RAIFFEISEN VOLUNTARY PENSION FUND

Financial Statements
as at and for the year ended 31 December 2021

(with Independent auditor's report thereon)

Contents

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Pension Fund Raiffaisen Pension (hereafter referred as "Pension Fund") which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, 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 Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and with Institute of Authorizes Chartered Auditors of Albania Code of Ethics ("IEKA Code"), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended, 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.

Other Matter

The financial statements of the Pesnion Fund as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 25, 2021.

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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank'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 Bank'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 Bank'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 Bank to cease to continue as a going concern.

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

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

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

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Enida Cara
Engagement Partner
Statutory Auditor

May 27, 2022
Tirana, Albania

	Note	2021	2020
Income			
Interest income calculated using the effective interest method	**10**	56,566,290	51,010,706
		56,566,290	**51,010,706**
Expenses			
Management Company fee		(14,256,349)	(12,241,625)
Impairment losses on financial instruments	**8 c)**	687,589	(2,220,386)
		(13,568,760)	**(14,462,010)**
Total net income		**42,997,530**	**36,548,696**
Other comprehensive income			
Changes in fair value of financial assets at fair value through other comprehensive income		(1,798,515)	(2,058,887)
Increase in net assets attributable to the unit holders		**41,199,016**	**34,489,809**

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

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	13	26,488,163	12,525,794
Financial assets at fair value through other comprehensive income	11	23,066,194	31,818,213
Financial assets measured at amortised cost	12	994,261,189	842,948,909
TOTAL ASSETS		**1,043,815,546**	**887,292,916**
LIABILITIES			
Payable to the Management Company		2,903,792	5,164,696
Payable to unit holders for contributions withdrawals		621,728	-
Other liabilities	14	2,032,485	2,519,400
TOTAL LIABILITIES		**5,558,005**	**7,684,096**
NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS	15	**1,038,257,541**	**879,608,819**
The number of units offered by the pension fund		**526,605**	**465,955**
NET ASSETS PER UNIT IN LEK		**1,972**	**1,888**

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 May 27, 2022.

General Administrator

Edlira KONINI

Raiffeisen INVEST Drejtoria e Përgjithshme Tiranë, Shqipëri

Deputy General Administrator

Alketa EMINI

Raiffeisen Voluntary Pension Fund
Statement of changes in net assets attributable to the unit holders for the year ended 31 December 2021
(Amounts in Lek)

	Note	2021	2020
Net assets attributable to the unit holders at 1 January		**879,608,820**	**751,438,014**
Contributions		144,355,842	124,923,141
Withdrawal from unit holders		(26,906,137)	(31,242,143)
		117,449,706	**845,119,011**
Increase in net assets attributable to the unit holders		42,997,530	36,548,696
Other comprehensive income		(1,798,515)	(2,058,887)
Net increase		**41,199,016**	**34,489,809**
Net assets attributable to the unit holders	**14**	**1,038,257,541**	**879,608,820**
NUMBER OF PENSION UNITS			
Issued based on contributions		74,545	67,413
Withdrawn by unit holders		(13,895)	(16,819)
INCREASE IN THE NUMBER OF PENSION FUND UNITS		**60,650**	**50,595**

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

	Notes	December 31, 2021	December 31, 2020
Cash flow from operating activities			
Net income		**42,997,530**	**36,548,696**
Adjustments for:			
Impairment losses on financial instruments	**8 (c)**	1,821,118	2,451,330
Interest income		(56,566,290)	(51,010,706)
		(11,747,642)	**(12,010,680)**
Changes :			
Financial assets measured at amortized cost		8,829,853	(138,537,889)
Financial assets measured at FVOCI		(157,401,521)	0
Payable to the Management Company		(2,260,904)	159,009
Other liabilities		621,728	3,740,438
Cash used in operations		**(161,958,486)**	**(146,649,122)**
Interest received		52,993,537	48,120,999
Net cash used in operating activities		**(108,964,949)**	**(98,528,123)**
Cash flows from financing activities			
Contributions received from unit holders		144,355,842	124,923,141
Contributions paid to unit holders		(21,428,524)	(26,090,365)
Net cash flow from financing activities		**122,927,318**	**98,832,776**
Net increase in cash and cash equivalents		13,962,369	304,653
Cash and cash equivalents at beginning of the year		12,525,794	12,221,140
Cash and cash equivalents at end of the year	**12**	**26,488,163**	**12,525,794**

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

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 8 members, as follows:

Mrs. Donalda GJORGA	Chairman
Mr. Peter Zilinek	Deputy Chairman
Mrs. Vilma BAÇE	Member
Mrs. Alda SHEHU	Member
Mr. Joan CANAJ	Member
Mrs. Vanita NIKOLLA	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 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 2021 are approved by the Fund's board of administrators on May 27, 2022.

2.2. Going concern

Performance of fund assets and return on investment

According to the reporting for the year 2021 ended 31 December 2021 to the Financial Supervisory Authority, the net asset value of the Raiffeisen Voluntary Pension Fund has increased by 18.04% compared to the value on December 31, 2020, while the number of quotas has increased respectively by 13.02%, marking a total rate of return for the fund of 4.44% (31 December 2020: 4.35%). 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.

Performance of liquidity

The fund maintains a level of liquid assets of the cash investment portfolio, respectively at 2.54% 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 2021, the fund had an increase in the level of cash and cash equivalents compared to the closing of 2020.

2. Basis of preparation (continued)

2.2. Going concern (continued)

Stress Test

The company 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 2021.

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 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.

Judgements and estimates

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.

6. New Standards and Interpretation Issued Not Yet Effective

(a) New Standards adopted as at 1 January 2021

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” - Interest Rate Benchmark Reform — Phase 2 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),

6. New Standards and Interpretation Issued Not Yet Effective (continued)

(a) New Standards adopted as at 1 January 2021 (continued)

- Amendments to IFRS 4 "Insurance Contracts" – Extension of the Temporary Exemption from Applying IFRS 9 (the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023).
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

b) Standards, amendments and interpretations of existing standards that are not yet effective and / or have not been previously approved by the Fund

At the date of authorization of these financial statements, some new but not necessarily effective Standards, Standards and Amendments to existing Standards, and Interpretations have been published by the IASB. Standards and changes that are not yet effective and were not initially approved by the Company include:IFRS 17 Insurance Contracts - Effective for annual reporting periods beginning on or after 1 January 2023

- IFRS 17 Insurance Contracts - Effective for annual reporting periods beginning on or after 1 January 2023
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures-Effective date not been set yet
- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current- Effective date is beginning on or after 1 January 2023
- Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework- Effective beginning on or after 1 January 2022- with early application permitted
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use-Effective date is beginning on or after 1 January 2022, with early application permitted
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract- Effective date is beginning on or after 1 January 2022, with early application permitted
- Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture- Effective date is beginning on or after 1 January 2022, with early application permitted
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies- The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction- effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted

6. New Standards and Interpretation Issued Not Yet Effective (continued)

b) Standards, amendments and interpretations of existing standards that are not yet effective and / or have not been previously approved by the Fund (continued)

These standards or changes to existing standards have not previously been approved by the Company. Management provides that all relevant pronouncements will be approved for the first period beginning on or after the effective date of publication. New standards, amendments and interpretations that have not been adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

7. Significant 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.

b) Interest income

(i) Interet 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).

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.

7. Significant accounting policies (continued)

c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

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.

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.

7. Significant accounting policies (continued)

c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

(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.

7. Significant accounting policies (continued)

c) Financial instruments (continued)

(vii) Impairment

The Fund recognises loss allowances for ECLs financial assets measured at amortised cost and measures the loss allowances at an amount equal to lifetime ECLs, except for the investment securities which are measured as 12-month ECL.

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 realising security (if any is held); or
- the financial asset is more than 90 days past due.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Credit-impaired financial assets

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Fund considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

7. Significant accounting policies (continued)

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 1.25% annually (2020: 1.25%) of net assets value, as an expense which is calculated on a daily basis.
According to the Law on Pension Funds, Pension fund members who decide to withdraw funds before the time limits prescribed in the law, are subject to early withdrawal penalties (predetermined % of net assets value). Liabilities from such penalties is recognised when a withdrawal takes place as only then uncertainty associated with this variable consideration is resolved. This liabilities is presented as a separate line in the statement of profit or loss and other comprehensive income under "Fee from withdrawals".

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.

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.

8. Financial risk management (continued)

(a) Overview (continued)

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 2021	31 December 2020
Financial assets at fair value through other comprehensive income	23,066,194	31,818,213
Financial assets measured at amortised cost	994,261,188	842,948,909
Cash and cash equivalents	26,488,163	12,525,794
TOTAL ASSETS	**1,043,815,546**	**887,292,916**

Exposure to credit risk:

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

	31 December	
	2021	2020
Domestic	1,043,815,546	887,292,916
	1,043,815,546	**887,292,916**

Credit quality of financial assets is as follows:

	2021					2020
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Albanian Government B+	1,016,639,794	-	-	-	1,016,639,794	876,987,508
Cash and cash equivalent,unrated	26,488,163	-	-	-	26,488,163	12,525,794
Loss allowance	687,589	-	-	-	687,589	(2,220,386)
Carrying amount	**1,043,815,546**	**-**	**-**	**-**	**1,043,815,546**	**887,292,916**

8. Financial risk management (continued)

(b) Credit risk (continued)

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

Cash and cash equivalents

The money and its equivalents are held in local banks, which are not ranked.. The fund implements a lifetime expected loss model and presents short-term exposures in determining the impairment of cash and cash equivalents.

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 2021, the Fund has recognised an impairment allowance at the amount of 1.863 thousand lek (2020: 2.551 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 and other counterparties 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.

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.

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.

8. Financial risk management (continued)

(b) Credit risk (continued)

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.

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 undiscounted cash flows as at 31 December 2021 and 2020:

31 December 2021	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Assets						
Financial assets at fair value through other comprehensive income	-	-	-	-	23,066,195	23,066,194
Financial assets measured at amortised cost	-	21,971,290	12,069,218	37,093,506	923,127,173	994,261,189
Cash and cash equivalents	26,488,163	-	-	-	-	26,488,163
Total	**26,488,163**	**21,971,290**	**12,069,218**	**37,093,506**	**946,193,368**	**1,043,815,546**
Liabilities						
Payable to the Management Company	1,290,861	-	-	-	-	1,290,861
Payable to the unit holders for contribution	2,446,025	-	-	-	-	2,446,025
Other liabilities	1,821,118					1,821,118
Net assets attributable to the unit holders	1,038,257,541	-	-	-	-	1,038,257,541
Total	**1,043,815,546**	**-**	**-**	**-**	**-**	**1,043,815,546**
Liquidity risk	**(1,017,327,383)**	**21,971,290**	**12,069,219**	**37,093,506**	**946,193,368**	**0**
Cumulative	**(1,017,327,383)**	**(995,356,093)**	**(983,286,874)**	**(946,193,368)**	**0**	

8. Financial risk management (continued)

(c) Liquidity risk (continued)

31 December 2020	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Financial assets at fair value through other comprehensive income	-	-	-	-	31,818,213	**31,818,213**
Financial assets held at amortized cost	-	7,153,012	7,020,879	47,833,029	780,941,989	**842,948,909**
Cash and cash equivalents	12,525,794	-	-	-	-	**12,525,794**
Total	**12,525,794**	**7,153,012**	**7,020,879**	**47,833,029**	**812,760,202**	**887,292,916**
Liabilities						
Payable to the Management Company	1,107,506	-	-	-	-	**1,107,506**
Payable to the unit holders for contribution	-	-	-	-	-	-
Other liabilities	6,576,590	-	-	-	-	**6,576,590**
Net assets attributable to the unit holders	879,608,820	-	-	-	-	**879,608,820**
Total	**887,292,916**	-	-	-	-	**887,292,916**
Liquidity risk	**(874,767,123)**	**7,153,012**	**7,020,879**	**47,833,029**	**812,760,202**	**-**
Cumulative	**(874,767,123)**	**(867,614,111)**	**(860,593,232)**	**(812,760,203)**	**-**	

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.

8. Financial risk management (continued)

(d) 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, 2021. As at December 31, 2021 and 2020, there are no material financial assets or liabilities, which are expressed in a currency other than ALL.

The following significant exchange rates applied during the year:

Lek	31 December 2021		31 December 2020	
	Average rate	Reporting date	Average rate	Reporting date
EUR	122.46	120.76	123.8	123.7
USD	103.52	106.54	108.7	100.8

The Company's exposure to foreign currency risk as of 31 December 2021 and 2020 was as follows:

31 December 2021	Carrying amount	EUR	LEK	USD
		(amounts translated in Lek)		
Cash and cash equivalents	26,488	-	26,488	-
Financial assets at fair value through other comprehensive income	23,066	-	23,066	-
Financial assets measured at amortised cost	994,261	-	994,261	-
Payable to the Management Company	(2,904)	-	(2,904)	-
Payable to unit holders for withdrawals	(622)	-	(622)	-
Net Exposure	1,040,289	-	1,040,289	-

31 December 2020	Carrying amount	EUR	LEK	USD
		(amounts translated in Lek)		
Cash and cash equivalents	12,526	-	12,526	-
Financial assets at fair value through other comprehensive income	31,818	-	31,818	-
Financial assets measured at amortised cost	842,949	-	842,949	-
Payable to the Management Company	(5,165)	-	(5,165)	-
Payable to unit holders for withdrawals	-	-	-	-
Net Exposure	882,128	-	882,128	-

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 non-standard 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:

2021		
Interest rates	Decrease 100 pbs	Increase 100 pbs
Estimated Profit / (loss) effect (in 000 Lek)	366	(366)

2020		
Interest rates	Decrease 100 pbs	Increase 100 pbs
Estimated Profit / (loss) effect (in 000 Lek)	291	(291)

(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 Funs 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.

8. Financial risk management (continued)

(e) Capital risk management (continued)

(iii) Permitted Investments (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.

8. Financial risk management (continued)

(e) Capital risk management (continued)

A statement showing investment structure as at 31 December 2021 and 2020 is as follows:

	31 December 2021	As % of funds total assets
Government bonds	1,017,327,383	97%
Cash and other cash equivalents	26,488,163	3%
TOTAL	**1,043,815,546**	**100%**

	31 December 2020	As % of funds total assets
Government bonds	874,767,122	99%
Cash and other cash equivalents	12,525,794	1%
TOTAL	**887,292,916**	**100%**

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 2021 and 2020.

All fair value measurements disclosed are recurring fair value measurements.

	31 December 2021	31 December 2020
Level 2		
Financial assets at fair value through other comprehensive income	23,066,194	31.818.213
Total	**23,066,194**	**31.818.213**

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.

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 Deecember 2021	31 Deecember 2020
Government bonds	56,566,290	51,010,706
Total	**56,566,290**	**51,010,706**

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:

	31 December 2021	31 December 2020
Government Bonds	23,066,194	31,818,213
Total	**23,066,194**	**31,818,213**

Movements in nominal value of financial assets in 2021 are presented below:

Government bonds	**31 December 2021**	**31 December 2020**
At 1 January	31,680,838	31,680,838
Purchases during the year	24,277,673	
Matured during the year	(33,101,955)	
At 31 December	**22,856,556**	**31,680,838**

12. Financial assets measured at amortized cost

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

	31 December 2021	31 December 2020
Government Bonds	994,261,189	842,948,909
Total	**994,261,189**	**842,948,909**

	Nominal Amount	Accrued interest	Imparirment allowance	Net carrying amount
Government Bonds	971,975,288	21,655,689	630,211	994,261,188
31 December 2021	**971,975,288**	**21,655,689**	**630,211**	**994,261,188**

	Nominal Amount	Accrued interest	Imparirment allowance	Net carrying amount
Government Bonds	822,342,380	18,155,199	2,451,330	842,948,909
31 December 2020	**822,342,380**	**18,155,199**	**2,451,330**	**842,948,909**

12. Financial assets measured at amortized cost (continued)

Movements in nominal value of financial assets in 2021 and 2020 are presented below:

Government bonds	**31 December 2021**	**31 December 2020**
At 1 January	822,342,380	695,255,564
Purchases during the year	178,599,515	167,966,816
Matured during the year	(30,787,725)	(40,880,000)
Provisions	1,821,118	
At 31 December	**971,975,288**	**822,342,380**

13. Cash and cash equivalents

	31 December 2021	**31 December 2020**
Current account at the Custodian Bank	26,488,163	12,525,794
Total	**26,488,163**	**12,525,794**

14. Other liabilities

	31 December 2021	**31 December 2020**
Withholding personal income tax payable	211,366	68,071
Provisions	1,821,118	2,451,330
Total	**2,032,485**	**2,519,400**

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

	31 December 2021	**31 December 2020**
Balance at 1 january	879,608,819	751,438,014
Iassued unitrts during the year	144,355,843	124,923,141
Redeemed units during the year	(26,906,137)	(31,242,143)
	997,058,525	**845,119,011**
Increase in net assets attributable to the unit holders during the year	41,199,016	34,489,809
Balance at 31 December	**1,038,257,541**	**879,608,820**
Net assets per unit	**1,972**	**1,888**

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 2021 and 2020 the Fund has entered the following transactions and balances with its related parties:

	31 December 2021	**31 December 2020**
Due to the Management company		
Management Company fee payable	1,290,862	1,107,506
Penalty fee payable due to premature withdrawal from pension fund	1,612,930	4,057,190
	2,903,792	**5,164,696**

Expenses	**2020**	**2019**
Management Company fee	14,256,349	12,241,625
Total	**14,256,349**	**12,241,625**

17. Events after the reporting period

The ongoing military conflict in Ukraine caused by Russia invasion and the related sanctions targeted against the Russian Federation started as of February 24, 2022 may have an impact on the European and global economy. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities in the future. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day. The longer-term impact would need to be continuously assessed in terms of trading volumes, cash flows and profitability. Nevertheless, at the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

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