

TRUSTORY

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KEY FACTS

As of 31 December 2014

Share price	€1.2879
AUM	€1,087,760,598
Pensions paid in this quarter	€3.3 mln
Pensions paid YTD	€14.3 mln
Contributors' accounts	476,559

INVESTMENTS

Share price:

October	+0.20%
November	+1.87%
December	-0.29%
Total net performance	+1.77%

Gross return:

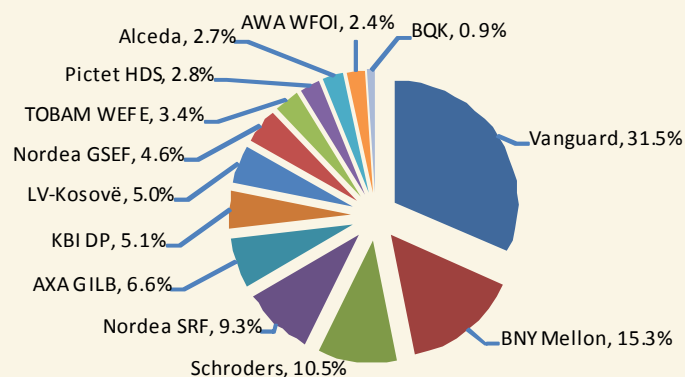
October	€2.83 mln
November	€20.15 mln
December	-€2.58 mln
Total gross return	€20.40 mln

KPST CUMULATIVE INVESTMENT PERFORMANCE SINCE INCEPTION



Period	1M	3M	YTD	1Y	5Y	Since Inception
Result	-0.29%	1.77%	6.29%	6.29%	31.16%	28.79%

FUND ALLOCATION IN THE END OF QUARTER



PERFORMANCE OF INVESTMENTS FUNDS AND KOSOVO TB IN THIS QUARTER

1. VANGUARD ▲ +3.07%	4. AXA WFOI ▲ +1.16%	7. TB - Kosovo ▲ +0.47%	10. Tobam ▲ +5.25%
2. SCHRODERS ▼ -2.57%	5. BNY MELLON ▲ +0.57%	8. Nordea GSEF ▲ +7.47%	11. KBI ▲ +4.44%
3. AXA GILB ▲ +2.19%	6. ALCEDA ▲ +1.12%	9. Nordea SRF ▲ +3.26%	12. Pictet ▼ -1.39%

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Q4 INVESTMENT RETURN €20M

KPST ended Q4 2014 with a gross investment return of around €20m. The gross investment return for 2014 was close to €67m. The positive investment performance in Q4 helped in the share price increase of 1.77% for the quarter. At the close of the year the share price came to €1.2879, increasing 6.29% during the period.

Assets under management at quarter-end were in excess of €1,088m (Q3: €1,038m), increasing by €50m. The increase was influenced by new contributions (€30m) as well as the investment return (€20m). On the other hand KPST paid out savings amounting €3.3m, it withheld management fees of €1.4m, and refunded €0.7m; which reduced by €5.4m the increase in assets under management.

Influential factors

Global financial markets in Q4 faced a similar cycle of ups and downs as in the previous quarter. First strong fluctuations came early in the Q4 due to a swift fall in oil prices, closure of the incentives program in USA and poorer German industry indicators, followed by an increased optimism after publication of positive indicators of the American economic recovery and the hope that falling oil prices would increase opportunities of global economic recovery as well as the possibility of the European Central Bank (ECB) embarking in the sovereign bonds purchase program. The end of Q4 faced another fall in markets due to the declaration of the ECB that purchase of bonds was not going to be started in 2014. The market fluctuations were reflected in the KPST share price throughout the Q4.

6.29%

Return on investments in 2014

Performance of investment funds

Only two investment funds had a negative performance during the quarter. Schroders' fund trading in fixed income (-2.57%) was affected by the declining interest rates for treasuries, and Pictet's dividend equity fund (-1.39%) which, with 12% of the portfolio being in the energy sector, was negatively affected by the fall in oil prices.

The performance of all other funds was positive, with the most distinguished growth achieved by Nordea 1-GSEF (+7.47%), which is a fund concentrated mostly in US equities (61%) and in growing sectors such as IT and health care; followed by Tobam the optimal diversification equity fund (+5.25%) which has a global distribution but a low exposure in the energy sector; and by the KBI a dividend equity fund (+4.44%) concentrated largely in growing sectors.

Performance of all other investment funds was satisfactory, mainly driven by globally improved stock indexes, or particular economic sectors (IT, finance, health care and consumer goods). Investments in Kosovo treasury bills were all of coupon rates determined in the primary auction.

Table 1: Placements and investment performance in Q4 2014

Manager/Entity/Issuer	Fund name/instrument	Allocation	Gross return
Vanguard	Global Stock Index Fund - Euro	€343,025,434	€10,437,450
BNY Mellon	Global Real Return Fund	€166,159,683	€941,023
Schroders	Strategic Bond - Euro Hedged	€114,516,911	-€2,805,994
Nordea	1-Stable Return Fund	€100,812,922	€2,948,514
AXA	Global Inflation Linked Bonds	€71,926,649	€1,458,456
KBI	Divident Plus	€54,922,848	€2,344,831
Treasury of the Republic of Kosovo	Kosovo Securities and Treasury Bills	€54,701,478	€264,057
Nordea	1-Global Stable Equity Fund	€50,304,385	€2,862,525
TOBAM	Anti-benchmark WEFE hedged share class	€36,661,888	€1,882,660
Pictet	High dividend selection Z EUR	€30,197,501	-€424,207
Alceda	Aquila Risk Parity 7 Fund	€28,803,675	€318,761
AXA	WF Optimal Income I EUR	€26,287,722	€337,739
ECM ¹	Diversified European Credit	-	-€168,276
Total²		€1,078,321,096	€20,397,539

¹ Investments in this fund were withdrawn fully on 09 November 2014 with realised gains worth €460,026; the negative performance shown in the table above represents only returns for the period from 01.10 to 09.11.2014 ² The table above does not include the balance of cash at CBK in the amount €9,938,218. For further details on placements at the end of Q4, and all previous quarters, please copy the following address: www.trusti.org/index.php/en/quarterly-reports

RULES FOR PENSION SAVINGS WITHDRAWAL AMENDED

The Central Bank of the Republic of Kosovo (CBK) amended in mid-November 2014 the Regulation on the withdrawal of pension savings. According to the new Regulation, contributors reaching the retirement age of 65 may choose to withdraw in lump-sum 20% of their pension savings balance upon retirement. The remainder shall be withdrawn monthly through the phased withdrawal program until the entire balance of savings is exhausted. Contributors who, upon retirement, have a pension savings balance below €2,250 are an exception to this rule as they shall withdraw the entire balance in lump-sum. The minimum payment in the phased withdrawal program is €150 per month.

The said Regulation has also changed the manner of withdrawing pension savings for contributors who are recipients of the disability pension as per the decision of the Ministry of Labour and Social Welfare (MLSW). The

withdrawal of pension savings for these categories shall be done through the phased withdrawal program in the amount of €150 per month until: the expiry of the MLSW decision or the exhaustion of savings, whichever occurs first.

The amended Regulation does not affect the inheritance of pension savings from accounts of deceased contributors, as inheritors will still be able to withdraw their proceeds in a lump-sum payment or transfer it to their pension savings account with KPST.

The portion of pension savings withdrawn by recipients in a lump-sum payment is subject to progressive annual rates of tax on personal income, pursuant to Explanatory Decision No. 06/2014 of TAK dated 23 December 2014. Any tax due shall be withheld at source by KPST.

RECORD MOVEMENT OF ASSETS IN 2014

Change in the investment policy of KPST meant moving from the asset allocation approach to the risk diversification and asset allocation approach, and this resulted in the investment of a record amount of assets in a single year. There were €332m invested in 2014 of which €283m went to six newly appointed investment funds required by the new policy; in addition €49m were invested through some of the investment funds already in the KPST portfolio. Investment in new funds where: €96m in Nordea's multi-asset fund; €46m in Nordea's stable equities fund; €51m in dividend paying equities fund of KBI; €35m in the optimal equity diversification Tobam fund; €30m in dividend paying equities fund of Pictet; and €26m in the additional fund of AXA (WFOI) holding corporate and European multi-assets.

€332m

Allocated investments in 2014

Investments in existing funds were: €25m in the BNY Mellon multi-asset fund; €15m in the Schroders strategic bond fund; and €9m in the AXA (GILB) global inflation linked bond fund. Investments in Kosovo treasury debt instruments have ranged between €50m and €60m.

The only redemption for the year was a full one from the ECM's European credit fund (€23.8m) because of changes in investment policy of the Governing Board.

MR. FREDERICK ARTESANI'S MANDATE IN THE BOARD EXPIRES

Mr. Frederick Artesani, the professional member of the Governing Board of KPST, in January 2015 ended his engagement in the Board given that relevant authorities had not initiated the procedure for the replacement or re-appointment of Mr. Artesani in the Board. Mr. Artesani had been a member of the Governing Board since October 2008, initially appointed by the International Civilian Representative, subsequently converting into a professional Board member once the ICR mission ended in 2012. Mr. Artesani, who for a

long spell was also Chairman of the Audit Committee, ended his mandate while Chairman of the Investment Committee of three years. He gave an expert contribution in all functions of the Board, most notably revolutionising the investment policy and strategy of KPST; and with it, the portfolio of investments for pension assets. As a Board member who shall be extremely difficult to replace, KPST thanks Mr. Artesani for all his contribution!

OVER €14M PENSIONS PAID IN 2014

During 2014 the amount of pension savings paid out to from 4,049 accountholders was €14.3m (2013: 3,567 accountholders and €10.7m). This represents an increase of 32% in withdrawn funds and a 14% increase in accountholders compared to the year before. The difference in rates of increase between the two is based on factors such as increased years in the scheme, increased contributions, and positive investment returns. 81% of funds were withdrawn by 3,096 contributors reaching retirement age (2013: 79% and 2,676 respectively), 17% of funds were withdrawn by beneficiaries of 810 newly deceased

32%

more benefit payments than in 2013

contributors (2013: 19% and 740 respectively), while 2% of funds were withdrawn by 143 recipients of disability pensions (2013: 3% and 151 respectively). There were no significant differences compared to the year before with regard to the grounds under which pension funds were withdrawn (retirement, disability, or death).

OVER FIFTEEN THOUSAND SERVICES PROVIDED IN Q4

The number of services provided by KPST staff in Q4 increased by 39% compared to the previous quarter reaching 15,421 services (Q3: 11,121). Following the drop in the number of services provided during Q3 as a result of summer vacations, the increase in Q4 was expected. This increase was mainly thanks to increased number of account statements printed (+24%) and requests for opening eTrusti accounts (+51%). However, there was a drop in number of applications for withdrawing pension savings (-32%). The number of services performed online by contributors themselves compared to Q3 also increased by 26%, from 1,514 to 1,909. For every 10 services provided by KPST

personnel there were 12.4% services performed by contributors themselves (Q3: 10.0%). Furthermore, due to invalid or incorrect contributor addresses the Post of Kosovo returned 13,488 undelivered account statements from the 2013 Annual Statement cycle posted in the first trimester (Q3: 4,356). These statements have been recorded by KPST staff with the aim of contacting contributors in order to obtain their valid addresses. For the year, the total number of services provided by KPST staff reached 59,180, representing an increase of 20% compared to the previous year (2013: 49,486).

ANNUAL OBJECTIVE FOR UN-ALLOCATED CONTRIBUTIONS EXCEEDED

The number of pension contributions for whom KPST has no information as to whom they belong (employers not providing necessary reports) at the end of 2014 reached the lowest historic point. Thanks to the increased engagement of staff during Q4 un-allocated contributions dropped to 1.11% of cumulative contributions collected during 2002-2014, or €10.8m (Q3: 1.20% and €11.35m respectively), exceeding the objective of 1.12% set by the Governing Board for the year

end. The target set by the Board at 0.27%, for un-allocated contributions collected during 2014 only, was also met (0.27%). This represents around €347 thousand out of €129m received, with the majority believed to be fines/interests levied by TAK on employers for late declarations/ payments which would need to be refunded to TAK if proven to be so.

OVER 37,000 USERS OF eTRUSTI BY END OF 2014

The number of eTrusti users continued to grow in 2014 reaching the figure of 37,222 users (Q3: 35,223). The annual increase in the number of eTrusti users of 66% (2013: 22,459) is considered extremely satisfactory. This increase comes as a result of TV campaigns undertaken during Q1 and Q2 and in the spread of the word by

mouth. Sadly, at 8%, the number of eTrusti users still remains small compared to the total number of non-retired contributors (2014: 452 thousand). The efforts of KPST to promote this service shall continue in 2015 via leaflets or other means of communication.