RAIFFEISEN INVEST – MANAGEMENT COMPANY OF PENSION FUNDS AND COLLECTIVE INVESTMENT UNDERTAKINGS SH.A.

Financial Statements
as at and for the year ended 31 December 2019

(with independent auditors' report thereon)

Contents

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Independent Auditor's Report

To the Shareholders of "Raiffeisen Invest" sh.a., Management Company of Pension Funds and Collective Investment Undertakings.

Opinion

We have audited the financial statements of "Raiffeisen Invest" sh.a., Management Company of Pension Funds and Collective Investment Undertakings (hereafter referred as the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Company's financial statements for the year ended on December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 29, 2019.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Grant Thornton sh.p.k.

Tirana, Albania
June 27, 2020

Klodian Kodra, FCCA

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ALBANIA

		31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	**8**	516,459,434	372,247,116
Receivable from the Funds	**9**	71,820,706	72,681,051
Financial assets held to maturity	**10**	21,307,995	5,102,500
Tangible assets	**11**	12,052,183	10,347,238
Intangible assets	**12**	5,469,662	7,278,162
Prepayments to employees		781,691	327,568
Prepayments tax	**20**	5,618,988	9,260,282
TOTAL ASSETS		**633,510,659**	**477,243,917**
LIABILITIES			
Income tax payable		-	-
Other liabilities	**13**	22,648,896	16,307,446
TOTAL LIABILITIES		**22,648,896**	**16,307,446**
EQUITY			
Share capital	**14**	90,000,000	90,000,000
General reserve	**15**	9,000,000	9,000,000
Retained earnings		511,861,763	361,936,471
TOTAL EQUITY		**610,861,763**	**460,936,471**
TOTAL EQUITY AND LIABILITIES		**633,510,659**	**477,243,917**

The notes on pages 5 to 28 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 Enterprises sh.a. on June 20, 2020.

General Administrator

Edlira KONINI

Raiffeisen INVEST Tiranë, Shqipëri

Deputy General Administrator

Alketa EMINI

	Note	31 December 2019	31 December 2018
Incomes			
Funds administration income	16	845,760,654	864,192,775
Interest income	17	1,055,418	1,565,664
Fee from withdrawals	9	2,033,082	1,619,496
Other income		85,000	125,125
		848,934,155	**867,503,061**
Expenses			
Personnel expenses	18	(47,108,235)	(43,775,141)
Depreciation and amortization	11,12	(4,253,114)	(4,425,768)
General and administrative expenses	19	(547,953,253)	(562,590,019)
Other expenses			
		(599,314,602)	**(610,790,928)**
Loss/Gain from foreign exchange		(714,800)	(1,128,723)
		(714,800)	**(1,128,723)**
Profit before tax		**248,904,752**	**255,583,409**
Income tax expense	20	(98,979,459)	(102,012,335)
Profit after tax		**149,925,293**	**153,571,074**
Other comprehensive income		-	-
Total comprehensive income for the year		**149,925,293**	**153,571,074**

The notes on pages 5 to 28 are an integral part of these financial statements.

	Share Capital	General reserve	Retained earnings	Total
As at 1 January 2018	**90,000,000**	**9,000,000**	**399,036,022**	**498,036,022**
Transfer to legal reserve	-	-	-	-
Dividend payment			(190,670,626)	**(190,670,626)**
Profit for the year	-	-	153,571,074	**153,571,074**
Other comprehensive income	-	-	-	-
As at December 31, 2018	**90,000,000**	**9,000,000**	**361,936,470.45**	**460,936,470**
Transfer to legal reserve	-	-	-	-
Dividend payment	-	-	-	-
Profit for the year	-	-	149,925,293	**149,925,293**
Other comprehensive income	-	-	-	-
As at December 31, 2019	**90,000,000**	**9,000,000**	**511,861,763**	**610,861,763**

The notes on pages 5 to 28 are an integral part of these financial statements.

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		**149,925,293**	**153,571,074**
Adjustments for:			
Depreciation and amortization	11,12	4,253,114	4,425,768
Interest income		(1,055,418)	(1,565,664)
Income Tax expenses	20	98,979,460	102,012,335
		252,102,448	**258,443,512**
Changes in:			
Receivables from the Funds	9	860,346	8,828,248
Other assets		(454,121)	73,041
Other liabilities	13	2,387,042	345,373
Cash generated from operating activities		**254,895,714**	**267,690,175**
Interest received		1,131,676	1,615,164
Income tax paid	20	(95,338,168)	(116,663,957)
Net cash generated from operating activities		**160,689,222**	**152,641,382**
Cash flows from investing activities		-	
Acquisition of tangible assets	11	(191,848)	(1,012,562)
Acquisition of intangible assets	12	(130,159)	(2,664,719)
Purchases of financial assets held to maturity	10	(16,154,896)	-
Proceeds from matured financial assets held to maturity	10	-	15,000,000
Net cash from investing activities		**(16,476,903)**	**11,322,719**
Cash flows from investing activities			
Dividend paid	14	-	(190,670,626)
Net cash used in financing activities		-	**(190,670,626)**
Net increase in cash and cash equivalents during the period		**144,212,319**	**(26,706,525)**
Cash and cash equivalents at 1 January	8	**372,247,116**	**398,953,641**
Cash and cash equivalents at the end of the year (Note 6)	8	**516,459,434**	**372,247,116**

The notes on pages 5 to 28 are an integral part of these financial statements.

1. Introduction

Raiffeisen INVEST- Management Company of Pension Funds and Collective Investment Undertakings" sh.a. (the "Company") is an Albanian joint stock company based in Tirana. The Company was registered in the Albanian Commercial Register by Tirana District Court dec. No. 33825, dated 18 July 2005. The Company's head office is in Bulevardi "Bajram Curri", ETC, Kati 10-të, Tiranë.

The Company was licensed by the Albanian Financial Supervisory Authority ("AFSA") on 7 July 2005 (License No. 2) to operate as a management company for voluntary pension funds regarding the collection and investment of voluntary pension funds and payment of pension benefits. The Company is also licensed by the Financial Supervisory Authority on 13 December 2011 (License No. 1) to operate as a management company for collective investment undertakings.

The supervision activity of Raiffeisen INVEST sh.a is supervised by AFSA, in accordance with the law no. 9572, dated July 3rd 2006 "For Financial Supervisory Authority", law no. 10197, dated December 10th 2009 "For voluntary pension funds", law no. 10198, dated December 10th 2009 "On collective investments undertakings".

The Company has an agreement on providing depositary services for the pension fund with First Investment Bank of Albania, headquartered in Blv. "Dëshmorët e Kombit", Twin Tower no 2, Floor 14, Tirana ("Custodian Bank").

The Custodian Bank is licensed by Bank of Albania for providing custody, depositary and fiduciary services (decision no. 13, dated March 10th 2010). The Custodian Bank is also licensed by AFSA for providing depositary services for pension funds (decision no. 80, dated August 30th 2010) and collective investment undertakings (decision no. 1 dated 13.12.2011).

The Company's main activity is:

- to manage voluntary pension funds through collecting and investing funds based on the Law no. 10197, dated 10 December 2009 "On Voluntary Pension Funds", as well as in accordance with the principle of risk diversification, for the purpose of providing retirement benefits for the fund members. The Company may also provide payment of pension benefits;
- to establish and/or manage the Collective Investment Undertakings based on the Law no. 10198, dated 10 December 2009 "On collective investment undertakings",
- to perform other activities as defined in the Law no. 10198, dated 10 December 2009 "On collective Investment undertakings".

The Company acts as a Management Company for the following funds:

- The Defined Contribution Fund "Raiffeisen Voluntary Pension Fund", which was approved by the Albanian Financial Supervisory Authority on 18 October 2010;
- The Investment Fund "Raiffeisen Prestige", which was approved by the Albanian Financial Supervisory Authority on 13 December 2011;
- The Investment Fund "Raiffeisen Vizion", which was approved by the Albanian Financial Supervisory Authority on 30 July 2018;
- The Investment Fund "Raiffeisen Invest Euro", which was approved by the Albanian Financial Supervisory Authority on 26 September 2012.

The Board of Administration is the central body of the Company and consists of 8 members, as follows:

Mrs. Donalda GJORGA	Chairman
Mr. Peter Zilinek	Member
Mrs. Vilma BAÇE	Member
Mrs. Alda SHEHU	Member
Mr. Joan CANAJ	Member
Mrs. Edlira KONINI	Member
Mrs. Alketa EMINI	Member

Administrators:

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

2. Basis of accounting

These financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS').

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 6.

2.1 Going concern basis of accounting

The Company's financial statements are prepared on the basis of the going concern principle, which assumes that the Company will continue its operational activity for at least a period of 12 months from the date of financial reporting. The company performs resistance tests for each fund managed by it, in order to calculate the necessary liquidity in the conditions of deteriorating market scenarios, under the assumption of attracting quotas from 3 to 30 days and the time required to liquidate the investments of each fund.

The company continues to maintain a satisfactory level of liquidity as a result of the increase in the net asset value of the Raiffeisen Pension and Raiffeisen Vizion funds. According to the stress tests, it is estimated that the funds may be able to cope with the worsening scenarios, in line with regulatory requirements for liquidations within the legal deadline.

Based on the above and the results of the stress tests, the Management of the Company has concluded that there is no inherent uncertainty in the ability of the Company to continue its activity, for the foreseeable future, of at least 12 months from the date of the approval of these financial statements. Consequently, Management considers that the principle of going concern is an appropriate basis in the preparation of these statements.

3. Functional and presentation currency

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

4. Basis of measurement

These financial statements have been prepared on a historical cost basis.

5. Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's 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 recognized prospectively.

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 6(b) – revenue recognition: whether revenue is recognised over time or at a point in time

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes:

- Note 21(i) – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 22: recognition and measurement of contingencies: key assumption about the likelihood and magnitude of an outflow of resources;

6. Changes in accounting policies

6.1 The new and revised standards which are effective for annual periods beginning on or after 1 January 2019

IFRS 16 "Leases"

The Company has approved new accounting statements which have become effective this year, as follows: IFRS 16 'Lease' IFRS 16' Lease ' replaces IAS 17 ' Lease ' along with three interpretations (IFRIC 4' Determining whether an Agreement contains a Lease ', SIC 15' Operating Lease 'and SIC 27' Assessment of the essence of Transactions involving the Legal Form of Lease '). The adoption of this new Standard has led the Company to recognize an active right to use and lease liability in respect of all previous leases, other than those identified as low value or having a longer lease term. less than 12 months from the date of initial application. The new standard is applied using the modified retrospective approach. Under this approach, the Company has measured the lease liability at the current value of the remaining lease payments, deducting and using the rates in the lease sector for similar assets and the right to use the asset is recognized in an amount equal to the liability. of the lease, regulated by the amount of each prepaid or calculated payment of the lease in respect of that rent recognized in the statement of financial position immediately prior to the date of initial application. Previous periods have not been re-introduced. For contracts set on the date of initial application, the Company has chosen to apply the definition of lease by IAS 17 and IFRIC 4 and has not applied IFRS 16 to applications that had not previously been identified as lease under IAS 17 and IFRIC 4. There are exceptions to the recognition of short-term leases and the lease of low-value items

The Company has chosen not to include the initial direct costs in the measurement of the active right of use for operating leases in existence on the date of the initial application of IFRS 16, which is 1 January 2019.

Instead of reviewing the impairment on the rights of use on the date of initial application, the Company relied on its historical assessment of whether the rents were immediately large prior to the date of the initial application of the IFRS 16. In transition, for leases previously calculated as operating lease with a lease term of less than 12 months The Company has applied optional exemptions to not recognize the assets of the right of use, but to calculate the cost of lease on a direct basis over the remaining term. to lease. For those leases previously classified as financial leases, the asset of the right of use and the lease obligation are measured on the date of initial application in the same amounts as in IAS 17 immediately before the date of initial application. In the transition to IFRS 16, the weighted average growth rate of borrowing applied to lease obligations recognized under IFRS 16 was 6% p.a.

6.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

There are a number of standards and interpretations that have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Company has decided not to apply earlier. The Company plans to apply these changes to the dates when these standards will be effective.

Standards that are not expected to have an impact

On the date of authorization of these consolidated financial statements, some new but still ineffective Standards, Standards and Changes to Existing Standards, and Interpretations have been published by the IASB. Standards and changes that are not yet effective and not initially approved by the Company include:

- Amendments to IFRS 9 "Negative Compensation Fees" (in force on 1 January 2019).
- Amendments to IAS 28 "Long-Term Interests in Joint Stock Companies and Enterprises" (mandatory for periods beginning on or after 1 January 2019).
- IFRS 17 "Insurance Contracts" (binding on periods beginning on or after 1 January 2021).
- Definition of a business (Amendments to IFRS 3)
- Definition of material (Amendments to IAS 1 and IAS 8)
- Conceptual frame for financial reports

7. Significant accounting policies

a) Foreign currency transactions

These changes are not expected to have a significant impact on financial statements in the initial application period and therefore explanatory notes have not been prepared.

None of these Standards or changes to existing Standards have been previously approved by the Company. stipulates that all relevant pronouncements will be approved for the first period starting on or after the effective date of publication. New standards, changes and interpretations that have not been adopted in the current year have not been presented as they are not expected to have a material impact on the Company's financial statements.

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 exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

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) Funds administration income

Revenue is measured based on the consideration specified in a contract with customers. The Company recognises revenue when it transfers control over a service to a customer. The percentage rates applied per each of the Funds are defined as follows: Prestige Fund - 1.25% (annually) of net value of assets, Vizion Fund - 1.25% (annually) of net value of assets, Pension Fund – 1.5% (annually) of net value of assets, Euro Investment Fund – 1.5% (annually) of net value of assets.

Nature and timing of satisfaction of performance obligations, including significant payment terms

Funds administration income is recognized on a daily basis as a defined percentage of the Net Assets Value for each of the Funds. Invoices are issued on a monthly basis and are usually payable within 30 days.

Revenue recognition under IFRS 15

Revenue is recognised over time as the service is provided. The stage of completion for determining the amount of revenue to recognise is assessed on daily basis.

Funds administration income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities.

7. Significant accounting policies (continued)

c) Interest

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

— the gross carrying amount of the financial asset; or

— the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount recognized and the maturity amount and for, financial assets, adjusted for any expected credit loss allowance.

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

Calculation of interest income and expense

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 7(g)(vii).

Presentation

Interest income presented in the statement of profit or loss and OCI includes interest on financial assets measured at amortised cost calculated on an effective interest basis; and

7. Significant accounting policies (continued)

d) Operating expenses

The operating expenses are recognized when incurred.

e) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized in profit or loss as the related service is provided and included in personnel expenses.

(ii) Social, pension and health funds

The Company makes compulsory social security and health contributions in a fund operated by the Albanian state that provide pension, health and other social benefits for employees. Obligations for such contributions are recognized in profit or loss when they are due and included in personnel expenses. The Albanian state provides the legally set minimum threshold for such contributions.

- *Paid annual leave*

The Company recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

- *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

f) Income tax expense

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

7. Significant accounting policies (continued)

g) Financial instruments

(i) Recognition and initial measurement

The Company initially recognizes receivables and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. 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. Financial assets 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.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company 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. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Company's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 Company's continuing recognition of the assets.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

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

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI") (continued)

In assessing whether the contractual cash flows are SPPI, the Company 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 Company 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 Company's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, 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 assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets - Classification, subsequent measurement and gains and losses

The Company classified its financial assets into held to maturity and loans and receivables. See (h) and (i).

Debt securities held to maturity and loans and receivables were measured at amortised cost using the effective interest method

Financial liabilities - Classification, subsequent measurement and gains and losses

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

(iii) Derecognition

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
The Company 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.

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

(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 Company 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) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company 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 Company 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)).

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized 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.

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(vi) 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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 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. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

(vii) Impairment

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

- the counterparty is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company 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 Company expects to receive).

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

See also Note 21(b).

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(vii) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Company 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.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

h) Investments at amortized cost

Investment securities include debt securities measured at amortized cost. See Note 7 (g).

i) 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 Company in the management of its short-term commitments.

7. Significant accounting policies (continued)

j) Tangible assets

(i) Recognition and measurement

Items of tangible assets are measured at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs

The cost of replacing part of an item of tangible asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of tangible assets are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss using the reducing balance method. Annual depreciation rates are as follows:

Office Equipment	20%
IT equipment	25%
Vehicles	20%

l) Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss using the reducing balance method. The annual amortization rate is 25%.

8. Cash and cash equivalents

Cash and cash equivalents comprise current accounts held in resident Banks and detailed as follows:

	December 31,2019	December 31,2018
Cash at banks	39,459,434	42,247,116
Deposits maturing within three months	480,000,000	330,000,000
Total	**519,459,434**	**372,247,116**

The deposits as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Placement date	5 December 2019	4 December 2018
Maturity date	6 January 2020	4 January 2019
Interest rate	0.1%	0.1%

9. Receivable from the Funds

Receivables from the Funds are related to management fees for December for each of the Funds under management and to penalties applied for early withdrawals from the Voluntary Pension Fund. Receivables are composed as follows:

	31 December 2019	31 December 2018
Raiffeisen Prestige	44,654,747	51,026,163
Raiffeisen Invest Euro	12,392,013	13,499,385
Raiffeisen Vizion	11,792,367	5,749,293
Raiffeisen Voluntary Pension Fund	948,497	786,714
Penalties for early withdrawals from the Voluntary Pension Fund	2,033,082	1,619,496
	71,820,706	**72,681,051**

10. Investment securities at amortised cost

	31 December 2019	31 December 2018
Nominal value	21,000,000	5,000,000
Accrued interest	248,420	102,500
Unamortized Premium/discount	59,575	-
	21,307,995	**5,102,500**

Investment securities represent Albanian Government Bonds denominated in Lek, with a maturity of 7 years and coupon rates of 7.38% and 2 years and coupon rates of 1.92%. Coupon is paid semiannually.

	Nominal value	Unamortized premium/discount	Accrued interest	Net book value
Government Bonds	21,000,000	59,575	248,420	21,307,995
At 31 December 2019	**21,000,000**	**59,575**	**248,420**	**21,307,995**

	Nominal value	Unamortized premium/discount	Accrued interest	Net book value
Government Bonds	5,000,000		102,500	5,102,500
At 31 December 2018	**5,000,000**		**102,500**	**5,102,500**

Movements in nominal value of financial assets held to maturity are presented below:

	31 December 2019	31 December 2018
At 1 January	5,000,000	20,000,000
Purchases during the year	16,000,000	
Matured during the year		(15,000,000)
	21,000,000	**5,000,000**

11. Intangible assets

	Software	Total
Cost		
As at January 1, 2018	**23,001,212**	**23,001,212**
Additions	2,664,719	2,664,719
Disposals	(162,042)	(162,042)
As at December 31, 2018	**25,503,889**	**25,503,889**
Additions	130,159	130,159
Disposals	(126,084)	(126,084)
As at December 31, 2019	**25,507,964**	**25,507,964**
Accumulated depreciation		
As at January 1, 2018	**16,623,583**	**16,623,583**
Charge for the year	1,764,186	1,764,186
Disposals	(162,042)	(162,042)
As at December 31, 2018	**18,225,727**	**18,225,727**
Charge for the year	1,938,660	1,938,660
Disposals	(126,084)	(126,084)
As at December 31, 2019	**20,038,303**	**20,038,303**
Carrying amounts		
As at January 1, 2018	**6,377,629**	**6,377,629**
As at December 31, 2018	**7,278,162**	**7,278,162**
As at December 31, 2019	**5,469,661**	**5,469,661**

12. Tangible assets

	Vehicles	Furniture and Electronic equipment	Right of use Of assets	Total
Cost				
At 1 January 2018	**12,042,093**	**14,035,764**	-	**26,077,857**
Additions	-	1,012,562	-	**1,012,562**
At 31 December 2018	**12,042,093**	**15,048,326**	-	**27,090,419**
Additions	-	191,848	**3,954,408**	**4,146,256**
Disposal	-	(126,857)	-	**-126,857**
At 31 December 2019	**12,042,093**	**15,113,317**	**3,954,408**	**31,109,818**
Accumulated depreciation				
At 1 January 2018	**5,309,968**	**8,771,631**	-	**14,081,599**
Charge for the year	1,346,304	1,315,278	-	**2,661,582**
At 31 December 2018	**6,656,272**	**10,086,909**	-	**16,743,181**
Charge for the year	1,077,048	1,237,406	-	**2,314,454**
At 31 December 2019	**7,733,320**	**11,324,315**	-	**19,057,635**
Carrying amounts				
At 1 January 2018	**6,732,125**	**5,264,133**	-	**11,996,258**
At 31 December 2018	**5,385,821**	**4,961,417**	-	**10,347,238**
At 31 December 2019	**4,308,773**	**3,789,002**	**3,954,408**	**12,052,183**

As at 31 December 2019 and 2018 there are tangible assets used as collateral for long-term or short-term loans

12. Other liabilities

	31 December 2019	31 December 2018
Due to Custodian Bank	4,789,357	4,835,004
Due to Supervisory Financial Authority	2,718,564	2,808,860
Audit accrued expenses	2,051,962	851,832
Due to state-social insurance	494,525	433,768
Due to state-personal income tax	418,737	405,357
Suppliers	1,990	2,296,120
Accumulated bonus	4,864,508	3,649,324
Other	7,309,252	1,027,180
Total	**22,648,896**	**16,307,446**

13. Share capital

At 31 December 2019 and 2018, the registered share capital is Lek 90,000,000 divided into 12,857 shares with a nominal value of Lek 7,000.08. The Shareholder of the Company is Raiffeisen Bank sh.a and ultimate Shareholder is Raiffeisen Bank International AG.

14. General reserve

Based on Law No. 9901, dated 14 April 2008 "On Entrepreunership and Commercial Companies" and in the Company's Statute, the Company maintains a legal reserve and transfers each year 5% of the net profit realized in the previous financial year until the legal reserves amounts 10% of the Company's share capital. Due to the fact that the legal reserve has already reached 10% of the share capital, during 2019, the general reserve has remained unchanged.
The use of legal reserve is at the discretion of the shareholders

15. Funds administration income

	2019	2018
Raiffeisen Prestige	563,349,835	652,147,500
Raiffeisen Invest Euro	149,224,217	187,967,804
Raiffeisen Vision	122,868,885	15,623,853
Raiffeisen Voluntary Pension Fund	10,317,717	8,453,618
	845,760,654	**864,192,775**

Funds management income is calculated daily on the basis of Net Assets Value for each of the Funds based on defined percentage rates and detailed respectively as follows:

- Prestige Fund - 1.25% (annually) of net assets value;
- Vizion Fund - 1.25% (annually) of net assets value;
- Pension Fund – 1.5% (annually) of net assets value;
- Euro Investment Fund – 1.5% (annually) of net assets value.

The management income is calculated on a daily basis.

16. Interest income calculated using the effective interest method

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

	2019	2018
Government bonds	620.733	1,309,500
Current accounts	434,685	256,164
	1,055,418	**1,565,664**

17. Personnel expenses

	2019	2018
Salaries and Bonuses	42,277,165	39,268,687
Social insurance	3,352,863	3,060,741
Other personnel costs	1,478,207	1,445,713
	47,108,235	**43,775,141**

18. General and administrative expenses

	2019	2018
Other fees for investment funds management	306,987,750	314,971,550
Marketing&Sponsorship	105,082,918	110,563,835
Custodian Bank Expenses	57,271,739	58,211,763
Fee paid to Financial Supervisory Authority	30,243,119	25,773,724
Sales fee	14,716,200	15,255,300
Commissions	11,215,656	13,958,476
Maintenance service	8,699,714	9,641,159
Rent expenses	3,962,826	4,134,289
Taxes	1,768,811	2,502,383
Other staff expenses	399,410	340,083
Travel and per diems	514,313	487,289
Telephone and internet	286,794	245,062
Insurance	133,190	207,609
Notary and legal expenses	15,378	8,600
Other	6,655,436	6,288,900
Total	**547,953,253**	**562,590,019**

Other fees for investment funds management are related to the cooperation agreement between Raiffeisen Invest sh.a and Raiffeisen Bank sh.a, dated January 3, 2013 according to which Raiffeisen Invest sh.a aims to offer its investment funds 'investors a package of banking services provided by Raiffeisen Bank sh.a and to cover all costs of the services included in the package, through monthly payments. For the year 2019, the price of the services included in the package is 950 ALL/per investor (2018: 950 ALL/investor)

Fee paid to Financial Supervisory Authority is based on Regulation no.18/1, dated 15 February 2010 (revised on October 6, 2011) of the Board of Financial Supervisory Authority pension companies and investment fund companies should pay an annual fee of 0.05% of the value of assets at the end of the month for investment funds and 0.05% of the assets value at the end of the quarter for pension funds) (2018: 0.05% of the value of assets at the end of the month for investment funds and 0.05% of the assets value at the end of the quarter for pension funds).

19. Income tax

The Company determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2019, Albanian corporate tax rate on profit is equal to 15% (2018: 15%) of taxable income. The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense:

	Effective tax rate	December 31,2019	Effective tax rate	December 31,2018
Profit before taxes		248,904,752		255,583,409
Income tax at applicable rate	15.0%	*37,335,713*	15%	*38,337,511*
Non deductible expenses	24.8%	*61,643,747*	24.90%	*63,674,824*
Income tax expense	**39.8%**	**8,979,460**	**39.9%**	**102,012,335**

Included in the tax effect of non deductible expenses there is an amount of Lek 46,048,163 (2018: Lek 47,245,733) which relates to expenses for services provided by RBAL.

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

20. Financial instruments - Fair values and risk management

The effect of initially applying IFRS 9 on the financial instruments is described in Note 5. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

a) Measurement of fair values

The Company has not disclosed the fair values for financial assets and financial liabilities not measured at fair value, because their carrying amount is a reasonable approximation of fair value.

Cash and cash equivalents

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

Financial assets at amortized cost

Financial assets at amortised cost include government bonds of Albanian Government. The fair value for these investments has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. Fair value approximates amortized cost due to floating interest and short term maturity.

b) Financial risk management

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Administration has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring Company's risk management policies. The Company's risk management policies are established to identify and analyses 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 Company, through management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes, the Company considers these elements of credit risk exposure (such as individual default risk and sector risk).

The Company's Board of Administration has delegated the responsibility for the management of credit risk to the Management, which is responsible for the oversight of the Company's credit risk. The Company's investments are in treasury bills and bonds of the Government of Albania and therefore the Company 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 2019	31 December 2018
Cash and cash equivalents	516,459,434	372,247,116
Receivable from funds	71,820,706	72,681,051
Financial assets measured at amortized cost	21,307,995	5,102,500
	609,588,136	**450,030,667**

21. Financial instruments - Fair values and risk management (continued)

b) Financial risk management (continued)

(i) Credit risk (continued)

Exposure to credit risk:

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

	31 December 2019	31 December 2018
Domestic	609,588,136	450,030,667
	609,588,136	**450,030,667**

Credit quality of financial assets is as follows:

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 POCI	2019 Total	2018 Total
Albanian Government B+	21,307,995	-	-	-	21,307,995	5,102,500
Cash and cash equivalents, unrated	516,459,434	-	-	-	516,459,434	372,247,116
Loss allowance	-	-	-	-	-	-
Carrying amount	**537,767,429**	-	-	-	**537,767,429**	**377,349,616**

Investment securities

The credit risk of the portfolio of investment securities is assessed based on historical data and assessment of the ability of the Albanian Government to meet its contractual cash flows obligations in domestic currency in the near term.

The Albanian Government is rated as B+, stable, based on the credit rating of Standard & Poor's and B1, stable, based on the credit rating of Moody`s.

Cash and cash equivalents

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

Receivable from the Funds

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast increase in average gross salaries for Albania (2.01%).

The following table provides information about the aging, exposure to credit risk and ECLs as at 31 December 2019 and 2018:

31 December 19 **In Lek**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Not pas due	0%	71,820,706	-	No
		71,820,706	-	
31 December 18				
Not pas due	0%	72,681,051	-	No
		72,681,051	-	

21. Financial instruments - Fair values and risk management (continued)

b) Financial risk management (continued)

(i) Credit risk (continued)

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 7(g)(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 Company 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 Company's historical experience and credit risk specialists assessment and including forward-looking information.
The Company 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 Company.

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

- the counterparty is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company.

In assessing whether a counterparty is in default, the Company 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 Company; 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 7(g)(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.

21. Financial instruments - Fair values and risk management (continued)

b) Financial risk management (continued)

(i) Credit risk (continued)

Measurement of ECL

Receivable from the Funds

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics.

Cash and cash equivalents

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

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 Company 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 Company 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 Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance.

21. Financial instruments - Fair values and risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and severe conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following table shows the discounted cash flows on the Company's financial assets and liabilities on the basis of their earliest possible contractual maturity or expected cash flow, as the effect of discounting is considered not material.

31 December 2019	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Assets						
Cash and cash equivalents	519,459,434	-	-	-	-	**519,459,434**
Receivable from funds	71,820,706	-	-	-	-	**71,820,706**
Investment securities	-	-	-	-	21,307,995	**21,307,995**
Total	**591,280,140**	**-**	**-**	**-**	**21,307,995**	**612,588,136**
Liabilities						
Other liabilities	22,648,896	-	-	-	-	**22,648,896**
Total	**22,648,896**	**-**	**-**	**-**	**-**	**22,648,896**
Liquidity risk	**568,631,244**	**-**	**-**	**-**	**21,307,995**	**589,939,240**
Cumulative	**568,631,244**	**568,631,244**	**568,631,244**	**568,631,244**	**589,939,240**	

31 December 2018	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Assets						
Cash and cash equivalents	372,247,116	-	-	-	-	**372,247,116**
Receivable from funds	72,681,051	-	-	-	-	**72,681,051**
Investment securities	-	-	-	-	5,102,500	**5,102,500**
Total	**444,928,167**	**-**	**-**	**-**	**5,102,500**	**450,030,667**
Liabilities						
Other liabilities	7,982,956	-	-		-	**7,982,956**
Total	**7,982,956**	**-**	**-**	**-**	**-**	**7,982,956**
Liquidity risk	**436,945,211**	**-**	**-**	**-**	**5,102,500**	**442,047,711**
Cumulative	**436,945,211**	**436,945,211**	**436,945,211**	**436,945,211**	**442,047,711**	

21. Financial instruments - Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company'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 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.

Interest bearing financial assets as of 31 December 2019 and 31 December 2018 is presented below:

	2019	2018
Fixed-rate financial assets		
Investment securities	21,307,995	5,102,500
Deposit	480,000,000	330,000,000
Total	**501,307,995**	**335,102,500**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change of 100 basis points in interest rates wouldn't have increased or decreased equity.

Exposure to foreign exchange risk

The Company is not significantly exposed to currency risk as the transactions in foreign currencies are not frequent. Currency risk is managed through using assets/liabilities matching. Almost all financial assets and liabilities of the Company as of 31 December 2019 and 2018 were denominated in domestic currency. The applicable official Company rates (Lek to the foreign currency unit) for the principal currencies as at 31 December 2019 and 2018 were as below:

	31 December 2019		**31 December 2018**	
	Period end	*Average*	*Period end*	*Average*
United States dollar (USD)	108.64	109.87	107.82	108.01
European Union currency unit (EUR)	121.77	123.00	123.42	127.58

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior excluding reputation and strategic risk.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses through control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Administration. This responsibility is supported by the development of overall Company's standards for the management of operational risk in the following areas:

- appropriate segregation of duties, including the independent authorization of transactions
- reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- periodic assessment of operational risks faced, adequacy of controls and related procedures
- reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

22. Contingencies and commitments

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimations and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these financial statements.

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

	2019	2018
Less than one year	3,954,408	1,001,998
Between one and five years	-	-
More than five years	-	-
	3,954,408	**1,001,998**

23. Related parties

The Company has a related party relationship with the parent company Raiffeisen Bank sh.a. As of and for the year ending 31 December 2019 and 2018 the Company has entered the following transactions and balances with related parties:

Towards Raiffeisen Bank sh.a.

	31 December 2019	31 December 2018
Statement of financial position		
Cash and cash equivalents (Note 8)	516,459,434	367,296,162
Total	**516,459,434**	**367,296,162**
Statement of Profit or Loss and other comprehensive income		
Income		
Expenses from transactions	141,979	133,132
Total	**141,979**	**133,132**
Expenses (Note 19)		
Other fees for investment funds management	306,987,750	314,971,550
Sales fee	14,716,200	15,255,300
Total	**321,703,950**	**330,226,850**
Dividends distributed and paid		190,670,626

- **Towards Funds**

	31 December 2019	31 December 2018
Statement of financial position		
Receivables from the Funds (Note 9)	71,820,706	72,681,051
Total	**71,820,706**	**72,681,051**
Statement of Profit or Loss and other comprehensive income		
Income		
Funds administration income	845,760,654	864,192,775
Total	**845,760,654**	**864,192,775**
Key managements compensation	14,822,884	17,963,166
Total	**14,822,884**	**17,963,166**

24. Events after the reporting period

On March 24, 2020, by Decision of the Council of Ministers no. 243, the state of natural disaster was declared in Albania, as a result of the spread of the COVID19 virus and its classification as pandemic by World Health Organization on March 12, 2020. In the framework of special administrative measures during the duration of the pandemic period, approved by normative act no. 8 of 24 March 2020, all activities that were not classified "vital" were suspended. Following the resistance tests performed by the Company, in order to assess the possible effects on the Funds and consequently to the Company, there were no effects identified that would require adjustment or disclosure in the financial statements prepared as at and for the year ended December 31, 2019.

There are no other subsequent events after the reporting date that may require either adjustment or disclosure in the financial statements