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

Financial Statements
as at and for the year ended 31 December 2022

(With independent auditor's report thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Raiffeisen Invest Sha, Management company of the pension fund and collective investments undertakings

Opinion

We have audited the financial statements of Raiffeisen Invest sh.a., Management company of the pension fund and collective investments undertakings (hereafter "the Company"), which comprise the statement of financial position as at December 31, 2022, 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 December 31, 2022, 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 audit opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, prepared by management in accordance with Articles 17 and 19 of Law 25/2018 dated May 10, 2018 "On accounting and financial statements", amended, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 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.

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

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

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

Deloitte Audit Albania shpk

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NUIS: L41709002H

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Identification number (NUIS): L41709002H

Enida Cara
Engagement Partner
Statutory Auditor

March 24, 2023
Tirana, Albania

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	**8**	548,539,972	580,507,569
Receivable from the Funds	**9**	43,978,033	74,929,471
Financial assets measured at amortised cost	**10**	22,226,722	22,226,722
Prepayments		1,445,550	637,570
Tangible assets	**11**	33,098,161	37,209,472
Intangible assets	**12**	10,463,569	10,656,658
Prepayments tax	**19**	5,370,080	-
TOTAL ASSETS		**665,122,087**	**726,167,462**
LIABILITIES			
Income tax payable		-	6,853,446
Other liabilities	**13**	32,167,799	27,648,051
Lease obligation	**14**	24,243,199	27,224,272
TOTAL LIABILITIES		**56,410,998**	**61,725,769**
EQUITY			
Share capital	**15**	90,000,000	90,000,000
General reserve	**15**	9,000,000	9,000,000
Retained earnings		509,711,090	565,441,693
TOTAL EQUITY		**608,711,090**	**664,441,693**
TOTAL EQUITY AND LIABILITIES		**665,122,087**	**726,167,462**

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 March 20, 2023.

General Administrator	**Deputy General Administrator**
Edlira KONINI	Alketa EMINI

Raiffeisen INVEST Drejtoria e Përgjithshme Tiranë, Shqipëri

	Note	31 December 2022	31 December 2021
Incomes			
Funds administration income	**15**	745,181,931	878,701,850
Interest income calculated using the effective interest method	**16**	2,496,973	1,069,162
Fee from withdrawals	**9**	2,051,898	1,612,930
Other income		5,341,637	34,000
		755,072,438	**881,417,943**
Expenses			
Personnel expenses	**17**	(54,542,630)	(49,812,084)
Depreciation and amortization	**11,12**	(8,484,530)	(5,879,274)
Other operating expenses	**18**	(527,769,004)	(590,051,496)
		(590,796,164)	**(645,742,853)**
Loss from foreign exchange		(319,617)	(222,336)
		(319,617)	**(222,336)**
Profit before tax		**163,956,657**	**235,452,754**
Income tax expense	**19**	(97,687,261)	(104,852,410)
Profit after tax		**66,269,397**	**130,600,344**
Other comprehensive income		-	-
Total comprehensive income for the year		**66,269,397**	**130,600,344**

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 2021	**90,000,000**	**9,000,000**	**656,386,349**	**755,386,349**
Profit for the year	-	-	130,600,344	**130,600,344**
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**130,600,344**	**130,600,344**
Divident payment	-	-	(221,545,000)	**(221,545,000)**
As at December 31,2021	**90,000,000**	**9,000,000**	**696,042,036**	**664,441,693**
Profit for the year	-	-	66,269,397	**67,406,974**
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**66,269,397**	**67,406,974**
Divident payment	-	-	(122,000,000)	**(122,000,000)**
As at December 31,2022	**90,000,000**	**9,000,000**	**509,711,089**	**608,711,089**

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

	Note	2022	2021
Cash flows from operating activities			
Profit after tax		**66,269,397**	**130,600,344**
Adjustments for:			
Depreciation and amortisation	**11,12**	8,484,530	5,879,274
Interest income		(2,496,973)	(1,069,162)
Income tax		97,687,261	104,852,410
Income expenses	**14**	353,055	185,228
		170,297,270	**240,448,094**
Changes in:			
Receivables from the Funds	**9**	31,271,534	121,625
Other assets		(807,980)	1,135,598
Other liabilities	**13**	4,519,748	6,233,220
Cash generated from operating activities		**205,280,571**	**247,938,537**
Interest received		1,823,822	989,944
Income tax paid	**19**	(109,910,787)	(95,933,412)
Net cash generated from operating activities		**97,193,606**	**152,995,069**
Cash flows (used in)/from investing activities			
Acquisition of tangible assets	**11**	(1,055,956)	(4,233,424)
Acquisition of intangible assets	**12**	(3,124,174)	(8,295,734)
Proceeds from matured financial assets measured at amortised cost	**10**	**-**	16,000,000
Net cash (used in)/from investing activities		**(4,180,130)**	**3,470,842**
Cash flows from financing activities			
Dividend paid		(122,000,000)	(221,545,000)
Lease liabilities payments		(2,981,073)	(1,513,019)
Net cash used in financing activities		**(124,981,073)**	**(223,058,019)**
Net decrease in cash and cash equivalents during the period		**(31,967,597)**	**(88,592,108)**
Cash and cash equivalents at 1 January	**8**	**580,507,569**	**669,099,677**
Cash and cash equivalents at the end of the year (Note 8)	**8**	**548,539,972**	**580,507,569**

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 Str. Dish Daija, Complex Kika 2,Floor 2, 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.
- "Raiffeisen Mix" - investment fund which was approved by the Albanian Financial Supervisory Authority on 23 October 2020.

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

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

Administrators:

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

2. Basis of accounting

(a) 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 the year ended 31 December 2022 are approved by the Company's Management at March 20st 2023.

(c) Going concern

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

The company continues to maintain a satisfactory level of liquidity as a result of the increase in the net asset value of Raiffeisen Pension and Raiffeisen Vizion funds. According to the evidence of resistance, it is estimated that the funds can cope with the deteriorating scenarios, complying with regulatory requirements for liquidations within the legal deadline.

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation have impacted the European economies and globally. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus.
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.

Based on the above and the results of the resistance 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 approval of these financial statements. Consequently, Management deems that the principle of continuity 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

5. Use of estimates and judgements (continued)

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 2022 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. Application of new and revised internation financial reporting standards (IFRS)

a) Standards and Interpretations effective in the current period

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 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 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
- 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 IFRS 9 "Financial Instruments"The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

b) New standards and interpretation issued not yet effective

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

- 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 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

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

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

- 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

Management provides that all relevant pronouncements will be approved for the first period beginning on or after the effective date of publication.

7. Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Foreign currency differences arising on translation are recognized in profit or loss.

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 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.

b) Revenue

Administration income represents asset management fees and is considered as revenue from services rendered to Pensions/Investment Funds under administration.

The Company acts as a principal when providing the asset management services.

Fees for asset management services are calculated based on a fixed percentage of the value of net assets managed (see Note 15 for details). So this consideration is variable.

The nature of each of the Company's revenue streams result in a single performance obligation being the asset management. Therefore, the Company has not made any significant judgements when allocating the transaction price to the performance obligation.

Management fees are recognised over time as the service is provided. Namely, the revenue is recognized on a daily basis as a defined percentage (daily rate) of the net assets value for each of the administered funds as of a particular date. Proceeds are usually payable within 30 days by charging the relevant Investment / Pension fund accounts. As revenue is recognized for the sum of daily calculations, no revenue adjustments are needed at the end of the period.

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). Revenue from such penalties is recognised when a withdrawal takes place as only then uncertainty associated with this variable consideration is resolved. This revenue is presented as a separate line in the statement of profit or loss and other comprehensive income under "Fee from withdrawals".

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.

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.

d) Operating expenses

The operating expenses are recognized when incurred.

e) Leasing

(i) The Company as a lessee

The Company makes the use of leasing arrangements principally for the provision of the office space.

The rental contracts for offices are typically negotiated for terms of 1 and 10 years. The Company does not enter into sale and leaseback arrangements. The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services. The Company has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component.

7. Significant accounting policies (continued)

e) Leasing

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease.

The incremental borrowing rate is the estimated rate that the Company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Right of use assets are presented with Tangible assets in the statement of financial position (please refer note 11)
Lease liabilities are presented in a separate line in the statement of financial position.

f) 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.

(iii) 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.

7. Significant accounting policies (continued)

f) Employee benefits (continued)

(iv) *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 Company 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.

g) 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.

h) Financial instruments

(i) Recognition and initial measurement

The Company initially recognizes 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 assets are 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.

7. Significant accounting policies (continued)

h) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Business model assessment

The Company has made an assessment of the business model taking into consideration the following:

— The objective of keeping the financial assets is earning contractual interest revenue;
— There are no sales transactions for this portfolio, assets in this portfolio are kept until maturity.

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.

The financial assets that the company holds do not contain any clauses that would cause it to fail an SPPI Test.

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) 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.

(iv) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire.

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

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.

i) Investments at amortized cost

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

7. Significant accounting policies (continued)

j) 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.

k) Tangible assets

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%

Depreciation for a given year is calculated applying the relevant depreciation rate to the opening balance of the relevant asset on the given financial year. If any asset is added to the category during the financial year, depreciation is calculated for the remaining months of the year.

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%.

Amortization for a given year is calculated applying the amortization to the opening balance of the intangible asset on the given financial year. If any asset is added to this category during the financial year, amortization is calculated for the remaining months of the year.

8. Cash and cash equivalents

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

	31 December 2022	31 December 2021
Cash at banks	27,866,821	30,468,391
Deposits maturimg within three months	520,673,151	550,039,178
Total	**548,539,972**	**580,507,569**

The deposits as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Placement date	05 December 2022	06 December 2021
Maturity date	05 January 2023	06 January 2022
Interest rate	1.75%	0.10%

Deposits and current accounts are held at Raiffiasen Bank Albania sha (the parent company). The company does not calculate ECL for deposits due to the fact that they have a maturity of up to one month and the effect of ECL is immaterial.

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 2022	31 December 2021
Raiffeisen Prestige	26,287,454	45,643,331
Raiffeisen Vizion	9,455,032	16,793,764
Raiffeisen Invest Euro	4,374,087	9,012,354
Penalties for early withdrawals from the Voluntary Pension Fund	2,051,898	1,612,930
Raiffeisen Voluntary Pension Fund	1,535,407	1,290,861
Raiffeisen Invest Miks	274,155	576,231
	43,978,033	**74,929,471**

10. Financial assets measured at amortised cost

Financial assets measured at amortised cost as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Nominal value	22,000,000	22,000,000
Accrued interest	226,722	226,722
	22,226,722	**22,226,722**

Investment securities represent Albanian Government Bonds denominated in Lek, with a maturity of 2 years and coupon rates of 2.65%. Coupon is paid semiannually.

	Nominal value	Unamortized premium/discount	Accrued interest	Net book value
Government Bonds	22,000,000	-	226,722	22,226,722
At 31 December 2022	**22,000,000**	**-**	**226,722**	**22,226,722**

	Nominal value	Unamortized premium/discount	Accrued interest	Net book value
Government Bonds	22,000,000	-	226.722	22,226,722
At 31 December 2021	**22,000,000**	**-**	**226,722**	**22,226,722**

Movements in nominal value of financial assets held at amortized costs are presented below:

	31 December 2022	31 December 2021
At 1 January	22,000,000	16,000,000
Purchases during the year	-	22,000,000
Matured during the year	-	(16,000,000)
	22,000,000	**22,000,000**

11. Tangible assets

Tangible assets as at 31 December 2022 and 2021 are as follows:

	Vehicles	Furniture and Electronic equipment	Right of use of assets (Building)	Total
Cost				
As at January 1, 2021	**12,042,093**	**16,997,786**		**29,039,879**
Additions	-	4,233,424	28,552,062	**32,785,486**
As at December 31, 2021	**12,042,093**	**21,231,210**	**28,552,062**	**61,825,365**
Additions		1,055,956	-	**1,055,956**
As at December 31, 2022	**12,042,093**	**22,287,166**	**28,552,062**	**62,881,321**
Accumulated depreciation				
As at January 1, 2021	**8,594,956**	**12,372,863**		**20,967,819**
Charge for the year	689,308	1,531,163	1,427,603	**3,648,074**
As at December 31, 2021	**9,284,264**	**13,904,026**	**1,427,603**	**24,615,893**
Charge for the year	551,448	1,760,713	2,855,106	**5,167,267**
As at December 31, 2022	**9,835,712**	**15,664,739**	**4,282,709**	**29,783,160**
Carrying amounts				
As at January 1, 2021	**3,447,137**	**4,624,923**	**-**	**8,072,060**
As at December 31, 2021	**2,757,829**	**7,327,184**	**27,124,459**	**37,209,472**
As at December 31, 2022	**2,206,381**	**6,622,427**	**24,269,353**	**33,098,161**

As at 31 December 2022 and 2021 there are no property, plant and equipment set as collateral for long-term or short-term loans.

12. Intangible assets

Intangible assets as at 31 December 2022 and 2021 are as follows:

	Software	Total
Cost		
As at January 1, 2021	**25,668,407**	**25,668,407**
Additions	8,295,734	8,295,734
As at December 31, 2021	**33,964,141**	**33,964,141**
Additions	3,124,175	3,124,175
Disposals	(135,692)	(135,692)
As at December 31, 2022	**36,952,624**	**36,952,624**
Accumulated depreciation		
As at January 1, 2021	**21,076,284**	**21,076,284**
Charge for the year	2,231,200	2,231,200
As at December 31, 2021	**23,307,484**	**23,307,484**
Charge for the year	3,317,263	3,317,263
Disposals	(135,692)	(135,692)
As at December 31, 2022	**26,489,055**	**26,489,055**
Carrying amounts		
As at January 1, 2021	**4,592,123**	**4,592,123**
As at December 31, 2021	**10,656,657**	**10,656,657**
As at December 31, 2022	**10,463,569**	**10,463,569**

13. Other liabilities

Other liabilities as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Liabilities for sponsorships	18,103,785	17,227,893
Suppliers	6,136,264	714,899
Accumulated bonus for employees	4,940,805	5,072,143
Due to state-social insurance	576,148	570,000
Due to state-personal income tax	562,037	519,411
Due to Supervisory Financial Authority	151,118	130,477
Due to Custodian Bank	66,461	55,904
Audit accrued expenses	-	2,824,046
Liabilities to RBAL (package fee)	-	96,900
Other	1,631,180	436,377
Total	**32,167,798**	**27,648,050**

Liabilities for sponsorships represent contracts signed for various sponsorship activities, in the framework of the company's commitment to social responsibility, which were signed during 2022 but still unpaid until 31 December. The Company pays liabilities for sponsorships based on documents for works performed. At the end of year 2022 several companies were unable to present justifying documents

14. Lease liabilities

Lease liabilities as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
As at 1 January	**-**	
Additions	27,224,272	28,552,062
Interest expense	353,055	185,228
Lease payments	(2,951,284)	(1,105,160)
Translation effect	(382,844)	(407,858)
As at 31 December	**24,243,199**	**27,224,272**
Current	2,892,366	2,892,366
Non-current	21,350,833	24,331,906
Total	**24,243,199**	**27,224,272**

The following are the amounts disclosed in profit and loss:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Depreciation expense of right of use	2,855,106	1,427,603
Interest expense lease liability	353,055	185,228
Rent expense short term leases (note 19)	-	2,330,850
Total recognized in profit and loss	**3,208,161**	**3,943,681**

The Company had total cash outflows for leases of LEK 2,951,284 in 2022 (LEK 3,688,429 in 2021)

Future lease payments

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

	31 December 2022	31 December 2021
Less than one year	2,855,204	2,892,366
Between one and five years	11,420,815	11,450,309
More than five years	9,967,180	12,881,597
	24,243,199	**27,224,272**

15. Share capital

At 31 December 2022 and 2021, 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.

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 2021, the legal reserve has remained unchanged. The use of legal reserve is at the discretion of the shareholders.

The company manages the capital structure and, as a result of changes in economic conditions introduces changes to it. In order to maintain or correct the capital structure, the Company may change the payment of dividends to shareholders or return capital to shareholders. During the Year ended 31 December 2022 and the year ended 31 December 2021, no changes were made to the objectives, rules and processes in force in this area.

The main objective of managing the Company's capital (defined as equity due to shareholders) is to maintain safe capital ratios that would support the Company's operating activities and increase value for its shareholders, while maintaining the capital requirements imposed by law.

The Company must meet the capital requirements in accordance with the Regulation no. 132 "on Form Calculation and minimum amount of Own Funds mandatory for Funds Administration Companies" of September 30, 2020. As of 31 December 2022, the minimum required equity should amount to ALL 17,635,445 ALL and this requirement was met by the Company, because Share Capital amounted to ALL 90,000,000 (excluding Net Profit For year 2021 and Retained earnings).
As of 31 December 2021, the minimum required equity capital should amount to 30,635,990 ALL and this requirement was met by the Company, as Share Capital amounted to ALL 90,000,000 (excluding Net Profit For year 2021 and Retained earnings).

When making decisions on the distribution of profit, performs the following activities decisive for shaping the dividend policy:
• monitors compliance with statutory capital requirements,
• estimates additional capital needs in the perspective of twelve months from the moment of • approval of the financial statements so that the payment of dividends by the Company does not affect the fulfillment of capital requirements in the following months.

16. Fund's administration income

Fund's administration income for the year ended 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Raiffeisen Prestige	467,700,681	548,247,166
Raiffeisen Vision	178,647,423	186,496,979
Raiffeisen Invest Euro	76,752,116	125,466,573
Raiffeisen Voluntary Pension Fund	16,896,137	14,256,349
Raiffeisen Miks	5,185,574	4,234,783
	745,181,931	**878,701,850**

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

- Prestige Fund - 1.15% (annually) of net assets value ;
- Vizion Fund - 1.15% (annually) of net assets value ;
- Pension Fund – 1.5% (annually) of net assets value;
- Euro Investment Fund – 1.30% (annually) of net assets value;
- Miks Investment Fund – 1.30% (annually) of net assets value.

The management income is calculated on a daily basis.

The Comnpany has not disclosed information about the allocation of the transaction price to remaining performance obligations in contracts because an estimate of the transaction price would include only estimated variable consideration that is constrained.

17. Interest income calculated using the effective interest method

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

	31 December 2022	31 December 2021
Government bonds	583,000	568,726
Current accounts	1,913,973	500,436
	2,496,973	**1,069,162**

18. Personnel expenses

Personnel expenses for the year ended 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Salaries and Bonuses	49,040,775	44,605,456
Social insurance	4,039,569	3,787,521
Other personnel costs	1,462,286	1,419,107
	54,542,630	**49,812,084**

19. Other operating expenses

Other operating expenses for the year ended 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Other fees for investment funds management	380,165,300	373,293,950
Marketing&Sponsorship	99,931,921	88,239,173
Sales fee	14,225,900	14,682,800
Maintenance service	11,976,215	13,038,256
Commisions	5,899,734	10,639,360
Rent expenses	2,914,799	3,946,743
Custodian Bank Expenses	732,363	39,933,444
Fee paid to Financial Supervisory Authority	502,723	30,638,185
Mail and Postage	412,765	-
Travel and per diems	214,015	241,810
Insurance	128,803	108,390
Telephone and internet	68,820	138,486
Notary and legal expenses	40,600	87,900
Other staff expenses	35,448	910,701
Taxes	-	2,330,850
Other	10,519,598	11,663,398
Total	**527,769,004**	**589,893,446**

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 2022, the price of the services included in the package is 950 ALL/per investor (2021: 950 ALL/investor)

Sales fees related to the cooperation agreement between Raiffeisen Invest sh.a. and Raiffeisen Bank sh.a., dated January 25, 2012, (last amendment December 2019) according to which Raiffeisen Invest sha, agrees to pay to tha annual sales fee to the Raiffeisen Bank by virtue of its efforts and success in selling RIAL investment funds. For the year 2022, the price of the services is 120.000 Eur (2021 - 120.000 Eur)

The Fee paid to the 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 funds and investment funds should pay an annual fee of 0.05% of the value of assets at the end of each day. (2021: 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).

Until November 25, 2021, the fee to the Financial Supervisory Authority as well as the fee to the Custodian Bank, was paid by the Management Company of the Investment Funds. After November 25, 2021, based on the provisions of the Law No. 56/2020 "On Collective Investment Undertakings", dated April 30, 2020, which entered into force on June 20, 2020, these fees are paid by the individual Investment Funds themselves. Due to this change, there is a noticeable decrease in the amount of fee paid by the Management company to the Financial Supervisory Authority and the Custodian Bank, as it now only represents the fees paid for the Pension Fund under management.

20. Income tax

The Company determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2022, Albanian corporate tax rate on profit is equal to 15% (2021: 15%) of taxable income. The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense

	2022	2021
Current income taxes	97,687,261	104,852,410
Deferred taxes	-	-
Total	**97,687,261**	**104,852,410**

The following reconciliation shows the relationship between profitbefore tax and the effective tax burden:

	2022	2021
Profit before tax	**163,956,657**	**235,452,754**
Theoretical income tax expense using the domestic tax rate of 15%	24,593,499	35,317,913
Tax effect of:		
Tax-exempt income		
Non-deductible expenses	73,093,762	69,534,497
Utilization of tax losses carried forward from prior years		
Effective tax burden	**97,687,261**	**104,852,410**
Tax rate in per cent	**59.58%**	**44.53%**

Included in the tax effect of non-deductible expenses there is an amount of Lek 57,024,795 (2021: Lek 55,994,093) which relates to expenses for services provided by RBAL.

21. Financial instruments - Fair values and risk management

a) Measurement of fair values

The Company classifies the financial assets and financial liabilities are classified as amortized cost.

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 of this asset should it have been classified as Held for Trade results to be 22,176,990 ALL.

The fair value for this investment has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to 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 2022	**31 December 2021**
Cash and cash equivalents	548,539,972	580,507,569
Financial assets held to maturity	22,226,722	22,226,722
Total	**570,766,694**	**602,734,291**

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 2022	31 December 2021
Domestic	570,766,722	602,734,291
	614,677,569	**677,663,762**

Credit quality of financial assets is as follows:

			2022			2021
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Albanian Government B+	22,226,722	-	-	-	22,226,722	22,226,722
Cash and cash equivalent, unrated	548,539,972	-	-	-	548,539,972	580,507,569
Loss allowance	(40,711)	-	-	-	(40,711)	(40,711)
Carrying amount	**570,725,983**	**-**	**-**	**-**	**570,725,983**	**602,693,580**

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.

The following table provides information about the aging, exposure to credit risk and ECLs as at 31 December 2022 and 2021:

31 Decemebr 2022 **In Lek**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Not pas due	0%	43,978,033	-	No
		43,978,033	**-**	
31 Decemebr 2021				
Not pas due	0%	74,929,471	-	No
		74,929,471	**-**	

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

b) Financial risk management (continued)

(i) Credit risk (continued)

Exposure to credit risk:

Loss rates for this kind of receivales for the last 10 years have been zero. These receivables have a maturity of less than one week. Due to the above, the company does not calculate loss allowance for receivables from funds

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

All the receivables portfolio of the company consists in receivables from funds under management. Such receivables have a maturity of up to one week. Historical data from the past 12 years show no delays in payments. Due to the above, the company does not calculate ECL for this item.

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. Due to the very short maturity of instruments, up to one month, and the fact that all the balance is placed with our shareholding company, no loss allowance has been recognized for year 2021.

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.

As at 31 December 2022 and 31 December 2021, the Company had no impaired financial assets.

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

(i) 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 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 2022	**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	548,472,814	-	-	-	-	**548,472,814**
Receivable from funds	43,978,033	-	-	-	-	**43,978,033**
Investment securities	-	22,226,722	-	-	-	**22,226,722**
Total	**592,450,847**	**22,226,722**	**-**	**-**	**-**	**614,677,569**
Liabilities						
Other liabilities	31,185,426	-	-	-	-	**31,185,426**
Lease liabilities	237,678	475,357	713,035	1,426,071	21,391,058	**24,243,199**
Total	**31,423,104**	**475,357**	**713,035**	**1,426,071**	**21,391,058**	**55,428,625**
Surplus of cash inflows	**561,027,743**	**21,751,365**	**(713,035)**	**(1,426,071)**	**(21,391,058)**	**559,248,944**
Cumulative	**561,027,743**	**582,779,108**	**582,066,073**	**580,640,002**	**559,248,944**	**-**

31 December 2021	**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	580,507,569	-	-	-	-	**580,507,569**
Receivable from funds	74,929,471	-	-	-	-	**74,929,471**
Investment securities	-	-	-	-	22,226,722	**22,226,722**
Total	**655,437,040**	**-**	**-**	**-**	**22,226,722**	**677,663,762**
Liabilities						
Other liabilities	27,648,051	-	-	-	-	**27,648,051**
Lease liabilities	250,215	500,429	750,644	1,501,289	25,209,632	**28,212,209**
Total	**27,898,266**	**500,429**	**750,644**	**1,501,289**	**25,209,632**	**55,860,260**
Surplus of cash inflows	**627,538,774**	**(500,429)**	**(750,644)**	**(1,501,289)**	**(2,982,910)**	**621,803,502**
Cumulative	**627,538,774**	**627,038,345**	**626,287,701**	**624,786,412**	**621,803,502**	**-**

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 2022 and 31 December 2021 is presented below:

	31 December 2022	31 December 2021
Cash at banks	27,866,821	30,468,391
Deposits maturimg within three months	520,673,151	550,039,178
Total	**548,539,972**	**580,507,569**

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 2022 and 2021 were denominated in domestic currency. The applicable official Company rates (Lek to the foreign currency unit) for the principal currencies as at 31 December 2022 and 2021 were as below:

	31 December 2022		31 December 2021	
	Period end	*Average*	*Period end*	*Average*
United States dollar (USD)	107.05	113,15	106.54	103.52
European Union currency unit (EUR)	114.23	118,92	120.76	122.46

(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. 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 2022 and 2021 the Company has entered the following transactions and balances with related parties:

<u>Towards Raiffeisen Bank sh.a.</u>

	31 December 2022	31 December 2021
Statement of financial position		
Cash and cash equivalents (Note 8)	548,539,972	580,507,569
Total	**548,539,972**	**580,507,569**
Statement of Profit or Loss and other comprehensive income		
Expenses		
Expenses from transactions	121,910	155,540
Total	**121,910**	**155,540**
Expenses (Note 19)		
Other fees for investment funds management	380,165,300	373,293,950
Sales fee	14,225,900	14,682,800
Total	**394,391,200**	**387,976,750**
Dividends distributed and paid	122,000,000	221,545,000

- **<u>Towards Funds</u>**

	31 December 2022	31 December 2021
Statement of financial position		
Receivables from the Funds (Note 9)	43,978,033	74,929,471
Total	**43,978,033**	**74,929,471**
Statement of Profit or Loss and other comprehensive income		
Income		
Funds administration income	745,181,931	878,701,850
Fee from withdrawl	2,051,898	1,612,930
Total	**747,233,829**	**880,314,780**

Key management personnel

	31 December 2022	31 December 2021
Key managements compensation		
Expenses		
Short-term benefits	18,241,993	15,898,934
Post-employment benefits	753,487	743,552
Total	**18,995,480**	**16,642,486**

23. Events after the reporting period

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