with Article 121 of Law No. 56/2020 on “Collective investment undertakings”, but does not include the financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after the date of this auditor’s report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Performance Activity Report, if, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte Audit Albania SHPK*

Deloitte Audit Albania SHPK

Rruga e Kavajës, ish parku i mallrave, Kompleksi Delijorgji, Godina H

Kati i dytë, Tirana, Albania

Identification number (NUIS): L41709002H

Enida Cara

*Engagement Partner*

*Statutory Auditor*



March 29, 2024

Tirana, Albania

**Raiffeisen Voluntary Pension Fund**

Statement of comprehensive income for the year ended 31 December 2023

*(Amounts in Lek)*

	Note	2023	2022
<b>Income</b>			
Interest income calculated using the effective interest method	10	76,351,308	64,332,174
		<u>76,351,308</u>	<u>64,332,174</u>
<b>Expenses</b>			
Management Company fee		(19,503,857)	(16,896,137)
Impairment losses on financial instruments	8 (c)	(2,287,104)	(314,791)
		<u>(21,790,960)</u>	<u>(17,210,928)</u>
<b>Total net income</b>		<u>54,560,348</u>	<u>47,121,246</u>
<b>Other comprehensive income</b>			
Changes in fair value of financial assets at fair value through other comprehensive income		3,076,561	(2,010,457)
<b>Increase in net assets attributable to the unit holders</b>		<u>57,636,909</u>	<u>45,110,789</u>

The notes on pages 5 to 24 are an integral part of these financial statements.

**Raiffeisen Voluntary Pension Fund**  
Statement of financial position as at 31 December 2023  
(Amounts in Lek)

	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
Financial assets at fair value through other comprehensive income	14	16,228,776	15,481,692
Financial assets measured at amortised cost	12	1,367,792,431	1,174,381,897
Cash and cash equivalents	13	16,961,269	29,028,474
<b>TOTAL ASSETS</b>		<b>1,400,982,476</b>	<b>1,218,892,063</b>
<b>LIABILITIES</b>			
Payable to the Management Company		1,793,573	3,537,789
Payable to unit holders for withdrawals		284,430	989,227
Other liabilities	15	2,371,960	3,259,074
<b>TOTAL LIABILITIES</b>		<b>4,449,963</b>	<b>7,786,090</b>
<b>NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS</b>	16	<b>1,396,532,513</b>	<b>1,211,105,973</b>
<b>The number of units offered by the fund (in thousands)</b>		<b>650,972</b>	<b>590,148</b>
<b>NET ASSETS PER UNIT IN LEK</b>		<b>2,145</b>	<b>2,052</b>

The notes on pages 5 to 24 are an integral part of these financial statements.

These financial statements were approved by the Management Board of Raiffeisen INVEST – Management Company of Pension Funds and Collective Investment Undertakings sh.a. on March 21, 2023.

**General Administrator**

Edlira KONINI



**Deputy General Administrator**

Alketa EMINI

**Raiffeisen Voluntary Pension Fund**  
Statement of changes in net assets for the year ended 31 December 2023  
*(Amounts in Lek)*

	Notes	31 December 2023	31 December 2022
Net assets attributable to the unit holders at 1 January		1,211,105,973	1,038,257,541
Contributions		173,298,728	166,233,982
Withdrawals by unit holders		(45,509,097)	(38,496,339)
		<b>1,338,895,604</b>	<b>1,165,995,185</b>
Increase in net assets attributable to the unit holders		54,560,348	47,121,246
Other comprehensive income		3,076,561	(2,010,457)
<b>Net increase</b>		<b>57,636,909</b>	<b>45,110,789</b>
<b>Net assets attributable to the unit holders</b>	14	<b>1,396,532,513</b>	<b>1,211,105,973</b>
<b>NUMBER OF INVESTMENT UNITS</b>			
Issued based on contributions		82,537	82,610
Withdrawn by unit holders		(21,714)	(19,067)
<b>INCREASE IN THE NUMBER OF FUND UNITS</b>		<b>60,823</b>	<b>63,543</b>

The notes on pages 5 to 24 are an integral part of these financial statements.



**Raiffeisen Voluntary Pension Fund**

Statement of cash flows for the year ended 31 December 2023

*(Amounts in Lek)*

	Notes	31 December 2023	31 December 2022
<b>Cash flow from operating activities</b>			
<b>Net income</b>		<b>57,636,909</b>	<b>47,121,246</b>
<i>Adjustments for:</i>			
Impairments losses on financial instruments	8 (c)	2,287,104	2,151,035
Interest income		(76,351,308)	(64,332,174)
		<u>(16,427,295)</u>	<u>(15,059,893)</u>
 <i>Changes in:</i>			
Financial assets at fair value through other comprehensive income		747,084	-
Financial assets measured at amortised cost		(193,410,534)	(181,736,073)
Payable to the Management Company		(1,744,216)	633,997
Other Liabilities		(887,114)	(1,264,172)
Payable to unit holders		<u>(704,797)</u>	<u>-</u>
		<u>(212,426,872)</u>	<u>(191,284,702)</u>
Interest received		73,915,255	60,949,706
<b>Net cash from operating activities</b>		<u><b>(138,511,617)</b></u>	<u><b>(130,334,996)</b></u>
 <b>Cash flows from financing activities</b>			
Contributions received from unit holders		173,298,753	166,233,982
Contributions paid to unit holders		(46,854,316)	(33,358,675)
<b>Net cash from financing activities</b>		<u><b>126,444,412</b></u>	<u><b>132,875,307</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(12,067,205)	2,540,311
Cash and cash equivalents at beginning of the year		29,028,474	26,488,163
<b>Cash and cash equivalents at end of the year</b>	12	<u><u><b>16,961,269</b></u></u>	<u><u><b>29,028,474</b></u></u>

The notes on pages 5 to 24 are an integral part of these financial statements.

## **Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

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### **1. Introduction**

Raiffeisen Voluntary Pension Fund (the “Fund”) is an open-ended pension fund licensed by the Albanian Financial Supervisory Authority (“AFSA”) based on law no. 10197 dated 10 December 2009 “On voluntary pension funds” and based on decision no. 107 dated 18 October 2011.

The Fund’s objective is to invest with the aim of long-term safety and adequate return on investment, providing optimal ratio between growth of pension savings and risks taken. It aims to achieve this objective by trading a portfolio mainly composed by debt securities of the Albanian Government.

The Fund’s investment activities are managed by Raiffeisen INVEST – Management Company of Pension Funds and Collective Investment Undertakings sh.a. (the ‘Management Company’).

The Fund offers its units to individuals, through individual or professional pension plans.

According to law no.10197 dated 10 December 2009, the AFSA approved First Investment Bank Albania sh.a. as the custodian bank of the Raiffeisen Voluntary Pension Fund. The Management Company and the Custodian bank shall keep their assets, transactions and recordings separately from the accounting records of the Raiffeisen Voluntary Pension Fund.

The Board of Administration is the central body of the Fund and consists of 7 members, as follows:

Mrs. Donalda GJORGA	Chairman
Mr. Peter ZILINEK	Deputy Chairman
Mr. Erjon BALLI	Member
Mrs. Elona LLACI	Member
Mrs. Gentjana CICERI	Member
Mrs. Edlira KONINI	Member
Mrs. Alketa EMINI	Member

Administrators:

Mrs. Edlira KONINI	General Administrator
Mrs Alketa EMINI	Deputy General Administrator

### **2. Basis of preparation**

#### **2.1. Statement of compliance**

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements for and for the year ended 31 December 2023 are approved by the Bank's Management on March 21, 2023.

#### **2.2. Going concern**

The Fund's financial statements have been prepared on a going concern basis, which assumes that the Fund will continue to operate for at least 12 months from the date of the financial reporting. Managements conducts stress tests for the fund, in order to calculate the necessary liquidity in the conditions of deteriorating market scenarios, under the assumption of withdrawal of quotas from 3 to 30 days and the time required to liquidate the investments of each funds.

#### **Performance of fund assets and return on investment**

According to the reporting for the year 2023 ended 31 December 2023 to the Financial Supervisory Authority, the net asset value of the Raiffeisen Voluntary Pension Fund has increased by 15.31% compared to the value on December 31, 2022, while the number of quotas has increased respectively by 10.31%, marking a total rate of return for the fund of 4.54% (31 December 2022: 4.09%). Referring to the investments related to the Raiffeisen Voluntary Pension Fund, the investment structure consists mostly of instruments held to maturity HTM, so the impact from the yield on the market has been low.

## **Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

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### **2. Basis of preparation (continued)**

#### **2.2. Going concern (continued)**

##### **Performance of liquidity**

The fund maintains a level of liquid assets of the cash investment portfolio, respectively at 1.21% of the total assets, depending on market conditions and access according to the medium-term strategy of the fund. For the closing of the year 2023, the fund had an increase in the level of cash and cash equivalents compared to the closing of 2022.

##### **Stress Test**

Management conducts resistance tests to calculate the liquidity needed in the event of deteriorating market scenarios. It has subsequently determined the liquidity ratio depending on the net withdrawals projected during a deteriorating scenario for a weekly period for large exposures and quarterly for medium exposures. The analysis also takes into account the time required to repay the investment to meet the expected outflows.

Based on the assumptions of the analyzed scenario, it is estimated that the fund can manage to withstand the possible difficulties, being in line with the regulatory constraints regarding liquidations within the legal deadline, from which it is estimated that the minimum flow coverage period is 3 months.

Based on the analysis above, Management has sufficient assurance that there are no material uncertainties, which could cast significant doubt on the Fund's ability to operate on a going concern basis in the foreseeable future. Therefore, the preparation of financial statements on a going concern basis is deemed appropriate for the year ended 31 December 2023.

### **3. Functional and presentation currency**

These financial statements are presented in Albanian Lek ("Lek"), which is the Fund's functional currency.

### **4. Basis of measurement**

These financial statements have been prepared on a historical cost basis, except for non-derivative financial instruments at FVTPL and FVOCI which are measured at fair value.

### **5. Use of estimates and judgements**

In preparing these financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies and estimates that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 7(c) *ii* - classification of financial assets: assessment of the business model within which the assets are held
- Note 8(c) – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 9 - determination of fair value of financial instruments with significant unobservable inputs.

**5. Use of estimates and judgements (continued)**

**Judgements and estimates**

**Investment entity status**

In determining the Fund's status as an investment entity in accordance with IFRS 10, the Management Company considered the following:

- a) The Fund has raised monetary assets from a number of investors in order to increase the assets value of the Fund and to provide the investors with management services through investment in securities or other;
- b) The Fund intends to generate capital and income returns from its investments which will, in turn, be distributed in accordance with the requirements to the unit holders; and
- c) The Fund evaluates its investments' performance on a fair value basis (except for those classified as Held to Collect), in accordance with the policies set out in these financial statements. Although the Fund met all three defining criteria, the Management Company has also assessed the business purpose of the Fund, the investment strategies for the private equity investments, the nature of any earnings from the private equity investments and the fair value models. The Management Company made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an investment entity versus those of the Fund.

**6. Application of new and revised international financial reporting standards (IFRS)**

**(a) Standards and Interpretations effective in the current period**

In the current year, the Fund has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for reporting period that begins on or after 1 January 2023.

- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 12 “Income Taxes”** - International Tax Reform — Pillar Two Model Rules issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

The adoption of these changes in existing standards has not led to any material change in the Fund's financial statements.

**6. Application of new and revised international financial reporting standards (IFRS)  
(continued)**

**b) New standards and interpretation issued not yet effective**

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

Management provides that all relevant pronouncements will be approved for the first period beginning on or after the effective date of publication. The Fund do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods.

- **Amendments to IFRS 16 “Leases”** - Lease Liability in a Sale and Leaseback issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020 and Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 “Statement of Cash Flows”** and IFRS 7 “Financial Instruments: Disclosures” - Supplier Finance Arrangements issued by IASB on 25 May 2023. Amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.
- **Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates”** - Lack of Exchangeability issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

**Amendments to IFRS 10 “Consolidated Financial Statements”** and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

**7. Material accounting policies**

The effect of initially applying IFRS 9 on the financial instruments is described in Note 6. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

**a) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

**7. Material accounting policies (continued)**

**b) Interest income**

*(i) Interest income calculated using the effective interest method*

Interest income presented in the statement of comprehensive income comprise interest on financial assets measured at amortised cost and FVOCI calculated on an effective interest basis.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

*(ii) Interest income from financial instruments at financial assets at FVTPL*

Interest income includes incomes from bonds' coupons.

**8. Material accounting policies (continued)**

**c) Financial instruments**

*(i) Recognition and initial measurement*

The Fund initially recognizes debt instruments on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

*(ii) Classification and subsequent measurement*

*Financial assets*

On initial recognition, financial asset is classified as measured at amortised cost or FVOCI. Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Cash, Deposit and Reverse Repo agreements are classified as measured at amortised cost. Deposits and Reverse Repo Agreements are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

If the terms of a financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see (iii)) and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see 7(c)).

*Modified financial assets*

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, and other factors not related to a current or potential credit deterioration of the counterparty. An existing asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new one at fair value in accordance with the accounting policy set out in Note 6 (c).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

**7. Material accounting policies (continued)**

**c) Financial instruments (continued)**

*Business model assessment*

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets. The Fund has determined that it has the following business models:

- financial assets measured at FVOCI are managed in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These financial assets are managed and their performance is evaluated, on a fair value basis

- financial assets measured at amortized cost are managed in a business model whose objective is achieved by collecting contractual.

*(iii) Classification and subsequent measurement (continued)*

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

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

In making the assessment, the Fund considers:

— contingent events that would change the amount or timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable-rate features;

— prepayment and extension features; and

— terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features)

For a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination), is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.: amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



## **Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

*(Amounts in Lek)*

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### **7. Material accounting policies (continued)**

#### **c) Financial instruments (continued)**

##### *(iv) Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### *(v) Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period, during which the change has occurred.

#### **d) Cash and cash equivalents**

Cash and cash equivalents include highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

#### **e) Payable to unit holders for contributions withdrawals**

Payable to unit holders for contributions withdrawals are stated at their amortized cost.

#### **f) Redeemable units**

The Fund issues redeemable units, at holder's request. Any investor, who has redeemed his units, may re-invest into the Fund at any dealing date for cash equal to the value of units purchased. Units are redeemable daily. On the date of request for redemption, the redeemable units are carried as a financial liability at the statement of financial position of the Fund. The redemption price is based on the Fund's net asset value per unit at the time when a valid request for redemption has been made.

#### **g) Net Value of Assets**

The net value of assets is equal to the total value of the total assets minus the Fund's liabilities. The Value of a Fund unit is equal to the net value of assets divided by the number of units at the reporting date.

#### **h) Management Company Fee**

The Fund should pay to the Management Company a fee of 1.50% annually (2022: 1.50%) of net assets value, as an expense which is calculated on a daily basis.

#### **i) Realised gains or losses from changes in fair value**

Realised gain or loss is recognized on the sale of the securities and is calculated as a difference between its sale price and its carrying amount, and its transaction price if it was purchased in the current reporting period. These differences are recognized in profit or loss when occurred.

#### **j) Unrealised gains or losses from changes in fair value**

The unrealized gain or loss represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

## Raiffeisen Voluntary Pension Fund

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

### 8. Financial risk management

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

The Fund is exposed to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

#### a) Overview

The Fund's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance.

Based on the Law no. 10198, dated December 10, 2009 "On collective investment undertakings" the Management Company has in its structures a Risk Management Unit, responsible for the risk management and for reporting to the Board of Administration. The Fund's risk management policies are established to identify and analyze the risks faced by the financial institution, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund, through management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

#### b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations partially or entirely, which would have a negative impact on the fund's assets.

The Fund's Board of Administration has delegated the responsibility for the management of credit risk to the Management Company, which is responsible for the oversight of the Fund's credit risk. The Fund's investments are in bonds of the Government of Albania and therefore the Fund is exposed only to Albanian government credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	31 December 2023	31 December 2022
Financial assets at fair value through other comprehensive income	16,228,776	15,481,692
Financial assets measured at amortised cost	1,367,792,431	1,174,381,897
Cash and cash equivalents	16,961,269	29,028,474
<b>TOTAL ASSETS</b>	<b>1,400,982,476</b>	<b>1,218,892,063</b>

As at December 31, 2023, the assets held by the Fund are neither past due nor impaired (2022: nil).

## Raiffeisen Voluntary Pension Fund

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

### 8. Financial risk management

#### b) Credit risk (continued)

##### *Exposure to credit risk:*

The maximum exposure to credit risk for financial instruments at the reporting date by type of geographic region was:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Domestic	1,400,982,476	1,218,892,063
	<u>1,400,982,476</u>	<u>1,218,892,063</u>

Credit quality of financial assets is as follows:

	Stage 1	Stage 2	2023 Stage 3	POCI	Total	2022 Total
Albanian Government B+	1,384,021,207	-	-	-	1,384,021,207	1,189,533,673
Cash and cash equivalents, unrated	16,961,269	-	-	-	16,961,269	29,028,474
Loss allowance	(26,820)	-	-	-	(26,820)	329,916
<b>Carrying amount</b>	<b>1,400,955,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,400,955,656</b>	<b>1,218,892,063</b>

The cash and cash equivalents are held with local bank, which is not rated.

##### *Cash and cash equivalents*

The cash and cash equivalents are held with commercial banks in Albania. The Fund applies a 12-month expected loss basis and reflects the short maturities of the exposures in assessing the impairment on cash and cash equivalents.

On initial application of IFRS 9, due to exposures short maturities the Fund has not recognised an impairment allowance as at 1 January 2022 and the amount of the allowance did not change significantly during 2022.

##### *Investment securities*

The credit risk of the portfolio of investment securities is assessed based on historical data and assessment of the ability of the various issuers to meet their contractual cash flows obligations in the near term. At 31 December 2023, the Fund has recognised an impairment allowance at the amount of 2.682 thousand lek. (2022: 2,151 thousand lek).

##### *Inputs, assumptions and techniques used for estimating impairment*

See accounting policy in Note 7(c)(vii).

##### *Significant increase in credit risk*

When determining whether the risk of default of the invested amount on a financial instrument has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and credit risk specialist's assessment and including forward-looking information.

The Fund considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

For exposures toward Albanian government the credit risk is considered to be increased significantly since initial recognition if there is delay of 30 days or more in the repayment of an obligation to the Fund.

The Fund monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before an exposure is in default.

## **8. Financial risk management**

### **b) Credit risk (continued)**

#### ***Inputs, assumptions and techniques used for estimating impairment (continued)***

##### *Definition of default*

The Fund considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the counterparty is past due more than 90 days on any material credit obligation to the Fund.

In assessing whether a counterparty is in default, the Fund considers indicators that are:

- qualitative – e.g., breaches of covenants;
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Fund; and

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

##### *Modified financial assets*

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, and other factors not related to a current or potential credit deterioration of the counterparty. An existing asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new one at fair value in accordance with the accounting policy set out in Note 6(a)(v).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

##### ***Measurement of ECL***

###### *Investment securities*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated based on internally and externally compiled data comprising both quantitative and qualitative factors. LGD is the magnitude of the likely loss if there is a default and is estimated based on parameters calculated by rating agencies.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. EAD estimates are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The Fund measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Fund considers a longer period. The maximum contractual period extends to the date at which the Fund has the right to require repayment of an advance.

## Raiffeisen Voluntary Pension Fund

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

### 8. Financial risk management (continued)

#### c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund may periodically invest in debt securities that are traded over the counter. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The Fund has the ability to borrow in the short term to ensure settlement, after AFSA approval and up to limits determined by the Law. No such borrowings have arisen during the year.

In the absence of significant financial liabilities, the Management Company monitors liquidity risk based on contractual discounted cash flows. The table below analyses the Fund's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the tables are the contractual discounted cash flows as at 31 December 2023 and 2022:

	Deri 1 muaj	1 deri në 3 muaj	3 deri 6 muaj	6 deri 12 muaj	Mbi 1 vit	Totali
<b>31 December 2023</b>						
<b>Assets</b>						
Financial assets at fair value through other comprehensive income					16,060,751	16,060,751
Financial assets measured at amortised cost		27,598,719	22,987,113	16,899,676	1,270,162,924	1,337,648,433
Cash and cash equivalents	16,961,269	-	-	-	-	16,961,269
<b>Total</b>	<b>16,961,269</b>	<b>27,598,719</b>	<b>22,987,113</b>	<b>16,899,676</b>	<b>1,286,223,676</b>	<b>1,370,670,453</b>
<b>Debyrimet</b>						
Payable to the Management Company	1,793,573	-	-	-	-	1,793,573
Payable to unit holders for withdrawals	284,430	-	-	-	-	284,430
Other liabilities	2,371,960	-	-	-	-	2,371,960
Aktive neto të atribueshme ndaj mbajtësve të kuotave	1,396,532,513	-	-	-	-	1,396,532,513
<b>Total</b>	<b>1,400,982,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,400,982,476</b>
<b>Liquidity risk</b>	<b>(1,384,021,207)</b>	<b>27,598,719</b>	<b>22,987,113</b>	<b>16,899,676</b>	<b>1,286,223,676</b>	<b>(30,312,023)</b>
<b>Cumulative</b>	<b>(1,384,021,207)</b>	<b>(1,356,422,487)</b>	<b>(1,333,435,375)</b>	<b>(1,316,535,698)</b>	<b>(30,312,023)</b>	

## Raiffeisen Voluntary Pension Fund

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

### 8. Financial risk management (continued)

#### c) Liquidity risk (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<b>31 December 2022</b>						
<b>Assets</b>						
Financial assets at fair value through other comprehensive income	-	-	-	-	16,500,000	16,500,000
Financial assets measured at amortised cost	-	10,000,000	8,500,000	19,700,000	1,110,900,000	1,149,100,000
Cash and cash equivalents	29,028,474	-	-	-	-	29,028,474
<b>Total</b>	<b>29,028,474</b>	<b>10,000,000</b>	<b>8,500,000</b>	<b>19,700,000</b>	<b>1,127,400,000</b>	<b>1,194,628,474</b>
<b>Liabilities</b>						
Payable to the Management Company	3,537,789	-	-	-	-	3,537,789
Payable to the unit holders for contribution	989,227	-	-	-	-	989,227
Other liabilities	3,259,074	-	-	-	-	3,259,074
Net assets attributable to the unit holders	1,211,105,973	-	-	-	-	1,211,105,973
<b>Total</b>	<b>1,218,892,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,218,892,063</b>
<b>Liquidity risk</b>	<b>(1,189,863,590)</b>	<b>10,000,000</b>	<b>8,500,000</b>	<b>19,700,000</b>	<b>1,127,400,000</b>	<b>(24,263,590)</b>
<b>Cumulative</b>	<b>(1,189,863,590)</b>	<b>(1,179,863,590)</b>	<b>(1,171,363,590)</b>	<b>(1,151,663,590)</b>	<b>(24,263,590)</b>	

As part of the management of liquidity risk, the Fund holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereign, which can be readily sold to meet liquidity requirements. Although net assets attributable to the unit holders are presented in a category up to 1 month, unit holders are keeping their units for a longer period of time. Based on experience Fund does not expect significant withdrawal of units. In order to manage the Fund's overall liquidity, the Management Company also has the ability to suspend redemptions if this is deemed to be in the best interest of all unit holders.

**Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

*(Amounts in Lek)***8. Financial risk management (continued)****e) Market risk**

Market risk is the risk that changes in market prices will affect the Fund's incomes or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

***Exposure to foreign currency risk***

The Fund is not exposed to currency risk as the transactions in currencies other than the Fund's base currency (ALL currency) are absent. The Fund has not entered into any forward exchange or embedded derivative product transactions as of December 31, 2023. As at December 31, 2023 and 2022, there are no material financial assets or liabilities, which are expressed in a currency other than ALL.

Lek	31 December 2023		31 December 2022	
	Average rate	Reporting date	Average rate	Reporting date
EUR	108.75	103.88	118.92	114.23
USD	100.62	93.94	113.15	107.05

The Company's exposure to foreign currency risk as of 31 December 2023 and 2022 was as follows:

31 December 2023	Carrying amount	EUR	ALL	USD
		(amounts translated in LEK)		
Cash and cash equivalents	16,961,269		16,961,269	
Financial assets at fair value through other comprehensive income	16,228,776		16,228,776	
Financial assets measured at amortised cost	1,367,792,431		1,367,792,431	
Payable to the Management Company	(1,793,573)		(1,793,573)	
Payable to unit holders for withdrawals	(284,430)		(284,430)	
<b>Net Exposure</b>	<b>1,398,904,473</b>		<b>1,398,904,473</b>	

  

31 December 2022	Carrying amount	EUR	ALL	USD
		(amounts translated in LEK)		
Cash and cash equivalents	29,028,474		29,028,474	
Financial assets at fair value through other comprehensive income	15,481,692		15,481,692	
Financial assets measured at amortised cost	1,174,381,897		1,174,381,897	
Payable to the Management Company	(3,537,789)		(3,537,789)	
Payable to unit holders for withdrawals	(989,227)		(989,227)	
<b>Net Exposure</b>	<b>1,214,365,047</b>		<b>1,214,365,047</b>	

***Exposure to interest rate risk***

The principal risk to which trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates (Assets and Liabilities Net Present Value Gaps). Interest rate risk is managed principally through monitoring interest rate gaps. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Fund's financial assets and liabilities to various standard and nonstandard interest rate scenarios. Standard scenarios that are considered on a regular basis include a 100 basis point (bp) parallel fall or rise in all yield curves.

**8. Financial risk management (continued)****d) Market risk (continued)**

An analysis of the Fund's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position) is as follows:

**2023**

Interest rates	Decrease 100 pbs	Increase 100 pbs
Estimated Profit / (loss) effect (in 000 Lek)	342	(342)

**2022**

Interest rates	Decrease 100 pbs	Increase 100 pbs
Estimated Profit / (loss) effect (in 000 Lek)	463	(463)

**e) Capital risk management**

The capital of the Fund is represented by the net assets attributable to the unit holders. The amount of net assets attributable to the unit holders can change significantly on a daily basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holder. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the cash position in order to be able to redeem its unit holders within 7 days from a valid request date.
- Redeem and issue new units in accordance with the law and prospectus of the Fund, which includes the ability to restrict redemptions and require certain minimum holdings and subscriptions. The Board of Administration and Management Company monitor capital on the basis of the value of net assets attributable to the unit holders.

**(i) Investment strategy**

The investment strategy of the Raiffeisen Voluntary Pension Fund's assets is based on the law no. 10198 "On collective investment undertakings" and the resulting regulations from its implementation, as well as in the internal policy of investment of the Management Company, proposed by the Investment Committee and approved by the Board of Administration of the Management Company.

**(ii) Legal framework**

With regard to the investment of the Fund's assets, Raiffeisen Voluntary Pension Funds under the administration of Raiffeisen INVEST – Management Company of Pension Funds and Collective Investment Undertakings sh.a. operates according to law no. 10198, dated December 10, 2009 "On collective investment undertakings" and the Fund's prospectus.

**(iii) Permitted Investments**

According to the regulation, the Fund's assets may be invested on the following instruments:

- transferable securities and money market instruments traded on a regulated market or official stock exchange in the Republic of Albania, in an EU country or in another country permitted by FSA;
- units of investment funds or shares of investment companies licensed under the Law no. 10198 "On Collective Investment Undertakings", and shares or units of other approved collective investment undertakings licensed in accordance with EU standards;
- deposits with credit institutions, registered in the Republic of Albania or in an EU country or FSA permitted country, which mature in no more than 12 months or can be withdrawn at any time;
- financial derivative instruments;
- other money market instruments.

The management Company is committed to respect all investment restrictions provided by Law no. 10198 "On Collective Investment Undertakings" and by internal risk management policy for any of the instruments mentioned above.



**Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

*(Amounts in Lek)***8. Financial risk management (continued)****e) Capital risk management (continued)****Investment limitations and the permitted limit**

The Fund may not invest more than 20 % of its net assets in deposits with the same institutions.

The Fund may invest no more than 5% of its net assets in securities and money market instruments of a single issuer.

The limit of 5% may be increased to:

- a) 10%. In this case, the total value of the securities and money market instruments in which the Fund invests more than 5% of the fund net assets, must not exceed 40% of the total net value of fund assets;
- b) 35% in the case of securities and money market instruments issued or guaranteed by the government and local authorities of the Republic of Albania, EU countries, FSA-permitted countries or by public international bodies to which one or more EU countries adhere;
- c) 100 percent upon FSA approval if some criteria defined on the law "On collective investment undertakings" are met;
- d) 25% in the case of certain special bonds issued by licensed credit institutions which have a registered office in the Republic of Albania, or an EU country or FSA-permitted country. The total investment in that type of bonds issued by a single issuer in which the Fund invests more than 5%, shall not exceed 80% of the total value of the assets of the Fund;

The Fund may acquire units or shares in another collective investment undertaking up to 30% of its assets. The Management Company manages the assets of the Fund with the objectives of safety, liquidity and yield, trying to seek an optimal ratio between capital growth and risk undertaken. The long-term objectives for the allocation of the Fund's assets in accordance with the prospect are as follows:

Class	Objective
Government Bonds and Treasury Bills issued from the Albanian Government	95%
Government Bonds and Treasury Bills issued from the members of EU, OECD, World Bank, European Central Bank, European Investment Bank	0%
Cash and cash equivalents	5%
Debt instruments rated BBB (S&P), Baa3 (Moody's), BBB (DBRS)	0%
Fund's units or shares indexes: CAC 40, DAX, FTSE, S&P 500, Dow Jones, Nikkei 225, Sensex, All Ordinaries and Hang Seng	0%

These objectives serve as guidelines and are subject to change depending on the marker conditions and investment policies.

**Fund's investments internal policy**

The Investment risk is undertaken only by the Fund's members and not by the Management Company. To minimize this risk, the Management Company has in the organizational structure an Investment Committee which approves the policies for the allocation of assets and investments, and a Risk Management Unit which performs the quantitative and qualitative control of all risks linked with the Fund. There are not permitted all those investments whose return rate is under the market level, because this will compromise the Investment - Risk balance.

A statement showing investment structure as at 31 December 2023 and 2022 is as follows:

	31 December 2023	As % of funds total assets
Government bonds	1,384,021,207	99%
Cash and other cash equivalents	16,961,269	1%
<b>TOTAL</b>	<b>1,400,982,476</b>	<b>100%</b>
	<b>31 December 2022</b>	<b>As % of funds total assets</b>
Government bonds	1,189,863,589	98%
Cash and other cash equivalents	29,028,474	2%
<b>Total</b>	<b>1,218,892,063</b>	<b>100%</b>

## Raiffeisen Voluntary Pension Fund

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

### 9. Fair value of financial instruments

#### *Determining fair values*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund measures fair values using Level 2 of the fair value hierarchy that reflects the significance of the inputs used in making the measurements, which is explained as follow:

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The models used to determine fair values are validated and periodically reviewed by the Management Company. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio Fund, and unobservable data, such as forecast earnings for the portfolio Fund. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio Fund and the risk premium for liquidity and credit risk that are incorporated into the discount rate. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment. Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable.

#### *Investment in securities*

Investment securities include treasury bills, government/corporate bonds as well as quotas in other Investment funds. The fair value for these investment securities has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at 31 December 2023 and 2022

All fair value measurements disclosed are recurring fair value measurements.

	31 December 2023	31 December 2022
<i>Level 2</i>		
Financial assets at fair value through other comprehensive income	16,228,776	15,481,692
<b>Total</b>	<b>16,228,776</b>	<b>15,481,692</b>

The valuations are prepared and are reviewed on a monthly basis by the Risk Manager valuation who report and make recommendations to the Management Company on a monthly basis in line with the monthly valuations that are provided to investors.

**Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

*(Amounts in Lek)***9. Fair value of financial instruments (continued)***Investment in securities (continued)*

Risk Manager considers the appropriateness of the valuation model itself, the significant and key inputs as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The valuation technique is selected and calibrated on acquisition of the underlying portfolio companies. In determining the continued appropriateness of the chosen valuation technique, Risk Manager may perform back testing to consider the various models' actual results and how they have historically aligned to actual market transactions.

In addition, the Custodian Bank is responsible for reviewing the revaluations through a daily confirmation procedure.

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand, current accounts and deposits with resident Banks. As these balances are short term, their fair value is considered to equate to their carrying amount.

**10. Interest income calculated using the effective interest method**

Interest income from financial instruments by classes is composed as follows:

	31 December 2023	31 December 2022
Government bonds	76,351,308	64,332,174
<b>Total</b>	<b>76,351,308</b>	<b>64,332,174</b>

**11. Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income can be detailed in terms of maturity as follows:

1	31 December 2023	31 December 2022
Government Bonds	16,228,776	15,481,692
<b>Total</b>	<b>16,228,776</b>	<b>15,481,692</b>

	Fair value	Accrued interest	Market value
Government Bonds	16,060,751	168,025	16,228,776
<b>31 December 2023</b>	<b>16,060,751</b>	<b>168,025</b>	<b>16,228,776</b>

	Fair value	Accrued interest	Market value
Government Bonds	15,313,667	168,025	15,481,692
<b>31 December 2022</b>	<b>15,313,667</b>	<b>168,025</b>	<b>15,481,692</b>

**12. Financial assets measured at amortized cost**

Financial assets measured at amortized cost can be detailed in terms of maturity as follows:

	31 December 2023	31 December 2022
Government Bonds	1,367,792,431	1,174,381,897
<b>Total</b>	<b>1,367,792,431</b>	<b>1,174,381,897</b>

	Nominal Amount	Accrued interest	Impairment allowance	Net carrying amount
Government Bonds	1,339,948,944	30,103,771	(2,260,284)	1,367,792,431
<b>31 December 2023</b>	<b>1,339,948,944</b>	<b>30,103,771</b>	<b>(2,260,284)</b>	<b>1,367,792,431</b>
	Nominal Amount	Accrued interest	Impairment allowance	Net carrying amount
Government Bonds	1,148,972,210	25,079,770	329,916	1,174,381,897
<b>31 December 2022</b>	<b>1,148,972,210</b>	<b>25,079,770</b>	<b>329,916</b>	<b>1,174,381,897</b>

**Raiffeisen Voluntary Pension Fund**

Notes to the financial statements as at and for the year ended 31 December 2023

*(Amounts in Lek)***13. Cash and cash equivalents**

Cash and cash equivalents are composed as below:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Current account at the Custodian Bank	16,961,269	29,028,474
<b>Total</b>	<b>16,961,269</b>	<b>29,028,474</b>

**14. Other liabilities**

Other liabilities are composed as below:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Withholding personal income tax payable	111,676	1,108,039
Provisions	2,260,284	2,151,035
<b>Total</b>	<b>2,371,960</b>	<b>3,259,074</b>

Withholding personal income tax payable to the tax authorities arises from benefits withdrawn from the unit holders during the month of December. The Management Company acts as the collecting agent on behalf of the Fund, according to the Law no.8438 "On Income Tax" dated 28.12.1998.

**15. Net assets attributable to the unit holders**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Net assets attributable to the unit holders at 1 January	1,211,105,973	1,038,257,541
Contributions	173,298,728	166,233,982
Withdrawals by unit holders	(45,509,097)	(38,496,339)
	<b>1,338,895,604</b>	<b>1,165,995,184</b>
Increase in net assets attributable to the unit holders	57,636,909	45,110,789
<b>Net assets attributable to the unit holders</b>	<b>1,396,532,513</b>	<b>1,211,105,973</b>
<b>Net assets per unit</b>	<b>2,145</b>	<b>2,052</b>

## Raiffeisen Voluntary Pension Fund

Notes to the financial statements as at and for the year ended 31 December 2023

(Amounts in Lek)

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### 16. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related Parties of the Fund are Raiffeisen INVEST – Management Company of Pension Funds and Collective Investment Undertakings sh.a., which manages the Fund, and Raiffeisen Bank sh.a. as the sole shareholder of the Management Company.

As of and for the year ending 31 December 2023 and 2022 the Fund has entered the following transactions and balances with its related parties:

	31 December 2023	31 December 2022
<b>Due to the Management company</b>		
Management Company fee payable	1,766,080	1,535,407
Penalty fee payable due to premature withdrawal from pension fund	27,493	2,051,898
	<u>1,793,573</u>	<u>3,587,305</u>
<b>Expenses</b>	<b>2023</b>	<b>2022</b>
Management Company fee	19,503,857	16,896,137
<b>Total</b>	<u>19,503,857</u>	<u>16,896,137</u>

### 17. Events after the reporting period

There are no other significant events after the reporting date that may require adjustment or additional presentation in the financial statements.