Raiffeisen Bank Albania

Annual Report 2014

Contents

The members of Raiffeisen Bank Sh.a Management Board (from left to right):

Christian Canacaris
Chief Executive Officer

John McNaughton
Board Member Retail

Raphaela Bischof-Rothauer
Board Member Operations & IT

Alexander Zsolnai
Vice-chairman of the Management Board

Report of the Supervisory Board

Ladies and Gentlemen,

At the beginning of 2014, Raiffeisen Bank International carried out a capital increase with gross proceeds of € 2.78 billion. RZB participated in the capital increase, in addition to numerous institutional and private investors, and remained the majority shareholder of RBI. The capital increase enabled RBI to fully repay the participation capital held by the Republic of Austria and private investors and significantly improve its common equity tier 1 ratio (on a Basel III fully-loaded basis). The rest of the year was mainly impacted by the geopolitical and financial situation in Ukraine and Russia, which led to higher loan loss provisions, as did defaults of individual large customers in Asia. Significant one-off charges were also booked during the year, the largest item thereof being goodwill impairments. Further one-off effects included the write-down of deferred tax assets and costs resulting from legislation changes in Hungary. These factors contributed to the € 493 million consolidated loss incurred in 2014, which was the first negative result in RBI's history. Apart from the costs caused by the Hungarian legislation, these one-offs had no impact on fully-loaded tier 1 common equity, and without them RBI would have reported a significantly positive net profit.

In February 2015, RBI resolved to take a number of steps to increase its capital buffer. The measures are intended to facilitate an improvement in the common equity tier 1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps include the sale or rescaling of units as well as reductions in total risk-weighted assets (RWA) in select markets, in particular in those which generate low returns, have high capital consumption or are of limited strategic fit. The implementation of these measures will result in an aggregate gross RWA reduction of approximately € 16 billion by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). This reduction is expected to be partially offset by growth in other business areas.

As far as Raiffeisen Bank Sh.a is concerned, I am glad to state that we had a successful financial year despite the general difficulties in the economic environment. We posted profit after tax of € 36 million (plus 9 per cent), while we kept the cost income ratio (CIR) below 38 per cent (compared to 39.4 per cent in 2013), a much appreciated achievement under these circumstances. At the same time the Asset Management Company had a very good year and exceeded the forecast with profit after tax € 455 million.

I would like to take this opportunity to thank all employees of Raiffeisen Bank Albania for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,

Helmut Breit
Chairman of the Supervisory Board

Message from the CEO

We are pleased to announce that Raiffeisen Bank Sh.a has successfully closed the financial year 2014. I am particularly proud of this because we faced a lot of challenges in the year under review.

However, we met our objectives with the contribution of all business segments and further consolidated our strong position. Now we are ready for 2015. More than 700,000 customers nationwide, who we provide with a broad range of saving, loan and payment products, have great confidence in us.

Despite the challenging economic environment in Albania, the county's total banking assets grew by 4.8 per cent year on year-on-year, and Raiffeisen Bank remained number one in the loan market, representing a 20 per cent of market share. Responding to the difficult conditions, we improved our processes and services, made our bank even more efficient and decreased our cost income ratio (CIR) to 38 per cent.

Throughout the year, we continued to focus on improving and expanding the range of services and products we provide to our customers. Together with internet banking and mobile banking, M-pay allows our customers to access their accounts and order transactions 24 hours a day, seven days a week, wherever they are.

Furthermore, Raiffeisen Leasing continued to be the favorite choice for companies and individuals who wanted to finance machinery, equipment, freight vehicles and cars. The company continues to rank first in the Albanian leasing market.

Additionally, Raiffeisen Invest is the only licensed company in the Albanian market that provides marketing of investment funds, while also offering companies and individuals private pension funding products.

In 2015, some challenges still lie ahead of us, and we will have to work hard to achieve our objectives. However, our employees are well-trained, focused and decisive for Raiffeisen Bank to remain the number one in the domestic banking sector.

Finally, on behalf of the Management Board, I would like to sincerely thank all our employees, customers and business partners for their cooperation and support during 2014 and I am looking forward to another successful year 2015.

Christian Canacaris

Chief Executive Officer
Chairman of the Management Board

Mission

We raise banking standards and make a difference to our customers' lives by providing competitive products and top quality service.

We seek long-term customer relationships.

As a member of Raiffeisen Bank International, we cooperate closely with RBI and the other members of the Group.

We achieve sustainable and above-average return on equity.

We empower our employees to be entrepreneurial and to show initiative, and we foster their development.

Perspectives and Plans for 2015

After the challenges of 2014, Raiffeisen Bank plans to continue its development and offer more to the country's economy. Competition will remain high in 2015. We will respond by continuing to focus on close and cooperative customer relationships, and by continuing our investments in products, services and new technology.

In 2014, Raiffeisen Bank in Albania remained the bank of first choice for more then 700,000 customers all over the country. The quality of customer service in all our segments will continue to be a priority. Training and development of employees, improving efficiency, simplified processes and a better access through more convenient distribution channels will help to achieve this goal. We intend to maintain the position of the bank with the country's highest lending portfolio, placing particular emphasis on the enhancement of the quality of our loan portfolios.

Concerning the corporate business segment, we will continue to focus not just on loans, but also on providing a wide range of banking services to both businesses and their employees. The expansion of electronic banking services will remain a priority. We also plan to bring other new products and services to the market. Electronic and mobile banking ensure maximum flexibility and convenience to perform banking transactions anywhere and at any time for corporates and retail clients alike. At the same time, the branch network will continue to improve by the establishment of new standards as well as the relocation of some branches to larger and more suitable places.

We went through this difficult year having the best employees in the Albanian banking market. We work and win challenges as a team. Therefore we would like to thank all our employees for the hard work and their efforts. We will keep this pace and master the new challenges of 2015 as well.

Finally, we would like to sincerely thank all our customers and business partners for their cooperation and support during 2014. We remain fully committed to meeting your banking requirements and providing high quality service at every meeting point that you may have with us. We will do our best to remain your first choice as a banking partner.

Christian Canacaris
Chief Executive Officer

Alexander Zsolnai
Vice-chairman of the Management Board

Raphaela Bischof-Rothauer
Board Member Operations & IT

John McNaughton
Board Member Retail

10th anniversary celebrations

An unforgettable night full of joy and surprises together with our valuable partners, customers and friends.

Report of the Management Board

Economic Developments

The economy recovered at modest levels of 1.9 per cent in 2014 according to the GVA – gross value added indicator, sustained from the improved domestic demand due to increased confidence, eased financial conditions and arrears payment of government to private sector. In 2015 economy is foreseen to speed up to around 3 per cent on expectations of continued recovery of domestic demand and higher foreign investments, expansionary monetary policy and a modest recovery of public investment. The implementation of the structural reform like pension and energy will have a positive impact as well.

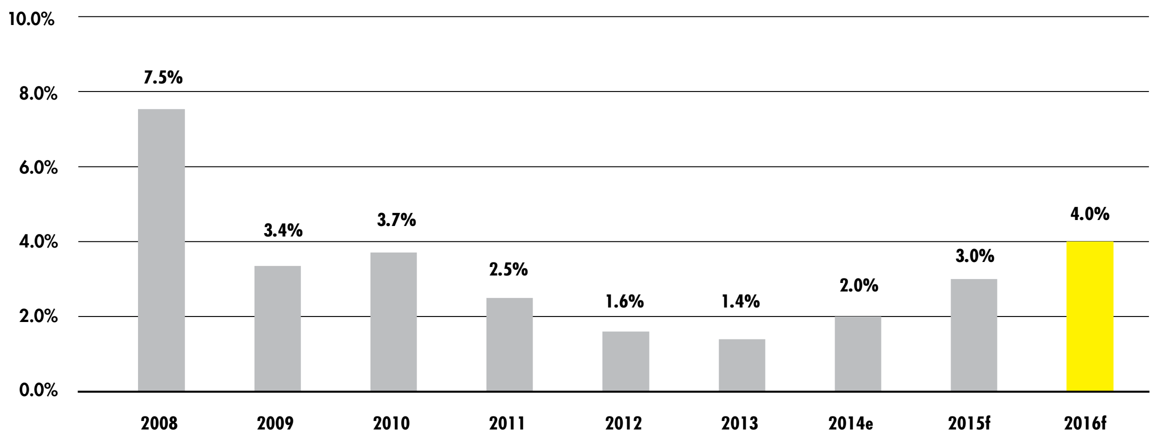
The external position is deteriorated, with a current account deficit of € 1.3 billion by the end of 2014, or 25.7 per cent wider than in previous year. The main factor is deterioration of the trade deficit which reached € 2.14 billion in 2014 compared to € 1.89 billion in 2013 or expended by 12.9 per cent on annual basis, which reflects the better performance of imports and low growth of exports. The inflow remittances grew slightly by 8.8 per cent on yearly basis while foreign investments dropped significantly by 13.2 per cent in 2014.

The public sector has followed a consolidated nature during 2014, managing a better than expected budget deficit ratio at around 5.0 per cent of GDP versus 6.6 per cent of GDP that was forecasted for 2014. The revenues grew by 12.1 per cent year on year in 2014, supported also from the new fiscal package applied. The public debt is expected to have reached the peak in 2014 at 71.0 per cent of the GDP and it is expected to start the decline in 2015 as the reform results have started to kick in. Furthermore the approved budget of 2015 and the new fiscal policy aim to reduce the budget deficit to 4.1 per cent of the GDP by the end of 2015 and the public debt to 65.5 per cent of GDP by the end of 2017. The 3-year loan agreement with International Monetary Fund (IMF) and willing to establish required reforms resulted in improvement of creditors trust. The credit rating Standard & Poor's has upgraded the outlook for Albania from "stable" to "positive" by October 2014. In late November 2015 Albanian Eurobond € 300 million is going to be matured and the government has decided to enter again in the markets favored this time from European Union Candidacy Status and the recently improved Standard & Poor's outlook from Stable to Positive.

The low inflation rate has persisted during whole the year resulting in an average of 1.6 per cent in 2014 after hitting the lowest point of 0.7 per cent in December affected mostly from the supply side. The inflation pressures remain low due to the under potential growth of the economic activity low inflation in trade partner countries and low commodities and oil prices. In a persistent low inflation environment, the eased monetary policy is expected to be continuing in 2015.

During 2014, the lending activity increased by 5.0 per cent recovering thus from the decrease of 2.3 per cent in 2013. The historical low interest rates, a moderate revival of the demand and confidence were the main reasons to drive the lending recovery. By the end of 2014, the level of NPL dropped to 22.8 per cent from 23.5 per cent in 2013 as most of the banks performed write offs. However the non-performing loan level remains the main concern for the lending growth. The commitment of Bank of Albania and Ministry of Finance in collaboration with IMF in order to find a long-term and sustainable solution for non-performing loan eased monetary policy and positive economic growth expectation is expected to expand the lending activity in 2015.

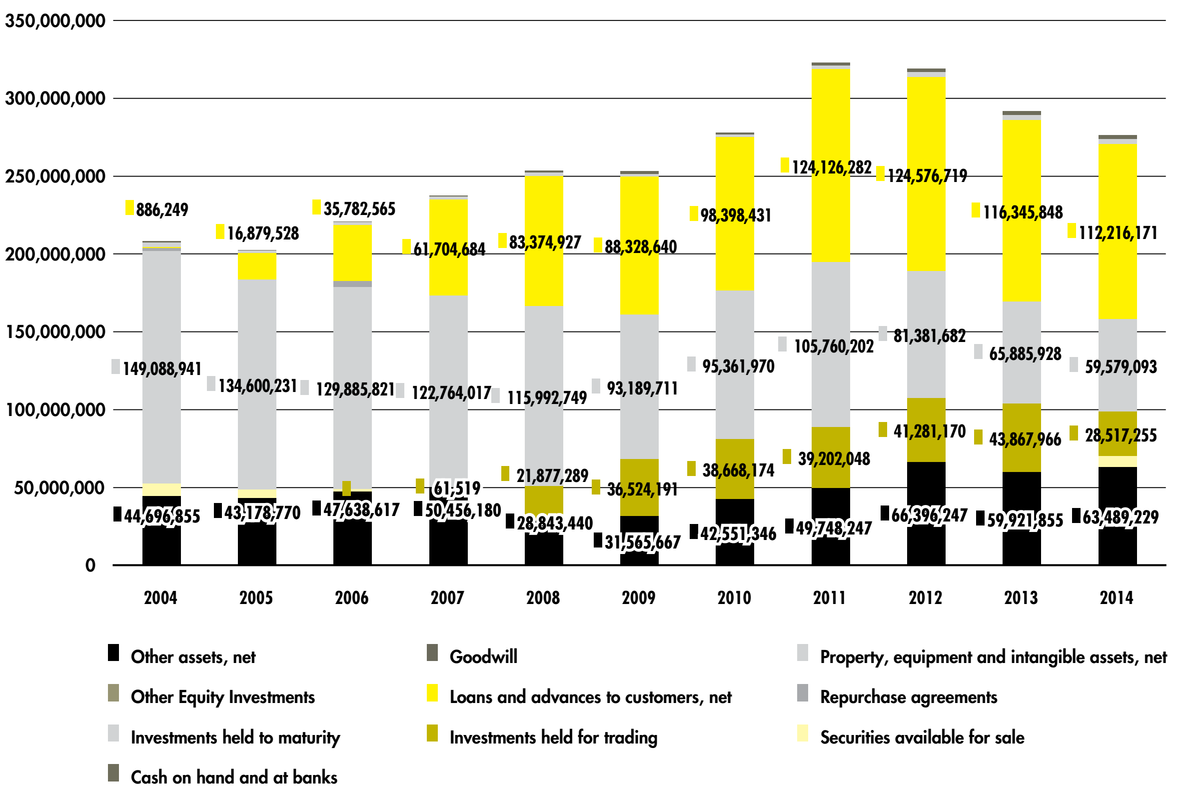
Real GDP Growth



Financial Results

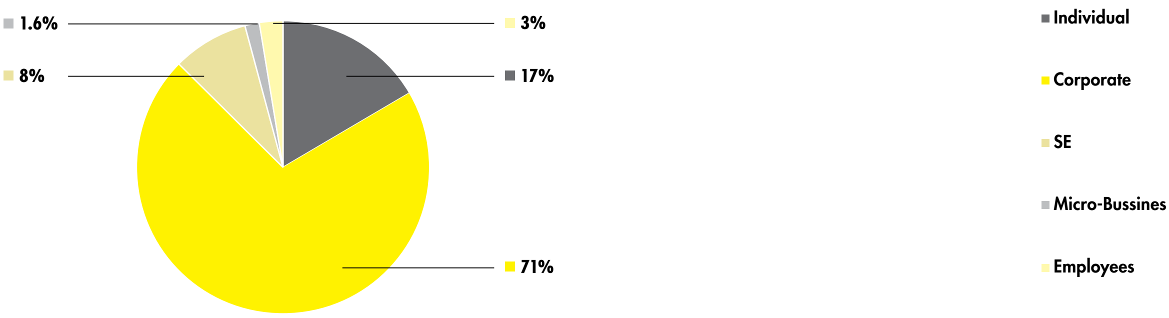
Total assets at the end of 2014 were ALL 276,447 million (2013: ALL 291,796 million). In 2014 the loan book at the end of 2014 represented 41 per cent (2013: 40 per cent) of the Bank's total assets. The investments in securities still have the greatest portion of the Bank's total assets representing nearly 34 per cent of it in 2014 (2013: 38 per cent).

Structure of Balance Sheet Assets
(in '000 LEK)



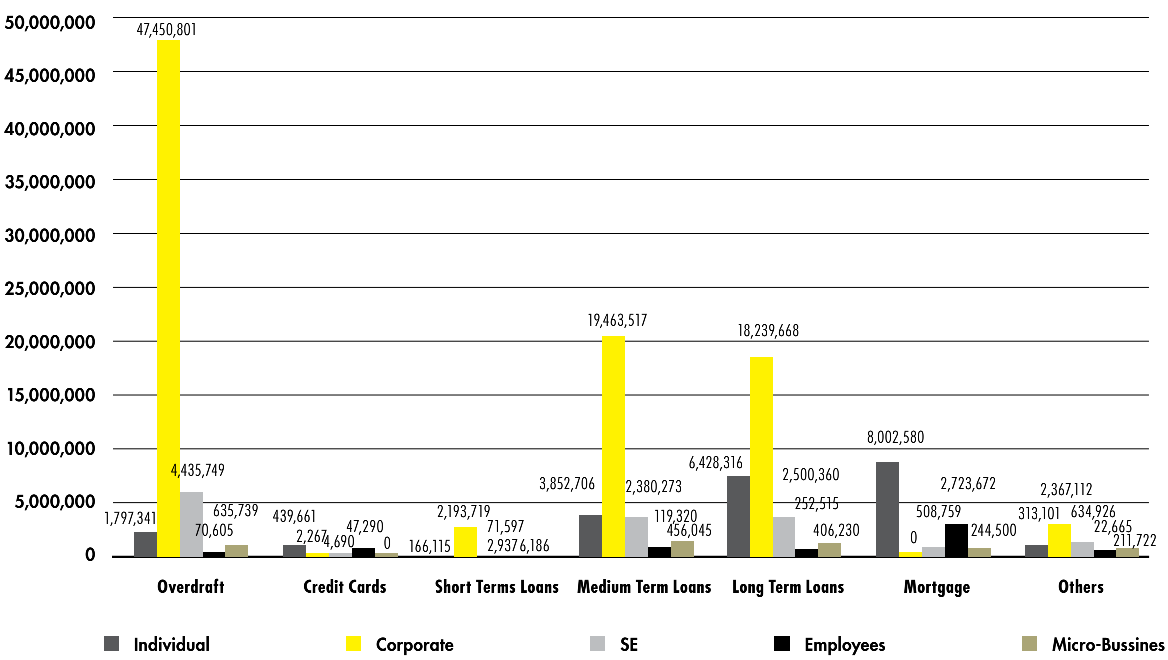
Total gross loans and advances to customers at year end 2014 totaled ALL 126,034 million (2013: ALL 128,452 million) representing a 2 per cent decrease in lending over the year. Corporate Sector in percentage terms is 71 per cent of the loan book and it still represents the highest fraction of the loan portfolio with an outstanding loan book amounting to ALL 89,504 million (2013: ALL 89,534 million). The SE recorded a 17 per cent decrease and Micro Business recorded a 14 per cent decrease in its outstanding loan book amounting to ALL 1,950 million (2013: ALL 2,274 million).

Structure of Loans to Customers

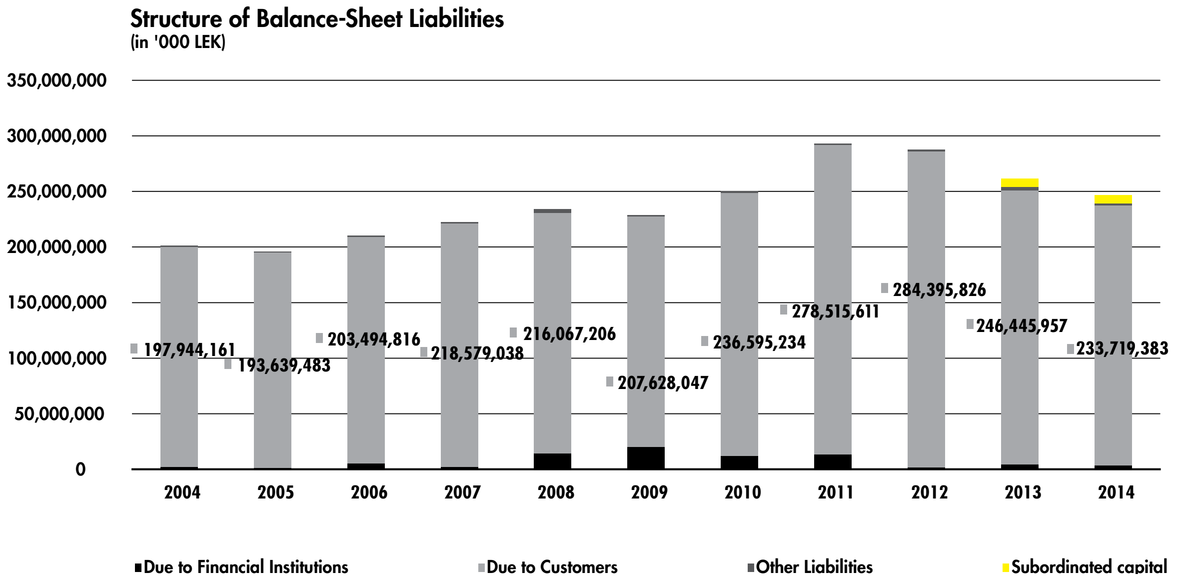


In 2014 the lending product portfolio was mainly a combination of overdrafts of 43 per cent (2013: 43 per cent), medium term loans of 21 per cent (2013: 21 per cent) and long term loans of 22 per cent of the Bank's loan portfolio in 2014 (2013: 22 per cent).

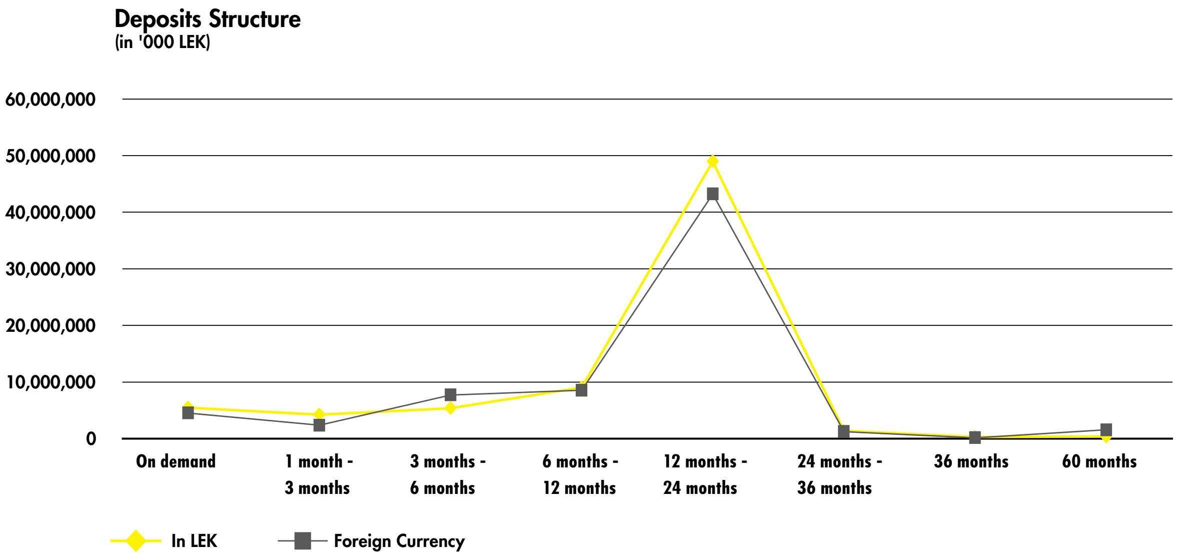
Loans for the year end 2014
(in '000 LEK)



The total liabilities at the end of 2014 were ALL 246,543 million (2013: ALL 261,447 million). In 2014, the greatest proportion of the Bank's liabilities was customer deposits representing nearly 95 per cent (2013: 94 per cent) of the Bank's total liabilities.

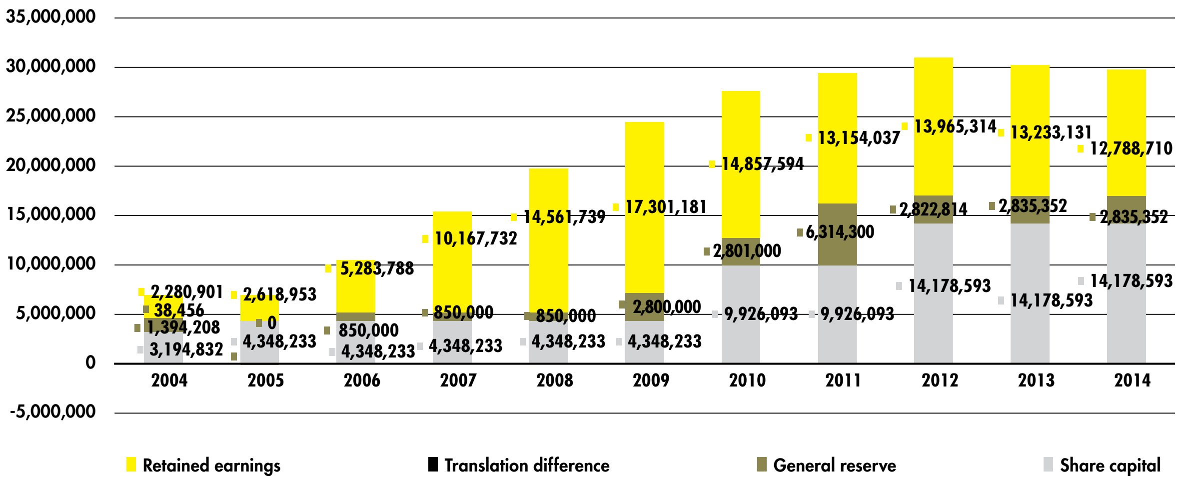


Like in 2013, the profile of customer deposits in 2014 shows a movement away from shorter term deposits. In order to take advantage of higher rates available the customers are extending their deposits in longer maturities. Total term customer deposits at the end of 2014 were ALL 144,448 million (2013: ALL 179,314 million).



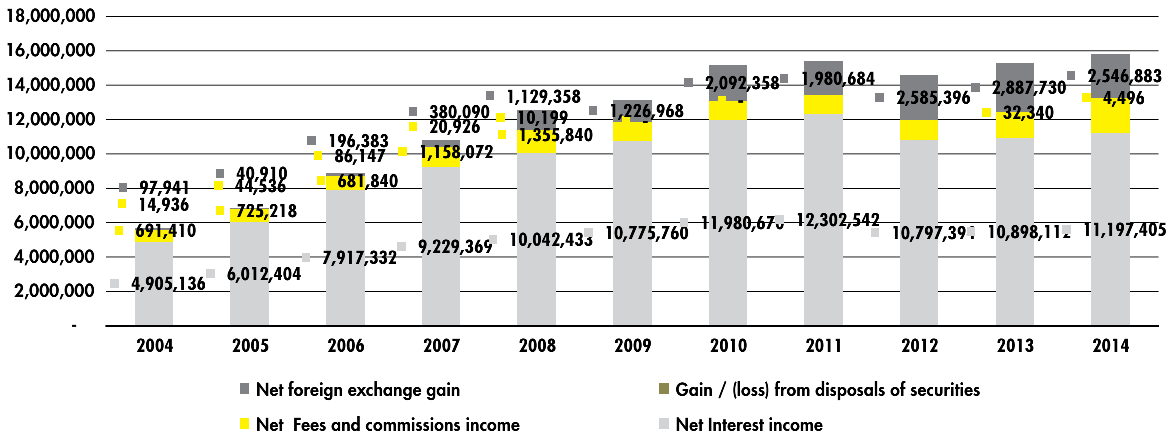
2014 showed a 8 per cent increase in net profit after tax over 2013 to ALL 5,039 million (2013: ALL 4,647 million) changing the Bank's return on equity ratio from 15.85 per cent in 2013 to 17.61 per cent in 2014. Dividend declared and paid in 2014 is ALL 5,484 million (2013: ALL 5,313 million).

Structure of Shareholder's Equity
(in '000 LEK)



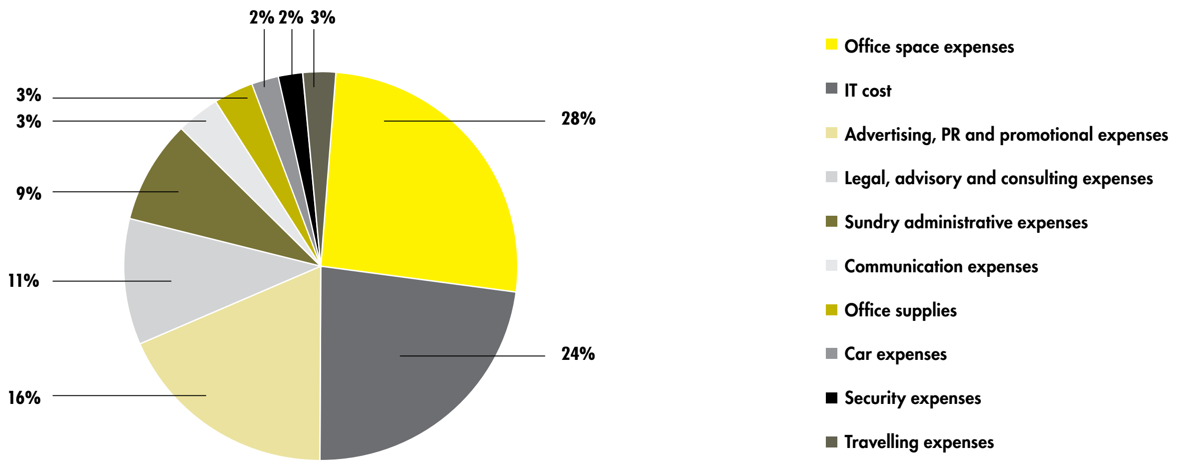
The Bank's Net interest income increased by 3 per cent, or from ALL 10,898 million in 2013 to ALL 11,197 million in 2014. This increase together with the decrease in the Bank's total balance sheet, which came to 5.3 per cent, increase the net interest margin (calculated in relation to average balance sheet – total) by 37 basis points from 3.57 per cent in 2013 to 3.94 per cent in 2014.

Net Income
(in '000 LEK)



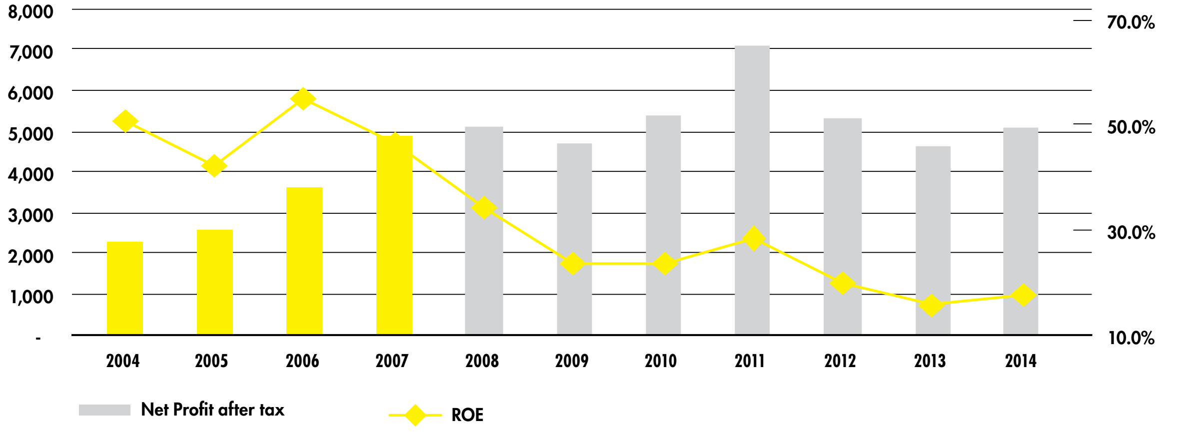
Total general administrative expenses during 2014 were ALL 2,208 million (2013: ALL 2,110 million). The Bank's operating efficiency – the cost/income ratio changed– from 39.48 per cent to 37.8 per cent. The staff expenses decreased by 0.12 per cent or ALL 2,424 million in 2014 to ALL 2,427 million in 2013.

General Administrative Expenses



Profit & ROE

(in '000 ALL)

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Segment Reports

Corporate Segment

The Corporate segment remains the biggest segment vis-à-vis the loan portfolio. Although the difficult economic climate and tough competition in the market, it was managed to keeps the same market share of 23 per cent being the market leader for this segment even during the year 2014. The assets volume kept almost the same level as the end of year 2013 portfolio.

The corporate segment customers' base reached the level of 4,839 in year 2014, recording a 2.7 per cent growth compared to the previous year. The vast range of products, personalized services and products offered to the relationship customers and the new businesses have marked year after year the business growth and relationship consolidation with the segment's customers. The highly trained and dedicated staff offers to the bank's customers the best banking solution and services in the same standard of the Group.

Lending in the targeted and strategic industries for the economic development of the country has been one of corporate segment priorities. Portfolio quality has been in focus and one of the main drivers in corporate segment through careful analysis for mitigating the risk undertaken through: improvement of the security packages; continuous monitoring of the portfolio customers performance; and in time reactions by proposing alternative solutions to those who have faced deviations in their business operations. Such efforts where reflected in the reduction of the risk cost with 13 per cent compared to year 2013.

The main driver of the Corporate Segment during last year was the profitability optimization through the diversification and enhancement of the products utilized by the customers. In December 2014 product usage per customers reached the highest level compared to the previous years.

Despite the decrease in the interest rates, imposed from the market conditions, Corporate Segment managed to increase by approximately 13 per cent the Liabilities volume. A special focus was linked with the structured financing promotion due to the low risk involved followed by the respective high returns, optimizing this way the invested capital.

From the clients' segmentation viewpoint, the Corporate Division serves to:

- Domestic Corporate Clients;
- International Corporate Clients actually operating in the domestic market or showing interest towards it in perspective;
- Public Institutions and Central & Local Government Institutions;
- Financial Non-Banking Institutions.

Public Sector

The Public Institution, Central and Local Government Department in Raiffeisen Bank is in charge to ensure continuity of successful long term relationship, creating a positive and favorable climate with all Public Entities. As the largest bank in the country and the main financial partner of the Albanian Government, Raiffeisen Bank sustains an important role in supporting public projects through specific strategies, products, banking services and also dedicated communication systems in accordance with the specific requirements of this sector.

Small Enterprises segment (SE)

The continuous success of this segment is linked with the highly dedicated and specialized approach to SE customers offering very high standards service and products, by ensuring in this way a long and bonded partnership. Moreover, the synergy among all bank's structures and further improvement and enhancement of the utilization of sales tools have positively contributed in the optimization of the segment performance.

Need to be emphasized that Raiffeisen Bank is actually serving to 3,470 SE customers operating in overall Albania. Raiffeisen Bank has put maximum efforts not only to improve and extend the services and products offered to the existing clients but also to attract new ones so that it can contribute to a healthier customers' basis and respectively to contribute to the common success.

A special focus during 2014 has been given to the quality of the credit portfolio by further improving risk management and collateral quality, by perceiving on time the business difficulties, and generation of the best appropriate solutions for both parties involved. Despite the difficult situation, non performing volumes for the year 2014 are slightly lower compared to the previous year.

Another important focus for Small Enterprises (SE) segment has been the increase of efficiency paying particular attention to the increase of product usage for liability customers and by promoting usage of structured financing with low risk and high returns like Trade Finance instruments (Bank Guaranties, Letter of Credit, etc.) The profitability generated during this year by the usage of such products is 239 per cent higher than the budget.

Product usage ratio reached the highest level ever on December 2014 (2.3 per cent higher than the previous year). The main driver for efficiency improvement has been working in deal team including both SE sales force and Product Managers, with the purpose to offer the most appropriate financial solution to the customer and managing properly the product profitability.

Corporate and SE products Division

Trade Finance and Short Term Financing Products

Trade Finance and Short Term Financing Unit, through a specialized staff, offers to its customers advising services, related to the proper use of the Trade Finance Transactions such as Bank Guarantees, Letters of Credit and Documentary Collections, aiming to reduce the risk of trading relations with relative international and domestic partners. Raiffeisen Bank has a considerable number of correspondent first class banks spread worldwide, which act as partners and help in achieving a successful performance in the Trade Finance transactions.

Raiffeisen Bank supports its customers in performing these transactions in time and with high quality. The bank has the proper technical expertise and plays a significant role in educating customers regarding the advantages of using the Trade Finance Products. The work of Trade Finance and Short Term Financing Unit in cooperation with Sales staff has contributed in keeping again a high level of business volumes in this area during the year 2014.

The Trade Finance and Short Term Financing Unit also support the corporate customers in recognizing and considering the product of Factoring as an alternative method of financing and effectively managing their liquidity needs.

During the year 2014 the bank has continued to preserve its competitive advantage in the trade finance field, in comparison to other local banks and Financial Institutions, by having a high level of expertise, which is continuously improving with the support of RBI Vienna and cooperation with other Network Banks, making use of well-balanced structures and wide distribution channels.

Project Finance

The Project Finance Unit is dedicated to professionally asses the financing of Industrial and Real Estate Projects as well as structured long term transactions like mergers and acquisitions. Raiffeisen Bank is continuously focused to increase cooperation with its clients by understanding their financing needs and offering tailor made products and solutions.

Experience and competences have ranked Raiffeisen as an outstanding partner among international financial institutions, being an active party on cross border and international syndications.

The Unit is committed to cover technical, legal and financial modeling aspects as well as monitor project performance from the very preliminary stage, up to project completion. During 2014, Project Finance Unit has finalized some structured and acquisition transactions while all the ongoing projects have been successfully completed. The main qualities that distinguish the work of this unit and make possible the successful completion of each project are: creativity, competence and market awareness.

Cash Management Products

Year 2014 has been a very challenging year for Cash Management Products. The product team has been focused in offering a full range of banking services including cash and liquidity management, trade services and treasury solutions. One other key point during year 2014 was maintaining and improving existing Cash Management products and services for Small Enterprises, Domestic and International Corporate Customers.

During this year Raiffeisen Bank has continued to be a strategic partner to bank customers and providing tailor made solutions to them, in order to optimize their payment businesses and improved cash flow.
Is worth to be mentioned the following developments:

- "Vehicle Penalty Payment"

This new service offers the possibility of real-time communications between Raiffeisen Bank and the State Policy via electronic messages and automatically releases the citizen from his fines after payment is performed.

- "STP Payments"

All payments initiated via Multicash program are executed in real time, by satisfying one of the main requirements of our customers, related to this service.

Corporate and Small Businesses Development

The main objective of the Corporate and Small Business Development Unit during this year, has been improvement of service quality and process efficiency for all Corporate and Small business clients, through dedicated business staff allocated in bank main branches.

To guarantee a high performance and professionalism in serving our clients, continuous trainings and coaching from this unit have been undertaken.

Moreover "the voice of the customer" is continuously in our focus, keen in hearing and managing every single complains addressed by our customers. We have not only found a solution to our clients but we have also taken necessary measures to improve our services and processes in the future.


Raiffeisen
BANK

Retail Banking

Customer Segment Development

Mass Private Individuals Customers

For the third year, Mass Private Individuals (PI Mass) segment continued its customer-centric approach offering tailored products and services within its Customer Life Cycle Packages (CLC). These packages are designed to support both current and future needs of our customers in order to create not only day-to-day banking facilities but also to build extra confidence with them.

This approach has delivered immediate bottom-line benefits to PI Mass Segment by maintaining our CLC customers committed and growing its base by 18 per cent and boosting by plus € 150,000 our commission income just only in 2014. This year's list includes stability in salary customers base by maintaining the leader position in salary processing and offering rewarding loyalty campaigns. This way the Salary Customers from private sector has maintained the growing trend of 7 per cent during 2014.

Other important initiatives were put in place like solutions to assist the sales force in dealing with salary customers effectively and efficiently in order to better manage our relationship with them. They will all serve as a base for further successes in 2015.

Premium Segment

Raiffeisen Bank Albania continues to offer the only package of banking services geared towards affluent customers. There are 2 levels of Premium Banking:

- Classic, for which clients receive special service from senior branch positions and
- Club, the most exclusive and upscale service channel offered to affluent clients in Albania.

Club Premium customers are served in more private areas of the branch by Premium Relationship Managers. Premium Relationship Managers are located in the bigger cities at 15 main branches and they not only provide highly personalized service, but are trained to offer financial advisory services as well.

In 2014, Premium segment's profit showed steady growth. Interest Revenues were down very slightly while revenues from fees doubled year over year as a result of meeting client needs with a diversified suite of products and services. Premium banking portfolio has € 720 million in Liabilities and € 24 million in Assets.

Customers' loyalty and satisfaction will continue to remain the main focus of the Affluent segment by continuously enhancing the value added services and programs offered exclusively for Premium Customers.

Micro Segment

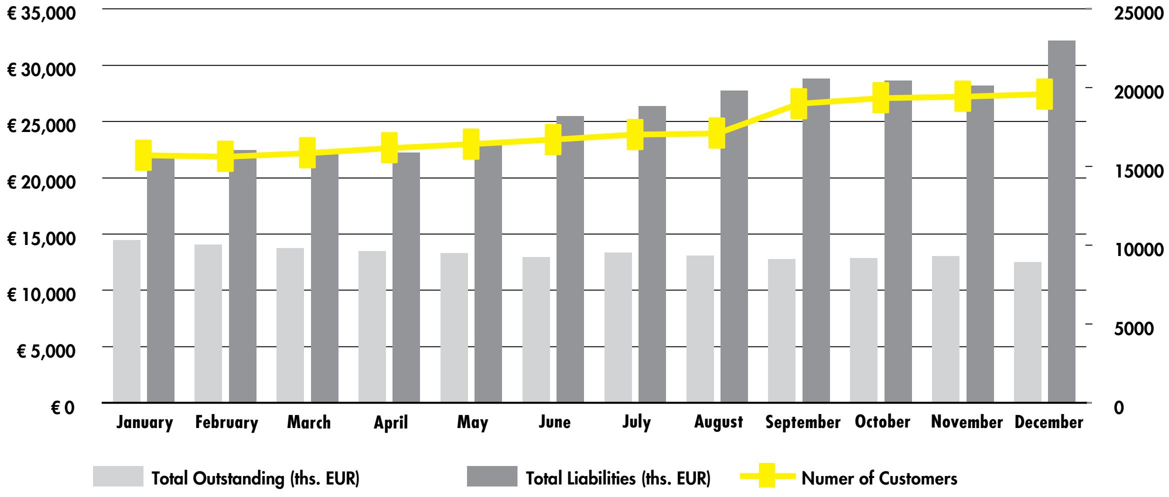
Raiffeisen Bank covers all segments of the market with a full line of services, including the Micro business segment. Micro businesses have suffered a difficult economic environment over the past several years.

The strategy for Micro is to build a much larger base of active customers, and to increase revenues through fees and by increased lending to known quality relationships. Despite the market seeing 30 per cent of businesses go inactive in the past 2 years, Raiffeisen Bank has increased its customer base by 37 per cent during this timeframe. This has been achieved through enhanced value-added account packages and servicing.

The values of Raiffeisen Bank are a combination of competitive products and dedicated support, offering a strong partnership to Micro businesses in their needs for financial support and services. The bank continues to invest in the development of dedicated team of Micro Account Managers located in 23 branches within bigger cities across Albania.

In 2015, the micro business segment will continue to focus on increasing market share by acquiring new active customers, increasing the percentage of primary customers and lending to established and successful businesses to ensure good portfolio quality.

Total Outstanding, Liability Vol. and Number of Clients,
January - December 2014



Product Management Division

Term Deposits and Savings Products

During 2014 retail deposits remained the largest funder of the bank balance sheet. Market Rates hit record lows in 2014 due to excess liquidity in the banking system. Consequently, Term Deposits Rates dropped significantly. Raiffeisen Bank was able to offer clients alternative wealth management options through our subsidiary asset management company, Raiffeisen Invest – the only company offering investment funds to the public.

The vast majority of bank clients continued to place their trust in our bank by keeping their Term Deposits with us despite low interest rates. But a significant portion of our customer base opted for Raiffeisen Invest Funds, where good annualized returns, well above the Term Deposits market rates, were achieved.

Raiffeisen Funds, offered throughout our branch network, also attracted new clients and funds from other sources. The combination of traditional banking savings products and Raiffeisen Invest Funds gave individuals more choice and possibilities to grow their savings.

Loans for Individuals

The results achieved during 2014, considering the orientation of customers towards savings, have reflected a positive trend in the loan products activity. At the same time this year coincides also with the 10^{th} anniversary of Raiffeisen Bank in Albania and as an important event was followed by a series of campaigns for all PI Products Loans enabling a wide range of offers with very competitive interest rates in the market.

On the other hand the economic factors in the banking market, influenced also by Bank of Albania monetary policy, provided a successive reduction of interest rates to encourage lending by commercial banks, thus creating a release necessary to increase lending.

The bank has also initiated a series of initiatives, during this period of time, aiming to further improve the current lending processes. These initiatives are expected to give their positive effects in the future by impacting not only the facilitation of the processes and increase of efficiency but at the same time enabling a positive effect on relationships with bank's customers.

Payments and Transfers

The number of Payments and Transfers made by individual, affluent and micro customers during 2014 increased by 20 per cent compared with previous year, while the commissions generated from these services increased by 11 per cent, reflecting the lower prices to encourage greater use of the banking system for these transactions. Also to be mentioned is that though the amount of money that emigrants are bringing as transfers into Albania has dropped significantly during this year, in Raiffeisen Bank these transactions again marked an increase as the bank continue to improve its market position.

Payments and Transfers still represent significant growth opportunity for Raiffeisen Bank, which will be achieved through continued market development.

Cards and E-Channels Division

Payment Cards

During 2014, Credit Card product continued to grow. The Bank offers the MasterCard brand of credit cards, both in Standard and Gold products. Also there was a significant increase in the transactions' volume performed with these cards, which are becoming more popular, largely driven by successful cash back usage campaigns during different months of the year.

In 2014 Raiffeisen Bank maintained a sustainable Debit Card market share. The number of transactions performed with these cards in ATMs and POS terminals has also increased. During summer a successful promotional campaign was launched by offering gifts to the cardholders with highest number of domestic POS transactions.

Also from 2014 onwards, Raiffeisen Bank in collaboration with "Faleminderit" sh.p.k introduced a Loyalty Program for the debit and credit cardholders. This program offers the opportunity for every Raiffeisen Bank customer who has a Visa Electron Debit Card or MasterCard Credit Card to participate in the Faleminderit program.

POS Network

In 2014 Raiffeisen Bank further developed its POS network all over the country. This service offers to the cardholders the possibility to use their debit and credit cards, Visa, Visa Electron, MasterCard and Maestro brands, to perform purchases at Points of Sale and also Cash Advance transactions at branches. At the end of 2014 Raiffeisen Bank POS Network reached a total of 1,462 terminals. Our POS network is present in more than 30 cities offering this service to more than 60 different merchant categories including hotels, travel agencies, shops, restaurants, petrol stations, hypermarkets and the largest shopping malls in the country.

Internet Acquiring

Raiffeisen Bank was the first Bank that offered E-commerce service in the Albanian market in 2012. During 2014 this service was offered to an increasing number of businesses, discount stores, subscribed TV services, internet services etc. Internet Acquiring offers the businesses the possibility to sell their products and services through the internet. The bank offers this service through 3-D Secure Technology, the most advanced standard of payment security.

ATM Network

During 2014 Raiffeisen Bank led the market with 193 ATM's, considerably more than any other bank in the country. Types of cards accepted are VISA, VISA Electron, PLUS, MasterCard, Maestro and Cirrus with no limitations for any country or bank. EURO dispense service was offered by 36 ATM's all over the country, with a special focus on the touristic areas, shopping malls and populated areas.

In addition to standard functionalities such as balance inquiry, PIN change and mini statement, in 2014 the bank added a new functionality called Dynamic Currency Converter for MasterCard, Maestro, and Cirrus. The target group for DCC was tourists, customers using foreign cards.

Electronic Banking

Raiffeisen Bank continues to lead innovation and transformation of the Albanian market by offering a wide range of electronic channels and making it easier for customers to access banking services.

Internet and SMS banking were first offered in 2010 as a secure and convenient way to access banking accounts online and perform transactions at any time and from anywhere. It allows 24/7 information on account balances and different types of payments.

Launched only one year later, Mobile Banking introduced a totally new way of banking by using mobile phones and enabling customers to check their accounts, deposits, cards, loans, or perform utility payments via their device.

MPAY was introduced in 2013 as a new mobile payment service offering customers the possibility to top up their phone or pay their utility bills at any time, by using their mobile handset; it is a very simple utility payment service that appeals to all individual customers because it doesn't require advanced mobile devices or internet connection.

Electronic channels have shown a notable growth during 2014 in both number of customers and usage; number of customers with access to e-channels reached 65,000.

Call Center

Raiffeisen Bank Call Centre has two main activity streams, handling of inbound queries and providing outbound telemarketing and informing campaigns and various questionnaires

There are eight agents in the incoming team who offer 24/7 service, providing information on bank products and services as per customers' needs. Incoming call team supports the customers' queries assisting them in addition on Cards services and Electronic Banking.

The Outbound team contact on regular basis selected customers through phone calls and SMSs with tailored offers as part of the bank's Customer Relationship Management (CRM) program. 183 campaigns have been performed during 2014 with 240,000 targeted customers in total or 30 per cent higher volumes compared to 2013.

Also Contact Center has a very important role in monitoring activities for Cards Products and Electronic Banking Services by ensuring fraud preventions.

Distribution Channels

2014 was mainly about improving the efficiency of Branch Network and increasing the convenience level for bank customers accessing banking services, either via traditional or electronic channels. Where over market presence was evident or business development opportunities deficient, Raiffeisen Bank merged some branches achieving therefore the required efficiencies. The business hours in some main branches were extended and it invests in new locations situated in most strategic markets. The branch network remains by far the largest in Albania with 88 locations serving most of the country's geography.

For the years to come, the "Customer Experience" will be significantly in focus throughout bank servicing points. A Customer Experience Committee was created in order to make sure that every decision taken across all area of Bank takes in consideration the Customer impact. This approach, going forward, will improve greatly the quality of the financial services delivered to our clients.

Regarding Micro a good quality loan portfolio was maintained while the customer base was increased by over 3,000 accounts. To further improve the business model, it created five Team Leader positions to better manage the work force and increase the specialization level of bank services. The segment continues to generate good profits given the contained risk. The advisory model introduced late in 2013, which was designed to better assess the needs of small businesses and propose adequate financial solutions, continues to show very positive results. Raiffeisen Bank remains committed to support this important engine to the Albanian economy.

The alternative sales channels expanded and continued to actively support the traditional branch network. Direct Sales Agents and Retail Sales Finance Representatives delivered solid results during another year marked by more macro-economic challenges again in 2014. They remain dedicated to complement branch network by identifying, qualifying and pre-selling existing customers and prospects in the key product and service areas of Retail.

In conclusion, despite ongoing market challenges, 2014 was a solid year for Distribution Network. Raiffeisen Bank remains fully committed to diligently addressing customers' needs.

Treasury and Investment Banking

Fixed income

Although different challenges and difficulties were faced during 2014, it still remained a successful year for Raiffeisen Bank. A very accurate and strict regulatory framework of European Union and its institutions have further impacted the risk weighted assets and bank securities investments as well. Anyway the fixed income unit, managed to achieve its targets and goals throughout this year.

Throughout this year, the bank continued to have a well-structured portfolio, composed from securities investments as hold to maturity, held for trading portfolio and At Fair Value. The long term investments in Treasury bonds were up to 79 per cent of our total securities portfolio. End of December 2014, trading and AFV securities portfolio in local currency amounted up to € 246 million. During the past year it enriched the portfolio with corporate and sovereign bonds in Euro, in way to alternate bank investments even with foreign currency issues.

The downward trend of the interest rates in overall, following triple decrease of the base rate impacted short and long term investments making it more challenging for the fixed income unit, but above all this its performance was quite successful during 2014. The decrease of the interest rates in the primary and secondary market positively impacted the portfolio's revaluation result. Fixed Income Unit managed to be very active with banks and financial institutions in the secondary market. The portfolio management and new investments produced a high level of trading book result.

Among bank goals and strategies still remains important to increase and diversify the investment alternatives and opportunities for clients, offering them treasury securities of different maturities. Consequently, it is worth underlining that Raiffeisen Bank is proud because it is the major contributor in the secondary market of treasury bills and bonds by trading them at all branches across the country. During 2014 the volume and transactions number of treasury bonds traded in secondary market was higher comparing to previous year.

Raiffeisen Bank continues to accomplish the role of the custodian of securities issued by the government of Albania, enabling foreign and domestic investors to participate in securities market. Custody service and other new services to be provided in a near future are part of bank efforts and challenges for further development of the financial domestic market.

Money Market

Money market unit as an important part of the Treasury Dealing Room has given its contribution to manage at best the short term liquidity situation. This year`s volumes reached high levels due to increase of interbank investments, both in foreign and local markets by further developing the activity of this unit.

Money Market Unit has played an active role in achieving Risk Weight Assets target for 2014, through the usage of different instruments to keep the Minimum Reserve at the Central Bank. This unit has contributed continuously in keeping at the required level the liquidity ratio according to the Bank of Albania Regulation. The Money Market Portfolio during 2014 was well managed accordingly to its relevant regulations, by distributing under various maturities the excess of liquidity.

Despite unfavorable market conditions during 2014 Money Market Unit has sought to contribute maximally to a successful management of liquidity in terms of declining market interests.

Money Market Unit remains an active part in developing the domestic market quotations contributing daily to publish TRIBID / TRIBOR. These quotations are an important aspect of market development reflecting its activity. This unit is constantly updated prices giving its impact on market development and constantly finding the possibility to financing with short-term liquidity.

Foreign Exchange

The year 2014 was a very successful one for Foreign Exchange Unit, which carefully managed the bank's foreign currency positions and Foreign Exchange risk through analyzing warily the different situations that affected the financial markets and it closed the year with high outcomes.

During this year the critical situation in Ukraine and the weak economic data in Euro zone affected the international market which was characterized by a great fluctuation of exchange rates. In Albanian market the supply–demand for European currency was steady, Euro moved in a very narrow range during this year. On the other hand the US dollar was in its highest in the local market because of the dynamics in the international Markets. It reached the maximum level in the last 11 years 115.23. European economic crises especially in some of our neighbor countries, has been also reflected in Albanian market by reducing significantly the Albanian business financial activities.

Foreign exchange unit gave its maximum support in the local market by maintaining a small spread in the bid / ask and quoting at very competitive prices in the interbank market and with customers.

Volumes of foreign exchange transactions continued to be high, by running at € 200 million per month, where Euro / USD operations comprised the most part.

Treasury Sales

The last year, was a difficult one regarding financial markets. The economic crisis was also reflected in Albanian market, affecting in a negative way the business. Even in the middle of this crisis, Treasury Sales Sector, with ten years of experience now, was able to realize its objectives. And the most important, it stayed close to its clients, fulfilling all their requests and giving the right answers for their needs. Thanks to collaboration with all business channels in Raiffeisen Bank, Treasury Sales, even in 2014, managed to be a leader in Albanian financial market, offering the most competitive prices in Treasury products.

Corporate Social Responsibility

Raiffeisen Bank in Albania remains commited to the Corporate Social Responsibility with the aim to contribute in sustainability and the improvement of the social, health and environmental conditions of the community in Albania.

Raiffeisen Bank in Albania was awarded "Golden Bee 2014" in social responsibility for its contribution in improving the life of the community through the support of different projects with social character as well as those in the education, health and the environment across the country. The Minister of Economic Development, Trade and Entrepreneurship, under the auspices of the Prime Minister of Albania, nominated Raiffeisen Bank among the best businesses in Albania and awarded the Bank with the prestigious "Golden Bee 2014" award for Corporate Social Responsibility.

Another award for Raiffeisen Bank in 2014 was giving the name of Raiffeisen Bank to one of the main streets of Kuçova. This was the decision of this Municipality to award the bank for the good collaboration that the two institutions have had during the last 10 years in different projects supporting the local community.

During 2014 a great focus has been put on the health sector as we think it is a very important sector, which contributes directly in the improvement of community's life. The most important project was the one for providing new standardized uniforms for nurses and supportive staff to Mother Teresa University Hospital. In the context of all measures to increase service ethic towards citizens and for creating a better environment for providing medical services, Raiffeisen Bank joined the initiative of Director of Mother Teresa Center in supporting this project. Other projects in this field were the ones for the hospitals in the cities of Korça, Fier, Tepelen, Lushnje, Librazhd, Lezhë, Fushë-Krujë through buying medical equipment or reconstruction of the premises.

Raiffeisen Bank has continued its contribution for the projects with social impact. An important project has been the reconstruction of the new premises of Albania Down Syndrome Foundation and its Centre of Services for children with Down syndrome and their families. This is the first center of this kind in Albania. In this center there will be offered services and therapies to the individuals with Down syndrome.

Also in this sector, Raiffeisen Bank in collaboration with the Ministry of social welfare has supported the establishing of the two Employment Offices in Tirana and Gjirokastra, has donated the computer lab to the Orphanage of Tirana, has supported "Dance for ALL" activity with children on the occasion of May 20th, Orphans Day, which has become a tradition every year and that contributes in the entertainment and education through sport activities for the children.

The environmental projects have also found the support of Raiffeisen Bank. Important project in this area has been the collaboration with the Municipality of Tirana, through which Raiffeisen Bank has supported the rehabilitation of two green parks in the center of Tirana, sponsored the planting of trees in collaboration with Memaliaj and Konispol Municipalities with the aim to enhance the green areas. Meanwhile, it has continued the support for cleaning the coastal area, actions undertaken voluntarily where the staff of Raiffeisen Bank has also participated.

Raiffeisen Bank is always commited in offering an excellent customer service and for this joined the iniciative of the Ministry of Interior for the rehabilitation of the public meeting areas in the four Police Stations in Tirana. Thus, the citizens will receive an improved service in modern and high standards premises made possible by the contribution of Raiffeisen Bank.

Raiffeisen Bank in Albania besides offering banking services and products, remains always committed to contribute and support projects that help the community and the improvement of its life, as part of its social responsibility.


Raiffeisen
BANK
YEARS
IN ALBANIA
YEARS
IN ALBANIA

Human Resources

With a staff of over 1,400 employees, Raiffeisen Bank is one of the biggest and best employers in Albania, offering a competitive environment in terms of staff compensation, development and motivation.

Recruitment and Selection

During 2014, the process of staff recruitment and selection aimed to provide a selection of qualified, experienced personnel, with professional skills at all levels of service at the bank, in order to support the business needs in all the areas where it operates. The bank has implemented a various types of tests for each new opened position, in order to better evaluate technical and soft skills for internal and external candidates.

The internal candidates, based on their performance, were considered as the main potential for the vacant positions announced in the Bank. In this context, during 2014, 31 internal candidates were selected or promoted as the winning candidates for the vacant positions.

In order to meet the needs for staff in entry-level positions, mainly in the Branch Network, have been recruited 132 new employees, where Internship and DSA program students are the main resource in filling this position.

Internship Program

Raiffeisen Bank has already established its tradition of Internship Program. Its aim is to attract students with very good results, who demonstrate a high degree of motivation, will and interest to work in a financial environment.

The bank is committed to Corporate Social Responsibility and the internship program is an important component of it. We welcome new students from the most reputable universities of the country, so that they can learn in practice the functions of a Bank and help them prepare for the labor market.

DSA Student Program

In 2014, a new initiative, DSA Student Program, was launched in cooperation with many universities in the country. The focus of this program, initiated by Direct & Relationship Sales Department, is to increase business sales of different products in the branches.

The selected students, who serve as Direct Sales Agents, are offered training and coaching by experienced sales teams through this one-year program. At the end of the program, they acquire knowledge of Bank products and processes and are qualified for vacant positions in the Bank.

Training

In addition to its efforts to approach and select the best recruiters in the market, Raiffeisen Bank is also committed to staff development, enhancement of their knowledge and their professional skills. Training and development programs are a strategic investment for achievement of the business objectives.

Raiffeisen Bank offers an Orientation Training Package for all new recruited staff. This training is highly important as it introduces them to the new tasks that they will perform and it facilitates a smooth integration in the workplace. Even during their employment, many opportunities for development and qualifications are offered to them. The Bank provided a wide range of training programs and initiatives of professional development, which were organized through the internal sources of expertise or outsourced experts.

During 2014, the annual training plan reflects the requests of each Department for training sessions that aim at updating or enhancing their technical knowledge or competencies/skills needed to cope with the challenges and to meet the set targets and results. In this context, 4,677 days of classroom training were held and more than 90 per cent of the staff attended at least one training session.

In addition to the classroom training, the bank staff was given the opportunity to attend electronic training on e-learning platform, which serves as a tool for knowledge and information management.

The training menu in this platform has been enriched during 2014 with new modules. In addition to internally developed modules, this platform offers trainings held by RBI Group. The number of enrolments in on-line trainings in 2014 was 2,196 in total. This figure shows the broad interest in this learning method, which offers a lot of flexibility.

The Human Resources Division supports long-term business goals by focusing implementation of Talent Management and Succession Planning policies. The bank is focused in the identification of employees who demonstrate high potential for achievement and constant performance and implements plans for their development, retention and engagement.

Leadership and management education is another focus of Raiffeisen Bank. The Management training programs provided during 2014 aimed to strengthen the competencies and behaviors the bank managers should reflect in order to lead their teams towards continued success.

The rotation programs were another tool provided for the development of Raiffeisen Bank staff. These programs were offered locally and group-wide. The aim of these initiatives is to exchange experience, knowledge and best practices through visits to colleagues in related departments in and outside the Bank.

Raiffeisen Bank Remuneration Policy

In Raiffeisen Bank the remuneration policy is designed by Human Resources and approved by Management Board and Supervisory Board. It is applied to all bank employees and bank's subsidiaries.

The scope of the Remuneration Policy is the fulfillment of international standards for an objective, transparent and fair compensation structure in compliance with current regulatory requirements. The remuneration policy of Raiffeisen Bank is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk. It is in line with the business strategy, objectives, values and long-term interests of the RZB Group and Raiffeisen Bank in Albania and incorporates measures to avoid conflicts of interest.

The Bank on annual basis identifies the functions/employees with material impact on Bank's risk profile. These employees are defined as "Identified Staff" and their selection process is based on the group directive "Capital Requirement Directive".

The categories of Identified Staff are as follows:

1. Material or Fully Affected Identified Staff. This category has a direct material risk impact on Bank's risk profile, because the amount of risk which can be taken individually or collectively can have significant impact on Bank's result and balance sheet. The number of staff who falls under this category is 34 and includes Supervisory Board members, Chief Executive, Board Members, Head of Divisions, Head of Departments and Team Leaders.

2. Less Material or Partially Affected Identified Staff. This category has an influence on Bank's risk profile but not necessarily in a direct way. The number of staff who falls under this category is 29 and includes Head of Divisions, Head of Departments and Team Leaders.

The salary and other employee benefits are defined by the bank, with the aim of establishing satisfactory and competitive levels. The policy followed by the bank in defining the salary system and structure aims to guarantee the achievement of 5 main objectives:

- Reward based on work performance and quality;
- Maintaining the competitive position in the market. The general compensation shall be in the third quarter of the domestic market (between the 50 and 75 per cent), whereas for the managerial positions, it should be in the highest level in the market, between 75 per cent and 100 per cent.
- Motivation of employees through differentiated remuneration (salary) for differentiated responsibility, job positions and professional skills;
- The extra benefits shall be competitive, but not leaders in the market;
- The salary expenses in the total cost of personnel and the bank budget in general, shall be in acceptable parameters.

The salary in Raiffeisen Bank is composed of two components:

· Base Pay (Salary)
· Variable Pay

- **The Structure of Base Salary:**
  - represents the gross income, excluding bonuses and other extra benefits;
  - is administered through salary bands, which are based on the grading structure, level of living standards in the country and market data.

- Variable Pay (Bonus and Incentive Schemes):
  - is closely related to the RBI Group / Bank / individual's performance results;
  - is capped in order to ensure budget management within reasonable parameters, without compromising the principle of rewarding high performance;
  - shall be up to:
- 35 per cent of monthly base salary for Business functions
- 25 per cent of monthly base salary for Business Enabling functions
  - can be paid in Cash, in Kind or in Other Instruments as per the decision of the Supervisory Board;
  - In case of Identified Staff, a special bonus pay-out model is applied if their total variable compensation is over € 30,000 and with full material impact on risk profile.


VIET

Raiffesen Bank Group

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report

31 December 2014

Contents

General Information

Directors and Management as of 31 December 2013 and 31 December 2012

Board of Directors (Supervisory Board)

Helmut Breit	Chairman
Heinz Hodl	Member
Razvan Munteanu	Member
Harald Kreuzmair	Member
Andreas Engels	Member

Audit Committee

Heinz Hödl	Chairman
Johannes Kellner	Member
Susana Mitter	Member

Management Board

Christian Canacaris	Chief Executive Officer
Alexander Zsolnai	Vice-chairman of the Management Board
John McNaughton	Member
Raphaela Bischof-Rothauer	Member

Registered office

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Auditor

PricewaterhouseCoopers Audit sh.p.k
Str. Ibrahim Rugova
Sky Tower, 9/1 floor
Tirana, Albania
Telephone +355 42 242254/280423
Facsimile +355 42 241639

Independent Auditor's Report

To the Shareholder's and Board of Directors of Raiffeisen Bank sh.a.

We have audited the accompanying consolidated financial statements of Raiffeisen Bank sh.a. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and ot her comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Audit sh.p.k

PricewaterhouseCoopers Audit sh.p.k
14 April 2015
Tirana, Albania

Statutory auditor
Enida Cara

PricewaterhouseCoopers Audit sh.p.k., Str. Ibrahim Rugova, SkyTower,
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dhe me NUIS K91915023A

Consolidated Statement of Financial Position as at 31 December 2014
(amounts in LEK'000)

Assets	**Note**	**31 December 2014**	**31 December 2013**
Cash and cash equivalents	**7**	40,638,657	35,394,831
Restricted balances	**8**	22,850,572	24,527,024
Investments held for trading	**9.1**	28,517,255	43,867,966
Held-to-maturity investment securities	**9.2**	59,579,093	65,885,928
Other securities designated at fair value	**9.3**	6,841,526	-
Loans and advances to customers, net	**10**	112,216,171	116,345,848
Current income tax prepayment		118,504	181,178
Deferred income tax asset	**11**	44,629	73,902
Goodwill	**12**	92,783	92,783
Intangible assets	**13**	1,518,912	1,442,261
Premises and equipment	**14**	1,652,506	1,881,596
Other assets	**15**	2,375,913	2,103,238
Total assets		**276,446,521**	**291,796,555**
Liabilities			
Due to financial institutions	**16**	3,555,166	4,610,794
Due to customers	**17**	233,719,383	246,445,957
Other liabilities	**18**	2,118,160	3,235,863
Subordinated debt	**19**	7,149,792	7,154,318
Total liabilities		**246,542,501**	**261,446,932**
Equity			
Share capital	**20**	14,178,593	14,178,593
Retained earnings		12,788,710	13,233,130
Other reserves	**21**	2,835,352	2,835,352
Net assets attributable to the Bank owners		**29,802,655**	**30,247,075**
Non-controlling interest	**22**	**101,365**	**102,548**
Total equity		**29,904,020**	**30,349,623**
Total liabilities and equity		**276,446,521**	**291,796,555**

These consolidated financial statements have been approved by the Supervisory Board of the Bank on 13 March 2015 and signed on its behalf by:

Christian Canacaris
Chief Executive Officer

Alexander Zsolnai
Vice Chairman of Management Board

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 72.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014
(amounts in LEK '000)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	23	12,669,923	15,953,426
Interest expense	24	(1,472,518)	(5,055,314)
Net interest income		**11,197,405**	**10,898,112**
Provision for impairment of loans to customers	10,18	(4,099,839)	(4,082,740)
Net interest income after provision for loan impairment		**7,097,566**	**6,815,372**
Fee and commission income	25	2,415,136	2,106,805
Fee and commission expense	26	(375,012)	(621,856)
Net fee and commission income		**2,040,124**	**1,484,949**
Net income from investments	9.3	4,496	32,340
Net trading income	27	2,546,883	2,887,730
Other operating income	28	762,674	238,768
		3,314,053	**3,158,838**
Deposit insurance premium	29	(745,867)	(855,698)
Personnel expenses	30	(2,423,966)	(2,427,117)
Depreciation and amortisation	13,14	(666,359)	(576,959)
General and administrative expenses	31	(2,208,240)	(2,109,655)
Other operating expense	28	(456,560)	(386,349)
		(6,500,992)	**(6,355,778)**
Profit before income tax		**5,950,751**	**5,103,381**
Income tax	32	(912,189)	(456,659)
Profit for the year		**5,038,562**	**4,646,722**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
- Gains less losses arising during the year		**-**	**(37,785)**
Gains less losses reclassified to profit or loss upon disposal or impairment		**-**	**-**
Other comprehensive income for the year		**-**	**(37,785)**
Total comprehensive income for the YEAR		**5,038,562**	**4,608,937**

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014 (Continued)
(amounts in LEK'000)

	Year ended 31 December 2014	**Year ended 31 December 2013**
Profit is attributable to:		
- Owners of the Bank	5,023,857	4,630,834
- Non-controlling interest	14,705	15,888
Profit for the year	**5,038,562**	**4,646,722**
Total comprehensive income is attributable to:		
- Owners of the Bank	5,023,857	4,593,178
- Non-controlling interest	14,705	15,759
Total comprehensive income for the year	**5,038,562**	**4,608,937**
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in LEK per share)	**718**	**662**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 49 to 101.

Consolidated Statement of Changes in Equity for the year ended 31 December 2014
(amounts in LEK'000)

	Attributable to the owners of the Bank						
	Share capital	**General reserves**	**Revaluation reserve for AFS**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 31 December 2012	**14,178,593**	**2,822,814**	**37,785**	**13,927,529**	**30,966,721**	**101,418**	**31,068,139**
Transfer of retained earnings to general reserve	-	12,538	-	(12,538)	-	-	-
Dividend payment	-	-	-	(5,312,695)	(5,312,695)	(14,758)	**(5,327,453)**
Profit for the year	-	-	-	4,630,834	4,630,834	15,888	**4,646,722**
Other comprehensive income	-	-	(37,785)	-	(37,785)	-	**(37,785)**
Total comprehensice income for the year	**-**	**-**	**(37,785)**	**4,630,834**	**4,593,049**	**15,888**	**4,608,937**
Balance as at 31 December 2013	**14,178,593**	**2,835,352**	**-**	**13,233,130**	**30,247,075**	**102,548**	**30,349,623**
Dividend payment	-	-	-	(5,468,277)	(5,468,277)	(15,888)	**(5,484,165)**
Profit for the year	-	-	-	5,023,857	5,023,857	14,705	**5,038,562**
Other comprehensive income							
Total comprehensive income for the year	**-**	**-**	**-**	**5,023,857**	**5,023,857**	**14,705**	**5,038,562**
Balance as at 31 December 2014	**14,178,593**	**2,835,352**	**-**	**12,788,710**	**29,802,655**	**101,365**	**29,904,020**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 49 to 101.

Consolidated Statement of Cash Flows for the year ended 31 December 2014
(amounts in LEK'000)

Cash flows from operating activities		**Year ended 31 December 2014**	**Year ended 31 December 2013**
Profit for the year before taxation		**5,950,751**	**5,103,381**
Non-cash items in the statement of comprehensive income			
Depreciation and amortization	**13,14**	666,358	576,959
(Profit)/Loss from sale of fixed assets	**28**	(420,872)	(53,181)
Net impairment loss on financial assets		4,099,839	4,082,740
Net Interest income		(11,997,596)	(11,289,080)
Net income from revaluation of trading securities		(111,449)	(42,167)
Net income from revaluation of other securties designated at fair value through profit or loss		(3,561)	5,445
Changes in provision for other debtors		173,381	(1,095)
Changes in provision for litigation		5,972	214
Revaluation effect of cash and cash equivalents		221,389	62,176
Operating cash flows before changes in working capital		**(1,415,788)**	**(1,554,608)**
Decrease in restricted balances		1,676,452	3,716,134
Decreasein loans and advances to customers		303,571	3,664,598
Net decrease/(Increase) in trading securities		15,474,564	(2,540,110)
Net increase in other securities designated at fair value through profit or loss		(6,782,862)	(37,785)
Increase in other assets		(399,737)	(313,758)
(Decrease)/Increase in due to financial institutions		(1,453,157)	2,866,892
Decrease in due to customers		(10,959,407)	(35,934,167)
(Decrease)/Increase in other liabilities		(1,055,820)	1,684,372
Operating cash flows after changes in working capital		**(4,612,184)**	**(28,448,432)**
Interest received		13,506,752	16,810,171
Interest paid		(3,342,801)	(7,039,906)
Corporate income tax paid		(819,781)	(522,273)
Net cash generated from/(used in) operating activities		**4,731,986**	**(19,200,440)**
Cash flows from investing activities			
Proceeds from sale of investment securities available for sale		-	32,340
Purchases of premises and equipment	**14**	(352,108)	(363,316)
Purchases of intangible assets	**13**	(277,277)	(329,560)
Proceeds from sale of fixed assets		536,339	58,240
Proceeds from matured financial assets held-to-maturity		46,707,962	70,762,975
Purchase of financial assets held-to-maturity		(40,397,522)	(55,338,868)
Net cash generated from investing activities		**6,217,394**	**14,821,811**
Cash flows from financing activities			
Dividends paid		(5,484,165)	(5,327,453)
Increase in Subordinated debt		-	7,010,000
Net cash(used in)/from financing activities		**(5,484,165)**	**1,682,547**
Increase/(Decrease) in cash and cash equivalents during the year		**5,465,215**	**(2,696,082)**
Cash and cash equivalents at the beginning of the year	**7**	35,394,831	**38,153,089**
Revaluation effect of cash and cash equivalents		(221,389)	(62,176)
Cash and cash equivalents at the end of the year	**7**	**40,638,657**	**35,394,831**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 49 to 101.

1. INTRODUCTION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for Raiffiesen Bank sh.a. (the "Bank") and its subsidiaries (the "Group").
Raiffeisen Bank Sh.a. (the "Bank") is a banking institution operating in accordance with the provisions of Law 9901, dated 14 April 2008 "On Entrepreneurs and Commercial Companies", and Law 9662, dated 18 December 2006 "On Banks in the Republic of Albania", as well as other relevant laws. The Bank is incorporated and domiciled in Albania and operates in Albania. Raiffeisen Bank Sh.a. is a 100% owned subsidiary of Raiffeisen Bank International AG, Austria, which is the ultimate controlling party.

Principal activity. The Group's principal business activity is retai*l banking operations within the Republic of Albania.* The Bank operates through a banking network of 90 service points, as of 31 December 2014, (31 December 2013: 102 service points) throughout Albania, which are managed through 8 Districts and has no overseas operations.

The consolidated financial statements for the year ended 31 December 2014 were authorized for issue by the Board of Directors on 13 March 2015. Approval of the financial statements by the Shareholders will take place in the Annual General Meeting of the Shareholders.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below.
Presentation currency. These consolidated financial statements are presented in Albanian Lek ("LEK"), unless otherwise stated. Except as indicated, financial information presented in Lek has been rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all the periods presented, unless otherwise stated.

a) Consolidated financial statements

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidated financial statements (continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Based on the nature of the activity, the Groups' subsidiaries have several specific accounting policies which are detailed in note 3(n) for Raiffeisen Leasing sh.a. and in notes 3 (t) and 3 (u), for Raiffeisen INVEST.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency transactions (continued)

The applicable official Group rates (LEK to the foreign currency unit) for the principal currencies as at 31 December 2014 and 31 December 2013, according to Bank of Albania were as below:

	31 December 2014		31 December 2013	
	Period end	*Average*	*Year end*	*Average*
United States dollar (USD)	115.23	105.75	101.86	105.53
European Union currency unit (EUR)	140.14	139.93	140.20	140.23

c) Interest

Interest income and expense are recognised as profit or loss in the consolidated statement of profit or loss and other comprehensive income 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 asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all 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 liability.

Interest income and expense presented as profit or loss in the consolidated statement of comprehensive income include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis
- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, sales commission, placement fees, are recognised as the related services are performed. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

f) Operating lease payments and other operating expenses

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. The operating expenses are recognised when incurred.

g) Employee benefits

- *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Employee benefits (continued)

- *Paid annual leave*

The Group recognises 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 recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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.

- *Termination benefits*

For termination benefits, the Company specified that amounts payable are recognised when, and only when, the Company is demonstrably committed to either:

- terminated the employment of an employee or group of employees before the normal retirement date, or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Company is demonstrably committed to a termination when, and when, it has a detailed formal plan for the termination and is without realistic possibly of withdrawal.

h) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Deferred income tax is not recognised on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

i) Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments - key measurement terms (continued)

risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Refer to Note 37.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. Any such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

k) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of the portfolio that is managed together for the short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the consolidated statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of the trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

l) Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting. Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

m) Loans and advances to customers

Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

n) Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Impairment of financial assets carried at amortised cost (continued)

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

o) Finance lease receivables

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease). The difference between the gross receivable and the present value represents unearned finance income.

This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within other operating income in profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables.

The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

p) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Fair value through profit or loss

The Group carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy 3 (i).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Investment securities (continued)

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value. Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(iv) Other securities at fair value through profit or loss.

Other securities at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Recognition and measurement of this category of financial assets is consistent with the above policy for trading assets.

q) Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

r) Premises and equipment

(i) Recognition and measurement

Items of premises and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment 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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of premises and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of premises and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and work in progress are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	2014 (in years)	2013 (in years)
• Premises	20	20
• Computers and IT equipment	4	4
• Vehicles	5	5
• Leasehold improvements	1to 10	1to 10
• Other (Office furniture)	5	5

Useful lives and residual values are reassessed each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date that it is available for use.

The estimate useful life of intangible assets is eight years. Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of comprehensive income as an expense as incurred.

t) Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of auction value and fair value less costs to sell, recognised in the consolidated statement of financial position under 'Other assets'. Management intention on repossessed properties is to sale as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

u) Voluntary pension fund and Investment Funds

Raiffeisen INVEST acts as a Management Company for the following Defined Contribution Funds:

- The Defined Contribution Fund "Raiffeisen Voluntary Pension Fund" which was approved by the Albanian Financial Supervisory Authority on October 18, 2010;
- "Raiffeisen Prestige" which was approved by the Albanian Financial Supervisory Authority on 13 December 2011;
- "Raiffeisen Invest Euro Investment Fund" which was approved by the Albanian Financial Supervisory Authority on 26 September 2013.

New law No. 10197 dated on 10 December 2009 "On voluntary pension funds" and law No. 10198 dated on 10 December 2009 "On collective investment undertakings" requirements, include responsibility of the Management Company to prepare separate financial statements for the Company and the Funds.

On 30 November 2011, based on decision of the General Assembly of the Sole Shareholder, the Management Company's object of activity was extended to include:

- 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-spreading (diversification), for the purpose of providing retirement benefits for the persons that participate in the pension fund. The Company may provide also pensions delivery,
- to establish and/or manage the Collective Investment Undertakings based on the law no. 10198, dated 10 December 2009 "On collective investment undertakings",
- other activities as defined in the law no. 10198, dated December 10, 2009 "On collective Investment undertakings".

As at 31 December 2014, the net assets value of Raiffeisen voluntary pension fund amount to LEK 235,460 thousand (2013:LEK 175,561 thousand), Raiffeisen Prestige amount LEK 52,828,052 thousand (2013: LEK 42,732,849 thousand) and Raiffeisen Invest Euro amount LEK 11,213,295 thousand (2013: LEK7,773,949).

v) Defined contribution plans (Voluntary Pension Fund and Investment Funds)

Under a defined contribution plan, the amount of a participant's future benefits is determined by the contributions paid, and the investment earnings of the fund. Obligations are recognised in profit or loss when they are due and are disclosed as interest credited to the pension fund within investment income and income from transactions.

The Funds operate according to law No. 10197, dated 10 December 2009 "On the Voluntary Pension Fund" and law No. 10198, dated 10 December 2009 "On collective investment undertakings". Also, the investment strategy of these Funds' assets is based on the internal policy of investment of the Management Company and the regulation "For the permitted assets, the limitations and maximum limit of the investment of the pension fund" approved by the Albanian Financial Supervisory Authority.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Defined contribution plans (Voluntary Pension Fund and Investment Funds) (continued)

As at 31 December 2014 and 2013 the investment portfolio of the Funds includes government bonds and treasury bills, short term deposits in the second tier Banks operating in Albania and other cash and cash equivalents. First Investment Bank Albania sh.a. acts as the custodian bank of all the Funds.

Net value of assets

The net value of assets is equal with the total of the net assets minus the Fund's obligations.

The value of pension fund unit

The value of the unit is equal to the net value of assets divided with the number of units at the reporting date. Based in each Fund's policy, the opening value of one unit has been equal to Lek 1,000.

Interest income

Interest income includes incomes from bonds' coupons and interest from deposits. Interest income is presented based on accrual basis.

The fee to the Management Company

Each Fund should pay to the Management Company a fee which differs for each Fund. Raiffeisen Invest Prestige Fund pays a fee of 1.25% (annually) of net assets value (2013: 1%) to the Management Company. Raiffeisen Invest Euro Fund pays a fee of 1.5% of net assets value (2013: 1.5%). Raiffeisen Voluntary Pension Fund pays a fee of 1.5 % on net assets value (2013: 1.5%).

Realized gain / losses and unrealized gain / losses

Realized gain / losses are recognised based on the sale of the securities with a difference between the offered price with the value of principal and matured interest of securities bought with premium or discount. These differences are recognised in profit or loss when occurred. Unrealized gain/losses are recognised as the difference between the cost and the fair value. When the securities are sold the unrealized gain/loss is transferred in the profit and loss for the period.

Based on IFRS 10 requirements, exposure to variable returns should be well above the exposure from market level asset management fees in order to consider consolidation of the funds managed by the entity, which is not the case for the Group which is entitled to 1.5% of the Funds's net assets value. Further, the Group does not own any investment units either in the pension fund or in the investment funds. The Fund's assets are "ring fenced" from the Administration company (subsidiary of the Group). According to the Albanian legislation on pension funds and investment funds, the legal title on the assets of the Fund remains with the contributors. As a consequence, the Group did not consolidate any of the Funds administered by one of its subsidiaries in 2014 consolidated financial statements.

w) Deposits and other financial liabilities

Deposits and other financial liabilities are the Group's main sources of debt funding. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

x) Sale and repurchase agreements and lending of securities

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds

y) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
y) Impairment of non-financial assets (continued)

flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

z) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Loan loss provisions for contingent liabilities and commitments

Commitments and contingent are liabilities such as undrawn agreements to lend in case that they are formally binding and not just internal limits. Contingent liabilities may develop in a way not initially expected. Therefore they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. In case that the contingent liability results in a present obligation that can be measured reliably, a provisionis recorded. Only irrevocable commitments give rise to a credit risk, therefore only irrevocable contingencies and commitments can be subject to provisioning. For significant exposures, the assessment is done individually. In case of portfolio based assessment the portfolio-building and calculation of portfolio-based provisions has to be made as indicated in the impairment of Loans and Advances to customers.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Albanian legislation identifies the basis of distribution as the current year net profit.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

aa) Credit related commitments.

The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

bb) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

cc) Presentation of statement of financial position in order of liquidity.

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities in the statement of financial position. Instead, analysis of assets and liabilities by their expected maturities is presented in Note 33.

dd) Comparability

All amounts are reported or disclosed with comparative information.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment losses on loans and advances

The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase in loan impairment losses of LEK 759,596 thousand (2013: LEK 404,334thousand) or a decrease in loan impairment losses of LEK 707,890 thousand (2013: LEK 676,032thousand), respectively.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following new standards and interpretations became effective for the Group from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Group.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Group.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Group.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Group.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on the Group.

6. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.•
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Group's financial statements.

6. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its financial statements.

6. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing the impact of the amendments on its separate financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from “held for sale” to “held for distribution” or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of “information disclosed elsewhere in the interim financial report”. The Group is currently assessing the impact of the amendments on its financial statements. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity’s ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent’s financial statements. The Group is currently assessing the impact of the amendments on its financial statements.

7. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	3,323,499	2,455,397
Central Bank		
Current accounts	373,399	1,401
Deposit accounts	7,000,000	-
Accrued interest in deposit account	96	-
Banks		
Current accounts with resident banks	6,438	39,434
Current accounts with non-resident banks	915,868	260,942
Deposits with resident banks of less than three months	2,853,975	-
Deposits with non-resident banks of less than three months	26,165,382	32,637,657
Total	**40,638,657**	**35,394,831**

Current accounts with the Bank of Albania bear no interest. The annual interest rates on term deposits with the Bank of Albania as at 31 December 2014 is 0.5%. The annual interest rates on term deposits with resident banks as at 31 December 2014 varies from 1.50% to 2.25%.The annual interest rates on term deposits with non-resident banks as at 31 December 2014 vary from 0.05% to 0.8% (31 December 2013 : 0.05% to 0.75%).

The credit quality of cash at banks may be summarised based on Standard and Poor's ratings as follows at 31 December:

	2014	2013
Neither past due nor impaired		
A-1	5,976,492	24,042,778
A-1+	2,621,881	3,233,166
A-2	9,994,290	5,779
A-3	26,278	-
Unrated	22,019,716	8,113,108
Carrying amount	**40,638,657**	**35,394,831**

The majority of the unrated balance as at 31 December 2014 comprise the deposit accout held at the Central Bank for an amount of LEK 7,000,000 thousand.

8. RESTRICTED BALANCES

	31 December 2014	31 December 2013
Central Bank		
Obligatory reserves	22,146,997	24,019,125
Banks		
Guarantee accounts	703,575	507,899
Total	**22,850,572**	**24,527,024**

Obligatory reserves with Central Bank are not for everyday use by the Bank and represent a minimum reserve deposit, required by the Central Bank of Albania. Such reserves are calculated as 10% of the average amount of deposits for the month owed to banks and customers, and are both in LEK and in foreign currency (USD and EUR).

8. RESTRICTED BALANCES (CONTINUED)

The credit quality of cash at banks and restricted balances may be summarised based on Standard and Poor's ratings as follows at 31 December:

	2014	2013
		Neither past due nor impaired
A-1	63,953	471,075
A-2	612,996	10,186
B	26,627	26,638
Unrated	22,146,997	24,019,125
Carrying amount	**22,850,572**	**24,527,024**

Included in unrated balances is the Obligatory reserve held at the Central Bank.

9. INVESTMENT IN SECURITIES

9.1 Investments held for trading

Investments held for trading comprise treasury bills and bonds of Albanian Government as follows:

	31 December 2014	31 December 2013
Government Bonds	28,481,561	43,517,130
Treasury bills	35,694	350,836
Total	**28,517,255**	**43,867,966**

Treasury bills as at 31 December 2014 relate to zero-coupon treasury bills of the Government of Albania, with yields ranging from 3.21% to 3.9% per annum (31 December 2013: from 3.63% to 6.64%).

Government bonds as at 31 December 2014 represent 2-year, 3-year, 5-year and 7-year bonds denominated in LEK issued by the Government of Albania with coupon rates ranging from 4.04% to 10.85% per annum (31 December 2013: from 4.69% to 11.00%).

9.2 Held-to-maturity investment securities

The held-to-maturity investment securities comprise treasury bills and bonds of Albanian Government as follows:

	31 December 2014	31 December 2013
Treasury Bills (9.2.1)	17,566,041	16,013,434
Government Bonds (9.2.2)	33,270,569	47,641,842
Government bonds non-resident (note 9.2.3)	5,802,783	-
Corporate Bonds (9.2.4)	2,939,700	2,230,652
Total	**59,579,093**	**65,885,928**

As at 31 December 2014, no treasury bills were pledged as security for the repurchase agreements portfolio (2013: none)

9. INVESTMENT SECURITIES (CONTINUED)
9.2 Held-to-maturity investment securities (continued)

9.2.1 Treasury bills
Treasury bills as at 31 December 2014 relate to zero-coupon treasury bills of the Government of Albania, with yields ranging from 2.27% to 4.85% per annum (31 December 2013: from 3.63% to 7.10%).

	31 December 2014	31 December 2013
Nominal value of treasury bills	17,815,230	16,406,757
Unamortised discount	(249,189)	(393,323)
Total	**17,566,041**	**16,013,434**

9.2.2 Government bonds
Government bonds as at 31 December 2014 represent 2-year, 3-year,5-year, 7-year and 10-year bonds denominated in LEK issued by the Government of Albania with coupon rates ranging from 4.04% to 10.85% per annum (31 December 2013: from 4.69% to 11.00%).

	31 December 2014	31 December 2013
Nominal value of bonds	32,724,194	46,703,645
Unamortised discount	3,717	10,574
Accrued interest	542,658	927,623
Total	**33,270,569**	**47,641,842**

9.2.3 Government bonds non-resident
Government bonds non-resident as at 31 December 2014 represent 1 year bonds denominated in EUR with coupon rates 3.5% per annum (31 December 2013: 0).

	31 December 2014	31 December 2013
Nominal value of bonds	5,605,600	-
Unamortised premium	62,265	-
Accrued interest	134,918	-
Total	**5,802,783**	**-**

9.2.4 Corporate bonds
Corporate bonds as at 31 December 2014 represent 1 year bonds denominated in EUR with coupon rates ranging from 3.25% to 5.88% per annum (31 December 2013: 3.25% to 3.75%).

	31 December 2014	31 December 2013
Nominal value of bonds	2,799,997	2,145,060
Unamortised discount	11,916	6,546
Accrued interest	127,787	79,046
Total	**2,939,700**	**2,230,652**

9. INVESTMENT SECURITIES (CONTINUED)

9.3 Other securities designated at fair value through profit or loss

Other securities designated at fair value through profit or loss comprise bonds from Albania Government whose performance is managed and evaluated on a fair value basis , in accordance with the Bank's investment strategy. The information on that basis is regularly provided to and reviewed by the Group's Board of Directors.

	31 December 2014	31 December 2013
Government bonds	6,841,526	-
Total	**6,841,526**	**-**

Government bonds as at 31 December 2014 represent 2-year, 3-year, 5-year and 7-year bonds denominated in LEK issued by the Government of Albania with coupon rates ranging from 4.89% to 7.85% per annum (31 December 2013: 0).

The credit quality of investment securities may be summarised based on Standard and Poor's ratings as follows at 31 December:

	Investments held for trading		Held-to-maturity investment securities		Other securities designated at fair value through profit or loss	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Neither past due nor impaired	-	-	-	-	-	-
B	28,517,255	43,867,966	50,836,610	63,655,275	6,841,526	-
A		-	956,974	-	-	-
Aa1u		-	5,802,783	-	-	-
AA+		-	-	725,369	-	-
BBB+		-	-	633,562	-	-
BBB		-	1,982,726	723,472	-	-
Unrated		-	-	148,250	-	-
Carrying amount	**28,517,255**	**43,867,966**	**59,579,093**	**65,885,928**	**6,841,526**	**-**

10. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2014	31 December 2013
Loans and advances to customers	126,033,716	128,452,725
Allowance for loan loss impairment	(13,817,545)	(12,106,877)
Net carrying amount	**112,216,171**	**116,345,848**

Movements in net allowance for loan loss impairment are as follows:

	2014	2013
Balance at the beginning of the year	12,106,877	11,418,371
Allowance for loan loss impairment	5,933,851	5,580,950
Release for loan loss impairment	(1,736,663)	(1,537,762)
Loans written off	(2,486,520)	(3,354,682)
Balance at the end of the year	**13,817,545**	**12,106,877**

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The interest rates of loans and advances to customers vary from 1.57% to 11.58% p.a. in foreign currencies and from 3.21% to 19.13% p.a. in LEK (31 December 2013: from 1.82% to 9.58% p.a. in foreign currencies and from 6.57% to 19.02% p.a. in LEK).

Loans and advances to customers detailed in business segments as at 31 December 2014 and 2013 are presented in the following tables:

						31 December 2014
	Individuals	**Corporate**	**SME**	**Micro - Business**	**Employees**	**TOTAL**
Overdraft	1,797,341	47,450,801	4,435,749	635,739	70,605	54,390,235
Credit Card	439,661	2,267	4,690	-	47,290	493,908
Loans						
Short term	166,115	2,193,719	71,597	6,186	2,937	2,440,554
Medium term	3,852,706	19,463,517	2,380,273	456,045	119,320	26,271,861
Long term	6,428,316	18,239,668	2,500,360	406,230	252,515	27,827,089
	10,447,137	**39,896,904**	**4,952,230**	**868,461**	**374,772**	**56,539,504**
Mortgage	**8,002,580**	**-**	**508,759**	**244,500**	**2,723,672**	**11,479,511**
Other	**313,101**	**2,367,112**	**634,926**	**211,722**	**22,665**	**3,549,526**
less Administrative Fee	(154,975)	(212,847)	(40,756)	(10,390)	-	(418,968)
TOTAL	**20,844,845**	**89,504,237**	**10,495,598**	**1,950,032**	**3,239,004**	**126,033,716**

						31 December 2013
	Individuals	**Corporate**	**SME**	**Micro - Business**	**Employees**	**TOTAL**
Overdraft	**1,629,311**	**47,351,926**	**5,219,787**	**705,274**	**68,521**	**54,974,819**
Credit Card	**379,433**	**59**	**-**	**-**	**41,184**	**420,676**
Loans						
Short term	131,326	1,997,372	111,396	6,129	1,521	2,247,744
Medium term	3,429,569	20,065,084	3,113,586	690,218	107,897	27,406,354
Long term	7,046,818	17,854,134	3,258,323	385,376	214,321	28,758,972
	10,607,713	**39,916,590**	**6,483,305**	**1,081,723**	**323,739**	**58,413,070**
Mortgage	**8,218,561**	**-**	**289,252**	**254,990**	**2,461,470**	**11,224,273**
Other	**353,239**	**2,484,969**	**757,104**	**245,639**	**18,843**	**3,859,794**
less Administrative Fee	(158,103)	(219,751)	(48,807)	(13,246)	-	(439,907)
TOTAL	**21,030,154**	**89,533,793**	**12,700,641**	**2,274,380**	**2,913,757**	**128,452,725**

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Allowance for impairment of loans and advances to customers detailed in business segments as at 31 December 2014 and 31 December 2013 are presented in the following tables:

						31 December 2014
	Individuals	**Corporate**	**SME**	**Micro - Business**	**Employees**	**TOTAL**
Balance at the beginning of the year	1,458,872	8,898,160	1,427,382	319,900	2,563	**12,106,877**
Allowance for loan loss impairment	556,937	4,424,760	780,896	167,792	3,466	**5,933,851**
Release for loan loss impairment	(190,326)	(1,188,657)	(301,538)	(56,085)	(56)	**(1,736,662)**
Loans written off	(130,804)	(1,807,477)	(443,963)	(102,698)	(1,579)	**(2,486,521)**
Balance at the end of the year	**1,694,679**	**10,326,786**	**1,462,777**	**328,909**	**4,394**	**13,817,545**

						31 December 2013
	Individuals	**Corporate**	**SME**	**Micro - Business**	**Employees**	**TOTAL**
Balance at the beginning of the year	3,221,896	6,113,866	1,410,827	667,584	4,198	**11,418,371**
Allowance for loan loss impairment	696,320	4,316,121	419,876	148,587	45	**5,580,950**
Release for loan loss impairment	(471,992)	(761,488)	(166,347)	(136,299)	(1,635)	**(1,537,761)**
Loans written off	(1,987,352)	(770,340)	(236,974)	(359,971)	(45)	**(3,354,682)**
Balance at the end of the year	**1,458,872**	**8,898,160**	**1,427,382**	**319,900**	**2,563**	**12,106,877**

Economic sector risk concentrations within the customer loan portfolio are as follows:

In thousands of LEK	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
Trade, repair of motor vehicles and household items	40,705,160	32%	43,223,407	34%
Households	24,179,468	19%	23,942,915	19%
Production and distribution of electricity, gas and water	21,537,890	17%	19,346,678	15%
Processing industry	11,097,687	9%	10,273,526	8%
Construction	8,279,829	7%	9,521,395	7%
Transportation, Storage and Telecommunications	6,309,608	5%	6,780,955	5%
Monetary and financial intermediation	4,093,015	3%	4,416,410	3%
Extracting industry	2,455,961	2%	3,299,586	3%
Agriculture and hunting	2,329,354	2%	2,197,762	2%
Collective, social and personal	2,320,342	2%	2,117,384	2%
Health and social work	1,185,948	1%	1,642,342	1%
Other	1,539,454	1%	1,690,365	1%
Total loans and advances to customers (before impairment)	**126,033,716**	**100%**	**128,452,725**	**100%**

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

At 31 December 2014 the Group had 18 borrowers (2013:21 borrowers) with aggregated loan amounts above LEK 1,000,000 thousand. The total aggregate amount of these loans was LEK 53,892,375 thousand (2013: LEK 53,983,544 thousand) or 48.8% of the gross loan portfolio (2013: 42%).

Information about collateral at 31 December 2014 is as follows:

	Individuals	Corporate	SME	Micro - Business	Employees	Total
Unsecured loans	12,363,837	747,931	279,323	108,525	552,146	**14,051,763**
Loans guaranteed by other banks	-	729,149	-	-	-	**729,149**
Loans guaranteed by other parties, including credit insurance	752,027	14,508,867	460,688	556,689	539,467	**16,817,737**
Loans collateralised by:						
- residential real estate	6,585,679	6,791,636	2,160,863	548,831	2,079,256	**18,166,266**
- other real estate	579,516	25,558,276	5,882,350	409,299	46,511	**32,475,952**
- cash deposits	264,300	822,530	15,049	8,984	205	**1,111,067**
- other assets	26,906	37,994,764	1,071,691	126,278	-	**39,219,638**
- Leased Vehicles-Movable Assets / Equipment	272,581	2,351,084	625,634	191,426	21,419	**3,462,144**
Total loans and advances to customers	**20,844,846**	**89,504,237**	**10,495,598**	**1,950,032**	**3,239,004**	**126,033,716**

Information about collateral at 31 December 2013 is as follows:

	Individuals	Corporate	SME	Micro - Business	Employees	Total
Unsecured loans	12,043,636	1,895,787	56,355	1,285,885	1,052,314	16,333,977
Loans guaranteed by other banks	-	893,654	-	-	-	893,654
Loans guaranteed by other parties, including credit insurance	421,443	16,788,684	52,959	-	2,407	17,265,493
Loans collateralised by:	-	-	-	-	-	-
- residential real estate	6,756,203	9,751,407	2,321,169	388,570	1,786,876	21,004,225
- other real estate	837,361	16,950,812	7,045,332	287,213	52,986	25,173,704
- cash deposits	622,290	838,642	24,657	13,178	800	1,499,567
- other assets	31,312	39,948,469	2,447,571	69,945	-	42,497,297
-Leased Vehicles-Movable Assets / Equipment	317,908	2,466,337	752,598	229,590	18,375	3,784,808
Total loans and advances to customers	**21,030,153**	**89,533,792**	**12,700,641**	**2,274,381**	**2,913,758**	**128,452,725**

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Other assets mainly include equipment and receivables. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

	Corporate	*Small Enterprises*	*Micro SMEs*	*Individuals*	*Employees*	*Total*
Neither past due nor impaired						
Grade 2C	3,504,615	-	-	-	-	3,504,615
Grade 3C	1,542	-	-	-	-	1,542
Grade 4B	1	565,782	-	-	-	565,783
Grade 4C	434,661	-	-	-	-	434,661
Grade 5A	316,958	-	-	-	-	316,958
Grade 5B	28,218	1,084,660	-	-	-	1,112,878
Grade 5C	767,575	-	-	-	-	767,575
Grade 6A	113,435	860,801	-	-	-	974,236
Grade 6B	2,565,366	732,680	-	-	-	3,298,046
Grade 6C	562,364	645,033	-	-	-	1,207,397
Grade 7A	1,924,504	533,452	-	-	-	2,457,956
Grade 7B	2,846,109	696,815	-	-	-	3,542,924
Grade 7C	1,614,871	306,697	-	-	-	1,921,568
Grade 8A	23,086,871	234,911	-	-	-	23,321,782
Grade 8B	3,519,831	596,810	-	-	-	4,116,641
Grade 8C	4,268,040	216,027	-	-	-	4,484,067
Grade 9A	1,743,396	-	-	-	-	1,743,396
Grade 9B	2,470,872	771,089	-	-	-	3,241,961
Grade 9C	5,319,295	-	-	-	-	5,319,295
Grade 6.1	2,121,754	-	-	-	-	2,121,754
Grade 6.2	3,212,752	-	-	-	-	3,212,752
Grade 6.3	1,254,419	-	-	-	-	1,254,419
Grade (unrated)	509,052	6,232	1,210,922	17,080,536	3,167,388	21,974,130
Total neither past due nor impaired	**62,186,501**	**7,250,989**	**1,210,922**	**17,080,536**	**3,167,388**	**90,896,336**

Past due but not impaired

	Corporate	*Small Enterprises*	*Micro SMEs*	*Individuals*	*Employees*	*Total*
- less than 30 days overdue	6,224,529	752,372	160,867	1,087,200	66,037	8,291,005
- 30 to 60 days overdue	2,433,121	113,632	52,447	251,167	600	2,850,967
- 60 to 90 days overdue	284,377	31,088	39,578	229,573	522	585,138
- 90 to 180 days overdue	2,502,283	238,913	34,867	267,462	-	3,043,525
- 180 to 360 days overdue	-	3,459	13,366	58,885	3,839	79,549
- over 360 days overdue	47,829	21,560	33,469	42,956	-	145,814
Total past due but not impaired	**11,492,139**	**1,161,024**	**334,594**	**1,937,243**	**70,998**	**14,995,998**

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Corporate	Small Enterprises	Micro SMEs	Individuals	Employees	Total
Loans individually determined to be impaired (gross)						
- less than 30 days overdue	-	-	38,187	278,487	559	317,233
- 30 to 60 days overdue	-	-	11,358	55,852	40	67,250
- 60 to 90 days overdue	-	-	477	42,085	-	42,562
- 90 to 180 days overdue	1,920,151	163,654	3,583	62,842	-	2,150,230
- 180 to 360 days overdue	6,288,878	461,261	51,892	352,627	-	7,154,658
- over 360 days overdue	7,616,568	1,458,670	299,019	1,035,173	19	10,409,449
Total individually impaired loans (gross)	**15,825,597**	**2,083,585**	**404,516**	**1,827,066**	**618**	**20,141,382**
Less impairment provisions	(10,326,786)	(1,462,777)	(328,909)	(1,694,679)	(4,394)	(13,817,545)
Total loans and advances to customers	**79,177,451**	**9,032,821**	**1,621,123**	**19,150,166**	**3,234,610**	**112,216,171**

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

	Corporate	Small Enterprises	Micro SMEs	Individuals	Employees	Total
Neither past due nor impaired						
Grade 2C	3,505,579	-	-	-	-	3,505,579
Grade 3B	1,528,004	-	-	-	-	1,528,004
Grade 4A	623	-	-	-	-	623
Grade 4B	-	497,329	-	-	-	497,329
Grade 5B	113,720	1,464,410		-	-	1,578,130
Grade 5C	668,178	-	-	-	-	668,178
Grade 6A	84,469	824,158	-	-	-	908,627
Grade 6B	623,477	601,070	-	-	-	1,224,547
Grade 6C	1,618,885	519,149	-	-	-	2,138,034
Grade 7A	1,636,618	866,689	-	-	-	2,503,307
Grade 7B	2,989,918	893,522	-	-	-	3,883,440
Grade 7C	2,574,448	590,096	-	-	-	3,164,544
Grade 8A	23,520,594	328,656	-	-	-	23,849,250
Grade 8B	4,859,119	466,440	-	-	-	5,325,559
Grade 8C	5,451,605	69,695	-	-	-	5,521,300
Grade 9A	7,017,116	-	-	-	-	7,017,116
Grade 9B	2,386,830	998,981	-	-	-	3,385,811
Grade 9C	1,877,844	-	-	-	-	1,877,844
Grade 10A	23	56	-	-	-	79
Grade (unrated)	1,229,135	1,991	1,326,079	17,583,093	2,561,500	22,701,798
Total neither past due nor impaired	**61,686,185**	**8,122,242**	**1,326,079**	**17,583,093**	**2,561,500**	**91,279,099**

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Past due but not impaired	Corporate	Small Enterprises	Micro SMEs	Individuals	Employees	Total
- less than 30 days overdue	6,805,150	1,237,790	206,357	1,132,603	64,363	9,446,262
- 30 to 60 days overdue	5,199,315	689,182	96,398	298,532	2,362	6,285,789
- 60 to 90 days overdue	1,872,162	101,901	75,565	277,195	-	2,326,823
- 90 to 180 days overdue	197,968	128,188	79,155	302,935	-	708,246
- 90 to 360 days overdue	667,933	102,102	11,129	76,354	-	857,518
- over 360 days overdue	782,510	397,158	76,480	58,551	-	1,314,699
Total past due but not impaired	**15,525,038**	**2,656,321**	**545,084**	**2,146,169**	**66,725**	**20,939,337**
Loans individually determined to be impaired (gross)						
- less than 30 days overdue	-	-	1,121	22,347	32	23,500
- 30 to 60 days overdue	-	-	653	2,457	-	3,110
- 60 to 90 days overdue	-	-	581	525	-	1,106
- 90 to 180 days overdue	5,716,836	123,957	7,543	18,427	-	5,866,763
- 90 to 360 days overdue	1,472,377	108,188	114,227	683,584	-	2,378,376
- over 360 days overdue	5,134,347	1,689,935	279,096	858,033	22	7,961,434
Total individually impaired loans (gross)	**12,323,560**	**1,922,080**	**403,221**	**1,585,374**	**54**	**16,234,289**
Less impairment provisions	(8,898,160)	(1,427,382)	(319,900)	(1,458,589)	(2,846)	(12,106,877)
Total loans and advances to customers	**80,636,623**	**11,273,261**	**1,954,484**	**19,856,048**	**2,625,432**	**116,345,848**

Neither past due nor impaired loans and securities

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. An explanation of the credit quality of neither past due nor impaired loans according to thei risk grades classification is given below:

Rating scale	**Description**
(1A, 1B)*, 1C	Minimal risk
2.A, 2B, 2C	Excellent credit standing
3A, 3B, 3C	Very good credit standing
4A, 4B, 4C	Good credit standing
5A, 5B, 5C	Sound credit standing
6A, 6B, 6C	Acceptable credit standing

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

7A, 7B, 7C	Marginal credit standing
8A, 8B, 8C	Weak credit standing / sub-standard
9A, 9B, 9C	Very weak credit standing / doubtful
10A, 10B, 10C	Default

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded 10 A in the Group's internal credit risk grading system. The Bank has a structured policy applied to the evaluation of collateral on loans determined as individually impaired. Depending on the class/type of collateral there are specific discount rates applied, ranging from 0% to 100%. This is due to complex legal requirements and significant delays in recovering and realising the collateral.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security /collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. As at 31 December 2014 restructured loans were LEK 21,927,096 thousand (2013:LEK 18,022,824 thousand).

Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes off a loan / security balance (and any related allowances for impairment losses) when Bank Problem Loans Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

As at 31 December 2014 and 2013, the loans and advances to customers with regard to outstanding balance and impairment assessment were as follows:

	Loans and advances to customers	
	Gross	**Net**
31 December 2014		
Individually impaired	20,141,382	8,129,721
Total	**20,141,382**	**8,129,721**
31 December 2013		
Individually impaired	16,234,289	6,680,380
Total	**16,234,289**	**6,680,380**

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are generally re-valued annually by both, external and internal evaluators. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2014 and 2013.

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Against individually impaired	Against collectively impaired	Total
Property	24,730,112	179,250,336	203,980,448
Pledge	15,862,927	78,909,683	94,772,610
Cash	1,150	2,799,505	2,800,655
Guarantee	31,854	42,748,906	42,780,760
Total	**40,626,043**	**303,708,430**	**344,334,473**

The fair value of collateral pledged against individually impaired loans as at 31 December 2013 was LEK 53,959,877thousand.

Financial effect of collateral on provision
The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on impairment provisions recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the impairment provisions would be higher by the following amounts:

	31 December 2014	31 December 2013
Corporate	4,849,101	3,390,595
Micro SMEs	86,443	129,466
Households	249,096	299,876
Small Enterprises	780,154	943,361

11.DEFERRED INCOME TAX ASSETS

The movement in the deferred income tax account is as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the year	73,902	(262)
Deferred tax benefit relating to the origination and reversal of temporary differences (note 32)	(29,273)	74,164
Balance at the end of the year	**44,629**	**73,902**

Movements in temporary differences during the year are recognised as profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Deferred tax has been calculated based on the enacted tax rate for 2014 of 15% (2013: 10%). As at 31 December 2014 and 31 December 2013 deferred tax assets and liabilities have been recognised for the following items:

	31 December 2014	31 December 2013
Deferred tax asset		
Accelerated depreciation	2,019	71,260
Deferred lease disbursement fees	42,610	1,615
	44,629	**72,875**
Deferred tax liability		
Allowance for impairment losses	-	1,027
	-	**1,027**
Net deferred tax assets	**44,629**	**73,902**

12. GOODWILL

During the year 2008, Raiffeisen Bank purchased 100% of the shares of the Raiffeisen INVEST – Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. ("Raiffeisen INVEST "), for an amount of Lek 109,648 thousand. The purchase was approved by the Albanian Financial Supervisory Authority based on decision Nr.30, dated 26 March 2013, registered on the Albanian National Register on 23 April. Raiffeisen INVEST has a paid in capital of Lek 90 million as at 31 December 2014 (2013: Lek 90 million).

The goodwill on acquisition date was calculated as the excess of the cost of the business combination over the identified net assets of the acquired entity, resulting in an amount of Lek 92,783 thousand. The identified net assets of the acquired entity at acquisition date approximated their fair value at an amount of Lek 16,865 thousand.

Goodwill is tested for impairment at least annually or whenever there are indications that goodwill may be impaired. As at 31 December 2014, the carrying amount of the subsidiary (the cash generating unit to which goodwill has been allocated), does not exceed its recoverable amount and therefore goodwill is considered not to be impaired. No impairment loss has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014 (2013:nil).

13. INTANGIBLE ASSETS

Movements in intangible assets for the year ended 31 December 2014 and 2013 are detailed as follows:

	Acquired software	Licences	Total
Cost			
At 1 January 2013	1,721,788	338,217	2,060,005
Additions	307,417	22,143	329,560
Disposals	(96,255)	(8,181)	(104,436)
Transfer	(2,534)	2,534	-
At 31 December 2013	**1,930,416**	**354,712**	**2,285,129**
At 1 January 2014	1,930,416	354,712	2,285,129
Additions	250,918	26,359	277,277
Disposals	(120,064)	(16,170)	(136,234)
At 31 December 2014	**2,061,270**	**364,901**	**2,426,172**
Amortization			
At 1 January 2013	(561,639)	(272,440)	(834,079)
Amortization charge	(103,188)	(9,912)	(113,100)
Disposals	96,131	8,181	104,312
At 31 December 2013	**(568,696)**	**(274,171)**	**(842,867)**
At 1 January 2014	(568,696)	(274,171)	(842,867)
Amortization charge	(189,174)	(11,335)	(200,509)
Disposals	122,800	13,316	136,116
At 31 December 2014	**(635,070)**	**(272,190)**	**(907,260)**
Net book value			
At 1 January 2014	**1,361,720**	**80,541**	**1,442,261**
At 31 December 2014	**1,426,200**	**92,710**	**1,518,912**

There are no assets pledged as collateral as at 31 December 2014 (2013: none).

14. PREMISES AND EQUIPMENT

Movements in premises and equipment for the year ended 31 December 2014 and 2013 are detailed as follows:

	Land and Buildings	Computers and ATMs	Vehicles	Work in progress	Other	Total
Cost						
At 1 January 2013	1,366,189	2,306,940	368,561	224,934	615,371	4,881,995
Additions	36,495	158,167	27,349	112,608	28,698	363,317
Disposals	(11,827)	(316,921)	(18,832)	-	(26,610)	(374,190)
Transfers	96,025	185,797	2,239	(293,433)	9,372	-
At 31 December 2013	**1,486,882**	**2,333,983**	**379,317**	**44,109**	**626,831**	**4,871,122**
At 1 January 2014	1,486,882	2,333,983	379,317	44,109	626,831	4,871,122
Additions	12,619	175,116	19,735	117,075	27,563	352,108
Disposals	(168,270)	(212,521)	(105,815)	-	(50,499)	(537,105)
Transfers	35,331	115,827	42	(159,005)	7,805	-
At 31 December 2014	**1,366,562**	**2,412,405**	**293,279**	**2,179**	**611,700**	**4,686,125**
Accumulated depreciation						
At 1 January 2013	(515,236)	(1,718,571)	(225,312)	-	(435,802)	(2,894,921)
Depreciation charge	(98,868)	(251,764)	(47,507)	-	(65,721)	(463,860)
Disposals	10,668	315,390	18,631	-	24,566	369,255
At 31 December 2013	**(603,436)**	**(1,654,945)**	**(254,188)**	**-**	**(476,957)**	**(2,989,526)**
At 1 January 2014	(603,436)	(1,654,945)	(254,188)	-	(476,957)	(2,989,526)
Depreciation charge	(83,438)	(284,745)	(42,148)	-	(55,519)	(465,850)
Disposals	74,402	209,619	90,244	-	47,492	421,760
At 31 December 2014	**(612,472)**	**(1,730,071)**	**(206,092)**	**-**	**(484,984)**	**(3,033,619)**
Net Book Value						
At 31 December 2013	**883,446**	**679,038**	**125,129**	**44,109**	**149,874**	**1,881,596**
At 31 December 2014	**754,090**	**682,334**	**87,187**	**2,179**	**126,716**	**1,652,506**

There are no assets pledged as collateral as at 31 December 2014 (2013: none).

15. OTHER ASSETS

	31 December 2014	31 December 2013
Inventories	1,602,764	1,197,523
VAT receivable	484,976	592,258
Sundry debtors, net	147,851	163,607
Prepaid expenses and accruals	127,746	135,986
Money gram	12,576	13,864
Total	**2,375,913**	**2,103,238**

As at 31 December 2014 the Group's repossessed collateral is LEK 1,510,158 thousand (2013: LEK 1,197,523 thousands). Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at fair value when acquired.

Sundry debtors comprise the following:

	31 December 2014	31 December 2013
Sundry debtors	303,783	175,190
Provisions for losses from other debtors	(155,932)	(11,583)
Total Sundry debtors, net	**147,851**	**163,607**

15. OTHER ASSETS (CONTINUED)

Most of the sundry debtors balances are over 1 months but less than 3 months.
Movements in the provisions for sundry debtors are as follows:

	2014	2013
Balance at the beginning of the year	11,584	**11,583**
Allowance for Provisions for losses from other debtors	144,108	
Foreign exchange effect	240	-
Balance at the end of the year	**155,932**	**11,583**

16.DUE TO BANKS AND FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Current accounts		
Resident banks and financial institutions	1,859,961	256,840
Non-resident banks and financial institutions	77,249	13,990
Accrued interest	41	2,357
	1,937,251	**273,187**
Deposits		
Central Bank	-	210,000
Resident banks and financial institutions	1,495,393	3,892,934
Non-resident banks and financial institutions	122,346	232,252
Accrued interest	176	2,421
	1,617,915	**4,337,607**
Total	**3,555,166**	**4,610,794**

The annual interest rates for borrowed funds from financial institutions varied from 0.06% to 4.75% during the year ended 31 December 2014 (2013: 0.10% to 5.05%). The annual interest rates for borrowed funds from Non-resident financial institutions varied from 0.19% to 0.35% during the year ended 31 December 2014 (2013: 0).

17. DUE TO CUSTOMERS

	31 December 2014	31 December 2013
Current accounts	84,699,763	61,445,038
Deposits	144,968,565	181,592,691
Other accounts	4,051,055	3,408,228
Total	**233,719,383**	**246,445,957**

For current accounts and time deposits the annual interest rates applicable for the various fixed terms during the period from 1 January to 31 December 2014 were as follows:

(in %)	LEK	USD	EUR
Current accounts	0.01-1.50	0.01-0.30	0.01-0.50
Demand deposits	0.20-3.00	0.10-0.90	0.10-1.70
Time deposits – 3 month	0.10-0.70	0.10-0.25	0.10-0.25
Time deposits – 6 month	0.10-0.75	0.10-0.25	0.10-0.25
Time deposits – 9 month	0.10-0.75	0.10-0.25	0.10-0.25
Time deposits – 12 month	0.20-1.05	0.15-0.30	0.15-0.30
Time deposits – 24 month	0.20-1.05	0.15-0.30	0.15-0.30
Time deposits – 36 month	0.30-1.10	0.15-0.30	0.15-0.30
Time deposits – 60 month	0.30-1.10	0.15-0.30	0.15-0.30

17. DUE TO CUSTOMERS (CONTINUED)

Balances due to customers by maturity and currency type are as follows:

	31 December 2014			31 December 2013		
	Lek	Foreign currency	Total	Lek	Foreign currency	Total
Current accounts	**41,419,911**	**43,279,312**	**84,699,763**	**28,253,328**	**33,191,710**	**61,445,038**
Deposits						
On demand	5,476,849	4,534,360	10,011,209	4,236,078	3,552,227	7,788,305
1 month - 3 months	4,231,799	2,376,128	6,607,927	9,323,643	6,689,160	16,012,803
3 months - 6 months	5,388,208	7,716,931	13,105,139	5,803,545	6,444,692	12,248,237
6 months - 12 months	9,011,358	8,542,448	17,553,806	10,634,258	9,551,129	20,185,387
12 months - 24 months	48,963,548	43,218,208	92,181,756	63,342,397	53,136,189	116,478,586
24 months - 36 months	1,364,999	1,247,215	2,612,214	2,389,522	1,237,146	3,626,668
36 months	291,387	148,046	439,433	496,445	256,636	753,081
60 months	379,645	1,557,341	1,936,986	520,779	1,700,801	2,221,580
Accrued interest on deposits	332,046	188,049	520,095	1,634,504	643,540	2,278,044
	75,439,839	**69,528,726**	**144,968,565**	**98,381,171**	**83,211,520**	**181,592,691**
Other accounts						
Guarantee deposits	729,185	2,059,741	2,788,386	1,322,291	1,345,946	2,668,237
Dormant customer accounts	16,876	268	17,144	122,304	9,526	131,830
Cheques customer accounts	700	1,121	1,821	-	-	-
Other	1,204,913	38,791	1,243,704	561,866	46,295	608,161
	1,951,674	**2,099,921**	**4,051,055**	**2,006,461**	**1,401,767**	**3,408,228**
Total	**118,811,424**	**114,907,959**	**233,719,383**	**128,640,960**	**117,804,997**	**246,445,957**

18. OTHER LIABILITIES

	31 December 2014	31 December 2013
Other creditors	181,830	294,217
Accrued expenses	324,618	333,364
Due to employees	305,213	242,842
Withholding tax payable	39,977	87,636
Provision for contingent liabilities	19,339	116,688
Deferred income	45,935	49,746
Due to social insurance	31,845	30,412
Provision for litigation	50,639	19,470
Suspense accounts	1,117,735	2,028,915
Due to third parties	-	27,979
VAT payable	1,029	4,594
Total	**2,118,160**	**3,235,863**

- Included in "Other creditors" is the amount of LEK 11,590 thousand (2013: LEK 26,376 thousand) of unpaid invoices to suppliers.
- Included in "Accrued expenses" is the amount of LEK 186,467 thousand (2013: LEK 213,924 thousand) of accrued deposit insurance premium payable on customers' deposits to the Albanian Insurance Deposits Agency.
- Suspense accounts comprise clearing accounts for debit and credit cards, payments and other items.
- Provision for contingent liabilities represents impairment of irrevocable commitments and contingencies. The movements in the provisions for contingent liabilities are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the year	116,688	77,137
Provisions expense for the period	-	43,386
Reversal of provisions for the year	(97,349)	(3,835)
Balance at the end of the year	**19,339**	**116,688**

- The Group was involved in various claims and legal proceedings of a nature considered normal to its business as at 31 December 2014. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years. The Group's management is of the opinion that no material losses will be incurred in relation to legal claims.

The movements in the provisions for litigations are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the year	19,470	23,190
Provision expense for the year	32,131	1,214
Reversal of provision for the year	(962)	(4,934)
Balance at the end of the year	**50,639**	**19,470**

19. SUBORDINATED DEBT

During 2013, Raiffeisen International AG granted to the Bank a subordinated debt of EUR 50,000 thousand. The debt carries an interest rate of 5,869 % p.a. (2013: 5,977 % p.a) and matures on 11 July 2018. The debt ranks after all other creditors in case of liquidation.

20. SHARE CAPITAL

The Bank's capital is equal to LEK 14,178,593 thousand comprised of 7,000 shares of nominal value 2,025,513 LEK each (2013: LEK 14,178,593 thousand comprised of 7,000 shares of nominal value of LEK 2,025,513 each).

21. OTHER RESERVES

Other reserves comprise general reserve, created from the distribution of net profit after tax in accordance with the law No. 9901, dated 14 April 2008, "On Entrepreneurs and commercial companies" and the decision of the Supervisory Council of the Bank of Albania No. 51, dated 22 April 1999.

22. NON-CONTROLLING INTEREST

Based on the decision of the Group's sole shareholder dated 7 April 2006, in collaboration with Raiffeisen Leasing International Gesellschaft m.b.H, the Group has incorporated a leasing company in the Republic of Albania in the form of a joint stock company to provide leasing in accordance with the applicable Albanian legislation on Financial Leasing. Raiffeisen Leasing sh.a. principal activity is to offer finance lease to a wide range of customers.

The Group participates with a share of 75%. The remaining share of 25% is owned by Raiffeisen Leasing International Gesellschaft m.b.H. The place of business of Raiffeisen Leasing International Gesellschaft m.b.H is Austria. During 2013, the dividend paid to Raiffeisen Leasing International Gesellschaft m.b.H by Raiffeisen Leasing sh.a. was for an amount of Lek 15,888 thousand (2013: Lek 14,758 thousand).

The following tables provide information about Raiffesien Leasing sh.a., which is a subsidiary that has non-controlling interest that is material to the Group:

	Raiffeisen -Leasing International Gesellschaft m.b.H.	
	2014	**2013**
% of holding	**25%**	**25%**
Share Capital	65,880	65,880
Current year profit	14,705	15,888
Legal reserve	6,588	6,588
Accumulated profit	14,192	14,192
Non-controlling interest	**101,365**	**102,548**

The summarised financial information of Raifeisen Leasing sh.a. for the year ended 31 December 2014 and 2013 was as follows:

	Current assets	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Profit**	**Total comprehensive income**	**Cash flows**
2014								
Raiffeisen Leasing sh.a.	783,161	3,238,208	88,072	3,527,836	299,444	58,821	58,821	78,488
	783,161	**3,238,208**	**88,072**	**3,527,836**	**299,444**	**58,821**	**58,821**	**78,488**
2013								
Raiffeisen Leasing sh.a.	806,604	3,588,471	52,802	3,932,081	321,577	63,553	63,553	7
Total	**806,604**	**3,588,471**	**52,802**	**3,932,081**	**321,577**	**63,553**	**63,553**	**7**

22. NON CONTROLLING INTEREST (CONTINUED)

The following table provide information in regard to present value of minimum lease payments of the finance lease receivables of Raiffeisen Leasing sh.a.

	Minimum lease payments		Present value of minimum lease payments	
	31.Dec.14	**31.Dec.13**	**31.Dec.14**	**31.Dec.13**
Not later than one year	1,929,265	1,938,151	1,699,960	1,665,637
Later than one year and not later than five years	1,927,168	2,311,798	1,723,971	2,071,233
Later than five years	39,602	50,263	38,213	47,939
Less unearned finance income	(433,891)	(515,404)		
Present value of minimum lease payments receivable	3,896,036	4,300,212	3,462,144	3,784,808
Allowance for uncollectible lease payments	(239,524)	(210,115)	(239,524)	(210,115)
Total	**3,222,621**	**3,574,694**	**3,222,621**	**3,574,694**

23. INTEREST INCOME

Interest income by category is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Loans and advances to customers	8,439,852	10,249,141
Investment securities	4,052,128	5,623,532
Bank deposits	177,943	80,663
Reverse repurchase agreement bought	-	90
Total	**12,669,923**	**15,953,426**

Interest income includes LEK 80,836 thousand (2013: LEK 43,165 thousand) interest income, recognised on impaired loans to customers.

24. INTEREST EXPENSE

Interest expense by category is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Customers	901,710	4,831,208
Repurchase agreement sold	20,954	2,264
Banks	549,854	221,842
Total	**1,472,518**	**5,055,314**

25. FEE AND COMMISSION INCOME

Fees and commissions received were comprised as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Funds transfers	1,281,397	1,300,653
Lending activities	201,656	225,367
Other banking services	932,083	580,785
Total	**2,415,136**	**2,106,805**

26. FEE AND COMMISSION EXPENSE

	Year ended 31 December 2014	Year ended 31 December 2013
Payments transfer business	312,362	341,903
Loan and guarantee business	10,080	5,406
Other banking services	52,570	274,547
Total	**375,012**	**621,856**

27. NET TRADING INCOME

	Year ended 31 December 2014	Year ended 31 December 2013
Income from trading securities	1,950,950	2,296,292
Foreign exchange gains	595,933	591,438
Total	**2,546,883**	**2,887,730**

28. OTHER OPERATING INCOME/ EXPENSE

Other operating income comprises income from write-offs of old dormant accounts amounting LEK 137,455 thousand (2013: LEK 155,000 thousand) and gain from sale of Bank property for an amount of LEK 420,872 thousand (2013:LEK 53,181). “Other expenses” include loss from a fraud case of LEK 118,911 thousand (2013: LEK 256,050 thousand) and withholding tax amounting LEK 26,710 thousand (2013: LEK 21,031 thousand).

29. DEPOSIT INSURANCE PREMIUM

Based on Law no. 8873 “On deposit’s insurance” dated 29 March 2002, the Banks are obliged to pay a deposit insurance premium to the Deposit Insurance Agency. The premium is calculated as a percentage of the daily average deposit balances up to LEK 2,500,000 (2013: LEK 2,500,000) for individuals, for the period from October to December of the predecessor calendar year. The percentage rate applied is 0.5% per annum and payable quarterly.

30. PERSONNEL EXPENSES

Personnel expenses are composed as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Salaries	2,097,551	2,100,839
Social insurance	263,838	258,395
Personnel training	45,381	45,803
Pension costs	14,953	14,002
Other personnel costs	2,243	8,078
Total	**2,423,966**	**2,427,117**

31. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses during the year ended 31 December 2014 and 2013 comprise the following expenses:

	Year ended 31 December 2014	Year ended 31 December 2013
Rent expenses	621,127	619,109
IT cost	534,270	526,804
Advertising, public relations and promotional expenses	346,854	317,636
Legal, advisory and consulting expenses	235,619	237,102
Sundry administrative expenses	200,076	184,036
Car expenses	62,648	67,039
Office supplies	66,586	57,215
Communication expenses	38,538	52,270
Travelling expenses	33,360	28,845
Security expenses	69,162	19,599
Total	**2,208,240**	**2,109,655**

Consultancy and legal fees include charges for management fees totalling LEK 158,502 thousand in 2014 (2013: LEK 171,471 thousand).

32. INCOME TAX

Income tax in Albania is assessed at the rate of 15% (2013: 10%) of taxable income:

	Year ended 31 December 2014	Year ended 31 December 2013
Current tax	882,916	530,823
Deferred tax	29,273	(74,164)
Income tax expense for the year	**912,189**	**456,659**

32. INCOME TAX (CONTINUED)

The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense.

	Year ended 31 December			
	Effective tax rate	**2014**	**Effective tax rate**	**2013**
Profit before taxes		5,950,751		5,103,381
Prima facie tax calculated at 15%/10%	**15.00%**	892,613	10.00%	510,338
Non tax deductible expenses at	**1.37%**	81,232	1.11%	56,664
Tax savings by tax-exempted income	**(1.04%)**	(61,656)	(0.5%)	(25,459)
Tax expense/income for former periods	-	-	(1.66%)	(84,884)
Income tax expense	**15.33%**	**912,189**	**8.95%**	**456,659**

Tax expense/income for former periods in 2014 includes reversal of deferred tax expense calculated on loan loss provisions following the changes in legislation.

The Group'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.

33. FINANCIAL RISK MANAGEMENT

a) Overview

The risk management function within the Group is carried out in respect of financial risks and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Group Asset and Liability Committee (ALCO) and Credit Committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)
b) Credit risk (continued)

For risk management reporting purposes, the Group considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Bank Credit Committee. A consolidated Bank Credit Risk Management division, reporting to the Bank Credit Committee, is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Bank Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk Bank Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive as appropriate. Risk grades are subject to regular reviews by Bank Credit Risk Management Division.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit Risk Management division on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to comply with Group credit policies and procedures. Regular audits of business units and Bank Credit Risk Management Division processes are undertaken by Internal Audit.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 36. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 10.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Loan applications originated by the relevant client relationship managers are passed on to the relevant credit committee for approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure to customers with deteriorating creditworthiness are reported to, and reviewed by, the Board of Directors and Bank's Credit Committee. The Group does use formalised internal credit ratings to monitor exposure to credit risk. Management monitors and follows up on past due balances.

The Group's credit department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 8,9,10.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)
b) Credit risk (continued)

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

c) Market risks

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in ALCO. Bank Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).

Exposure to foreign exchange risk

The Group is exposed to currency risk through transactions in foreign currencies. As the currency in which the Group presents it consolidated financial statements is the Albanian LEK, the Group's consolidated financial statements are affected by movements in the exchange rates between the Albanian LEK and other currencies. The Board of Directors sets limits on the level of exposure for both overnight and intra-day positions, which are monitored daily by Treasury and the Middle-office.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2014			At 31 December 2013		
	Monetary financial assets	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
Albanian LEK	139,497,983	119,189,532	20,308,451	152,937,029	131,377,657	21,559,372
US Dollars	16,440,873	14,182,146	2,258,727	17,829,167	16,737,134	1,092,033
Euros	109,372,279	105,678,666	3,693,613	109,681,461	104,589,014	5,092,447
Other	5,646,712	5,383,711	263,001	5,573,943	5,507,265	66,678
Total	**270,957,847**	**244,434,055**	**26,523,792**	**286,021,600**	**258,211,070**	**27,810,530**

The Group also prepares regularly stress tests to measure impact of exposure to foreign currency exchange rate risk. The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the presentation currency, with all other variables held constant:

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risks (continued)

	At 31 December 2014		At 31 December 2013	
In thousands of LEK	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 10% (2013: strengthening by 10%)	225,873	225,873	509,245	509,245
US Dollar weakening by 10% (2013: weakening by 10%)	(225,873)	(225,873)	(509,245)	(509,245)
Euro strengthening by 10% (2013: strengthening by 10%)	369,361	369,361	109,203	109,203
Euro weakening by 10% (2013: weakening by 10%)	(369,361)	(369,361)	(109,203)	(109,203)
Other strengthening by 10% (2013: strengthening by 10%)	26,300	26,300	6,688	6,688
Other weakening by 10% (2013: weakening by 10 %)	(26,300)	(26,300)	(6,688)	(6,688)

Exposure to interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a regular basis include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position) is as follows:

If interest rates had been 100 basis points lower (2013: [100] basis points lower, with all other variables held constant, profit would have been LEK 7,173 thousand (2013: LEK 5,593 thousand) higher. If interest rates had been 100 basis points higher (2013: [100] basis points higher), with all other variables held constant, profit would have been LEK 6,615 thousand (2013: LEK 4,341 thousand) lower.

2014	**up to 1 Year scenarios**	
	100 bp	100 bp
	Decrease	Increase
Estimated Profit (loss) effect	7,173	(6,615)

2013	**up to 1 Year scenarios**	
	100 bp	100 bp
	Decrease	Increase
Estimated Profit (loss) effect	5,593	(4,341)

Overall interest rate risk positions are managed by Treasury, which uses investment securities, advances to Groups and deposits from Groups to manage the overall position arising from the Group's trading and non-trading activities.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risks (continued)

A summary of the Group's interest rate re-pricing analysis is as follows:

							31 December 2014
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Non-specific**	**Total**
Assets							
Cash and cash equivalents	40,638,657	-	-	-	-	-	40,638,657
Restricted balances	22,850,572	-	-	-	-	-	22,850,572
Investments held for trading	285,665	1,689,835	1,589,322	3,174,406	21,778,026	-	28,517,255
Held-to-maturity investment securities	3,769,805	9,941,679	12,692,625	15,220,483	17,954,500	-	59,579,093
Other securities designated at fair value through profit or loss	-	-	-	-	6,841,526	-	6,841,526
Loans and advances to customers	24,441,439	19,782,782	18,614,714	49,166,399	993,789	(782,950)	112,216,172
Total	**91,986,138**	**31,414,296**	**32,896,661**	**67,561,288**	**47,567,841**	**(782,950)**	**270,643,275**
Liabilities							
Due to banks and financial institutions	2,993,851	-	561,315	-	-	-	3,555,166
Due to customers	116,295,791	23,556,037	19,340,165	71,219,618	3,307,772	-	233,719,383
Other liabilities	2,081,891	9,466	26,197	608	-	-	2,118,161
Subordinated capital	-	-	-	-	7,149,792	-	7,149,792
Total	**121,371,533**	**23,565,503**	**19,927,677**	**71,220,226**	**10,457,564**	**-**	**246,542,503**
Gap at 31 December 2014	**(29,385,395)**	**7,848,793**	**12,968,984**	**(3,658,938)**	**37,110,277**	**(782,950)**	**24,100,772**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risks (continued)

							31 December 2013
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Non-specific**	**Total**
Assets							
Cash and cash equivalents	35,394,832	-	-	-	-	-	35,394,832
Restricted balances	24,527,024	-	-	-	-	-	24,527,024
Investments held for trading	1,305,677	13,301	2,353,263	10,627,631	29,568,094	-	43,867,966
Held-to-maturity investment securities	4,031,145	2,206,147	9,207,414	23,796,971	26,644,251	-	65,885,928
Loans and advances to customers	15,592,949	22,831,268	16,052,406	62,460,273	1,194,935	(1,785,981)	116,345,850
Total	**80,851,627**	**25,050,716**	**27,613,083**	**96,884,875**	**57,407,280**	**-1,785,981**	**286,021,600**
Liabilities							
Due to banks and financial institutions	4,049,185	561,609	-	-	-	-	4,610,794
Due to customers	102,725,545	29,747,595	29,039,963	80,992,121	3,940,733	-	246,445,957
Other liabilities	3,205,205	29,658	1,000	-	-	-	3,235,863
Subordinated capital	-	-	-	-	7,154,318	-	7,154,318
Total	**109,979,935**	**30,338,862**	**29,040,963**	**80,992,121**	**11,095,051**	**-**	**261,446,932**
Gap at 31 December 2013	**(29,128,308)**	**(5,288,146)**	**(1,427,880)**	**15,892,754**	**46,312,229**	**(1,785,981)**	**24,574,668**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments.

Management of liquidity risk

The Group'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 market or internal conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury Department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury Department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to Groups and other inter-Group facilities, to ensure that sufficient liquidity is maintained within the Group. The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury Department to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

The following table shows the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity, while financial assets are shown at their carrying amount. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risks (continued)

							31 December 2014
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Non-specific**	**Total**
Assets							
Cash and cash equivalents	40,638,657	-	-	-	-	-	40,638,657
Restricted balances	22,850,572	-	-	-	-	-	22,850,572
Investments held for trading	285,666	1,689,835	1,589,322	3,174,406	21,778,026	-	28,517,255
Held-to-maturity investment securities	3,769,806	9,941,679	12,692,625	15,220,483	17,954,500	-	59,579,093
Other securities designated at fair value through profit or loss	-	-	-	-	6,841,526	-	6,841,526
Loans and advances to customers	26,821,469	7,963,343	11,441,687	29,057,016	50,750,201	-13,817,545	112,216,171
Total	**94,366,170**	**19,594,857**	**25,723,634**	**47,451,905**	**97,324,253**	**(13,817,545)**	**270,643,274**
Liabilities							
Due to banks and financial institutions	2,993,851	-	561,315	-	-	-	3,555,166
Due to customers	116,804,511	23,575,434	18,678,678	69,611,344	6,091,162	-	234,761,130
Other liabilities	2,081,889	9,466	26,197	608	-	-	2,118,160
Subordinated capital	-	-	-	-	8,651,963	-	8,651,963
Total	**121,880,251**	**23,584,900**	**19,266,190**	**69,611,952**	**14,743,125**	**-**	**249,086,419**
Guarantees and commitments	1,567,336	3,466,788	4,318,202	8,599,943	9,988,430		**27,940,699**
Liquidity risk at 31 December 2014	**(29,081,417)**	**(7,456,831)**	**2,139,242**	**(30,759,990)**	**72,592,698**	**(13,817,545)**	**(6,383,844)**
Cumulative	**(29,081,417)**	**(36,538,248)**	**(34,399,006)**	**(65,158,997)**	**7,433,701**	**(6,383,844)**	

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risks (continued)

							31 December 2013
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Non-specific**	**Total**
Assets							
Cash and cash equivalents	35,394,832	-	-	-	-	-	35,394,832
Restricted balances	24,527,024	-	-	-	-	-	24,527,024
Investments held for trading	1,305,677	13,301	2,353,263	10,627,631	29,568,094	-	43,867,966
Held-to-maturity investment securities	4,031,145	2,206,147	9,207,414	23,796,971	26,644,251	-	65,885,928
Loans and advances to customers	16,466,861	10,493,622	16,329,726	32,536,440	52,415,962	(11,896,763)	116,345,848
Total	**81,725,539**	**12,713,070**	**27,890,403**	**66,961,042**	**108,628,307**	**(11,896,763)**	**286,021,598**
Liabilities							
Due to banks and financial institutions	4,049,185	-	561,609	-	-	-	4,610,794
Due to customers	104,206,427	30,673,809	28,889,252	79,321,947	7,174,266	-	250,265,701
Other liabilities	3,205,205	29,658	1,000	-	-	-	3,235,863
Subordinated capital	-	-	-	-	8,805,963	-	8,805,963
Total	**111,460,817**	**30,703,467**	**29,451,861**	**79,321,947**	**15,980,229**	**-**	**266,918,321**
Guarantees and commitments	245,232	2,134,768	2,730,801	4,850,913	6,280,462		16,242,176
Liquidity risk at 31 December 2013	**(29,980,510)**	**(20,125,165)**	**(4,292,259)**	**(17,211,818)**	**86,367,616**	**(11,896,763)**	**2,861,101**
Cumulative	**(29,980,510)**	**(50,105,675)**	**(54,397,934)**	**(71,609,752)**	**14,757,864**	**2,861,101**	

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the 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.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

34. CAPITAL MANAGEMENT

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of Albania and (ii) to safeguard the Group's ability to continue as a going concern

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23 December.1997 "On the Bank of Albania", and "Banking Law of the Republic of Albania".

Capital Adequacy Ratio

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets and off balance-sheet items, expressed as a percentage. The minimum required Capital Adequacy Ratio is 12%.

The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and off balance-sheet items, expressed as a percentage. The minimum modified capital adequacy ratio is 6%.

Risk-Weighted Assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 50%, 100%, 150%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 12% of the carrying amount.

Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

33. CAPITAL MANAGEMENT (CONTINUED)

	31 December 2014	31 December 2013
Total risk weighted assets	128,283,711	136,051,166
Total risk weighted off balance exposures	1,926,951	2,619,932
Total	**130,210,662**	**138,671,098**
Regulatory capital	24,669,576	30,408,383
Capital adequacy ratio	**18.95%**	**21.93%**

The modified capital adequacy ratio is 12.19% in 31 December 2014 (31 December 2013: 15.23%).

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

Regulatory capital of Supplementary Pension Funds and Investment Funds Management Company (subsidiary of the Bank)

Based on Law no 10197 and 10198 dated 10 December 2009, supplementary pension funds and investment funds Management Companies, should, at any time, maintain a minimum capital of 15,625 thousand Lek, calculated as the net assets of the Fund in the statement of financial position. When the value of funds' net assets under administration of the management company, exceeds the amount of Lek 31,250 million, the management company should increase the capital, to the extent that increase in capital is at least equal to 0.02% of the amount by which the value of funds' net assets under administration exceed the above mentioned limit. However, it is not necessary for the capital to be increased beyond a limit of Lek 1,250,000 thousand. As at 31 December 2014 and 2013, Raiffeisen INVEST is in compliance with legal requirements on regulatory capital.

Regulatory capital of Leasing Company (subsidiary of the Bank)

Based on the regulation of the Bank of Albania "Licencing of Non-banking institutions" the finance leasing activity is included in the activities of non-banking financial institutions and among others, the requirement for minimum capital to start leasing activities is 100,000 thousand Lek. As at 31 December 2014 and 2013, Raiffeisen Leasing sh.a is in compliance with legal requirements on regulatory capital.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Group's management of capital during the period.

35. UNCONSOLIDATED STRUCTURED ENTITIES

Based on IFRS 10 requirements, exposure to variable returns should be well above the exposure from market level asset management fees in order to consider consolidation of the funds managed by the entity, which is not the case for the Group which is entitled to 1.5% of the Funds's net assets value. Further, the Group does not own any investment units either in the pension fund or in the investment funds. The Fund's assets are "ring fenced" from the Administration company (subsidiary of the Group). According to the Albanian legislation on pension fund and investment funds, the legal title on the assets of the Fund remains with the contributors. As a consequence, the Group did not consolidate any of the Funds administered by one of its subsidiaries in 2014 consolidated financial statements. Information about unconsolidated structured entities is as follows:

35. UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

	Year ended 31 December 2014	At 31 December 2014		
In thousands of LEK	Income from the structured entity for the year	Carrying amount of assets of the structured entity	Carrying amount of liabilities of structured entity	Net assets of the structured entity
Prestige Fund	646,292	52,828,052	279,997	52,548,055
Pension Fund	3,100	235,460	2,605	232,855
Euro Fund	150,799	11,213,295	25,574	11,187,721
TOTAL	**800,191**	**64,276,808**	**308,176**	**63,968,632**

36. CONTINGENCIES AND COMMITMENTS

	31 December 2014			31 December 2013
	LEK	Foreign currency	Total	Total
Contingent liabilities				
Bank Guarantees issued	1,310,673	6,024,916	7,335,589	6,812,475
Letters of Credit	-	3,702,307	3,702,307	4,528,392
Unused credit lines	6,745,971	10,156,832	16,902,803	4,901,309
Total	**8,056,644**	**19,884,055**	**27,940,699**	**16,242,176**

Most of the above bank guarantees and letters of credit are for periods of less than one year and are collateralized by customer escrow deposits.

At 31 December 2014, the Bank was involved in litigation proceedings with the General Tax Directorate Albania in relation to a tax assessment performed by the latter during 2013. Total additional liabilities and penalties to be paid by the Bank amount to Lek 673 mln. The additional taxes charged have been challenged from the Bank in the District Court. Based on Law no. 9920 "On tax procedures of the Republic of Albania", the Bank has issued a Bank Guarantee covering the liabilities and not the penalties of the tax assessment for an amount of Lek 530 mln in the favour of Tax Authorities. Management intends to vigorously defend the Bank's positions and interpretations that were challenged by the tax authorities. On the basis of its own estimates and both internal and external legal advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been booked in the financial statements.

Operating lease commitments

The Bank has entered into non-cancellable operating lease commitments for the Head Office and the branches. Such commitments as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Not later than 1 year	376,926	383,490
Later than 1 year and not later than 5 years	550,239	768,199
Later than 5 years	62,586	78,206
Total	**989,751**	**1,229,895**

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Level 3 inputs includes information derived through extrapolation or interpolation that cannot be directly corroborated by observable market data. The significance of a valuation input is assessed against the fair value measurement in its entirety. Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as at 31 December 2014 are as follows:

	2014			
	Fair Value Level 1	**Fair Value Level 2**	**Fair Value Level 3**	**Total**
Loans to banks	-	20,128,723	43,360,507	**63,489,230**
Loans to customers	-	-	112,697,286	112,697,286
Individual	-	-	18,567,427	18,567,427
Corporate	-	-	79,682,562	79,682,562
SME	-	-	9,782,415	9,782,415
Micro - Business	-	-	1,750,506	1,750,506
Employees	-	-	2,914,376	2,914,376
Trading Assets	-	28,517,254	-	**28,517,254**
Financial Investments	-	59,605,075	-	**59,605,075**
Other securities designated at fair value through profit or loss	-	6,841,526	-	**6,841,526**
Due to banks and financial institutions	-	194,890	3,360,277	**3,555,167**
Due to customers	-	-	233,669,736	**233,669,736**
Subordinated Debt	-	-	7,251,731	**7,251,731**
Guarantees and commitments	-	-	33,387	**33,387**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as at 31 December 2013 are as follows:

	2013			
	Fair Value Level 1	**Fair Value Level 2**	**Fair Value Level 3**	**Total**
Loans to banks	-	26,913,259	30,551,799	**57,465,058**
Loans to customers	-	-	116,061,274	**116,061,274**
Individual	-	-	18,817,941	18,817,941
Corporate	-	-	80,907,990	80,907,990
SME	-	-	12,175,715	12,175,715
Micro - Business	-	-	1,835,492	1,835,492
Employees	-	-	2,324,136	2,324,136
Trading Assets	-	43,867,966	-	**43,867,966**
Financial Investments	-	66,284,834	-	**66,284,834**
Due to banks and financial institutions	-	-	4,610,794	**4,610,794**
Due to customers	-	-	246,571,806	**246,571,806**
Subordinated Debt	-	-	7,017,474	**7,017,474**
Guarantees and commitments	-	-	40,421	**40,421**

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Cash and cash equivalents
Cash and cash equivalents include inter-bank placements and items in the course of collection. As these balances are short term and at floating rates their fair value is considered to equate to their carrying amount.

Investment securities
Investment securities include treasury bills and government bonds. The fair value for these investment securities has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. Held to maturity financial assets are classified as level 2 instruments because the market for these bonds is currently less active.

Loans and advances to customers
The Bank's loan portfolio has an estimated fair value approximately equal to its book value due to either their short term nature or underlying interest rates which approximate market rates. The majority of the loan portfolio is subject to re-pricing within a year.

Loans and advances banks and financial institutions/ Due to banks and financial institutions
The estimated fair value of loans and advances and due to banks and financial institutions have an estimated fair value which approximates their carrying amount because of either their short-term nature and underlying interest rates, which approximate market rates.

Due to customers
The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand.

Subordinated debt
The estimated fair value of subordinated debt has an estimated fair value which approximates its carrying amount because of its underlying interest rate, which approximate market rates.

Guarantees and commitments
The estimated fair value of guarantees and commitments, mostly comprise the unamortised premiums received for issuing the guarantees .

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2014 was as follows:

In thousands of LEK	**Fair value**	**Valuation technique**	**Inputs used**
FINANCIAL Assets at Fair Value			
Trading securities			
Albanian treasury bills	1,332	Discounted cash flows ("DCF")	Government bills yield curve ("TBill")
Albanian government bonds	28,339,952	DCF	Government bonds yield curve("TBonds")
Other securities designated at fair value through profit or loss			
Albanian government bonds	6,841,526	DCF	Tbonds

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2013 was as follows:

In thousands of LEK	**Fair value**	**Valuation technique**	**Inputs used**
FINANCIAL Assets at Fair Value			
Trading securities			
Albanian treasury bills	310,962	DCF	Comparable prices from less active markets
Albanian government bonds	43,393,437	DCF	Comparable prices from less active markets

38. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2014:

	Loans and receivables	Other securities designated at fair value	Trading assets	Held to maturity	Total
Assets					
Cash and cash equivalents	40,638,657	-	-	-	40,638,657
Restricted balances	22,850,572	-	-	-	22,850,572
Investments held for trading	-	-	28,517,255	-	28,517,255
Other securities designated at fair value through profit or loss	-	6,841,526	-	-	6,841,526
Held-to-maturity investment securities	-	-	-	59,579,093	59,579,093
Loans and advances to customers	112,216,171	-	-	-	112,216,171
Finance lease receivables	3,222,621				3,222,621
Total financial assets	**175,705,400**	**6,841,526**	**28,517,255**	**59,579,093**	**270,643,274**

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2013:

	Loans and receivables	Available for sale assets	Trading assets	Held to maturity	Total
Assets					
Cash and cash equivalents	35,394,831	-	-	-	35,394,831
Restricted balances	24,527,024	-	-	-	24,527,024
Investments held for trading	-	-	43,867,966	-	43,867,966
Held-to-maturity investment securities	-	-	-	65,885,928	65,885,928
Loans and advances to customers	116,345,848	-	-	-	116,345,848
Finance lease receivables	3,574,694				3,574,694
Total financial assets	**176,267,703**	**-**	**43,867,966**	**65,885,928**	**286,021,597**

As of 31 December 2014 and 31 December 2013, all of the Group's financial liabilities except for derivatives were carried at amortised cost.

39. RELATED PARTIES

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Bank has a related party relationship with Raiffeisen International AG, Raiffeisen Zentralbank Osterreich Aktiengesellshafft, with fellow subsidiaries and its subsidiaries Raiffeisen Leasing sh.a. and Raiffesien Invest sh.a., and with its directors and executive officers.

The Group lends to and received deposits from other related entities. Such loans and deposits are individually insignificant and are generally entered into on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to these related parties were as follows:

	31 December 2014	31 December 2013
Amounts due from:		
Immediate parent company	8,802,373	17,726,555
Other related parties	59,931	25,612
Assets total	**8,862,304**	**17,752,167**
Amounts due to:		
Immediate parent company	(7,390,573)	(7,388,266)
Other related parties	(88,772)	(18,324)
Liabilities total	**(7,479,345)**	**(7,406,590)**

	Year ended 31 December 2014	Year ended 31 December 2013
Net interest expense		
Immediate parent company	(433,138)	(133,733)
Other related parties	37,604	(13,109)
Total net interest expenses	**(395,534)**	**(146,842)**
Net fee and commission expense		
Immediate parent company	(21,378)	(22,715)
Other related parties	(158,430)	(159,074)
Total net fee and commission expense	**(179,808)**	**(181,789)**
Operating expenses		
Immediate parent company	(468,462)	(379,255)
Other related parties	(35,382)	(31,663)
Total operating expenses	**(503,844)**	**(410,918)**
Grand Total	**(1,079,186)**	**(739,549)**

Included in amounts due from Immediate parent is an amount of Lek 5,395,390 thousand (2013: Lek 15,912,700 thousand) whiich relates to deposits with interest rate of 0.9730% (2013: 0.9730%). Included in amounts due to Immediate parent is the Suboridnated debt, which is detailed in note 19.

During the year Raiffesien Bank sha.a. granted a credit line to Raiffeisen Leasing sh.a. for an amount of Lek 3,000,000 thousand. The maturity date of credit line is 31 July 2015. The interest is payable on a monthly basis. The interest rate is 12-month Euribor plus 2.5 % p.a. (2013: 12-month Euribor plus 2.5 % p.a.).

39. RELATED PARTIES (CONTINUED)

Key management personnel

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	2014	2013
Statement of financial position		
Amounts due from	108,518	37,576
Amounts due to	(74,535)	(79,258)
Net balances due (to)/from	**33,983**	**(41,682)**
Statement of comprehensive income		
Wages, salaries and bonuses	(232,940)	(307,192)
Total	**(232,940)**	**(307,192)**

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no other significant events after the reporting date that may require either adjustment or disclosure in the consolidated financial statements.


Raiffeisen
BANK

Raiffeisen Leasing

Raiffeisen Leasing Sh.a has been established for the purpose of enhancing and promoting leasing activities in Albania, and at the same time extending the range of services of Raiffeisen Banking Group in this market.

Raiffeisen Leasing was established in April 2006 and was registered in Commercial Register upon Tirana Law Court decision, number 35733, dated 15/05/2006. Its shareholders are Raiffeisen Bank Sh.a with 75 per cent of shares and Raiffeisen Leasing International GmbH with 25 per cent of shares

During year 2014, Raiffeisen Leasing, managed to maintain its high ranking and further strengthen its position as number one leader in the Albanian leasing market, with more than 45 per cent market share.

Raiffeisen Leasing as the previous year paid dividend to its shareholders. The value of new business in 2014 amounted to € 8.805 million, of which € 6 million were used for vehicle financing, and € 2.8 million for equipment.

The basic products of Raiffeisen Leasing are vehicle leasing and equipment leasing. All leasing products were offered to business segments, both corporate and medium sized businesses, while individuals used these leasing products mainly for personal cars.

Main new business is done with corporate customers 62 per cent, than with SE customers 21 per cent, with Individual customers is done 11 per cent of the business, 5 per cent is done with Micro customers and the rest 1 per cent is done with Special customers (employees).

The goal was mainly focusing on strengthening long-term partnership with clients of Raiffeisen Banking Group, providing them with efficient support they needed in their business. Also, aiming at improving its offer, Raiffeisen Leasing devoted special attention to further strengthening of partnerships and establishing strategic cooperation with the network of the most important dealers operating in Albania.

2014 was another year of challenges for the Albanian automotive market, which marked a fall of more than 15 per cent for the new vehicles. The economic crisis in the neighboring countries and the Albanian legislation, favors the importing of second hand cars, which reflects in the performance of new vehicle market.

By fostering the high professional standards set by its founders, Raiffeisen Leasing provides its clients with superior quality products and services, as well as complete information regarding the structure and simplicity of all transactions involved. Part of its activity is also vehicles remarketing and resale. It is also positioned in the ranks of experts concerning establishment of standards in the resale market due to procedures implemented. However, the company used the know-how and experience of Raiffeisen Leasing International and other leasing companies operating in the region, concerning its products, financial leasing services and marketing. Moreover, the company has full access to the large network of international suppliers of heavy tonnage vehicles, machinery and equipment, with which the Raiffeisen Group keeps stable relations, in order that the existing and prospective customers of the company benefit and realize their plans for investment.

During 2014 was installed the new version 3.4 of Core Leasing System. This helped with new functionality and modules in Core Leasing System and automation of some leasing process which facilitated and improved leasing process. At the end of 2014, Raiffeisen Leasing had 17 employees, providing their clients with prompt and highly competent services.

Raiffeisen Leasing publishes a wide range of printed and electronic materials on its website: **www.raiffeisen-leasing.al.** During 2014, Raiffeisen Leasing has launched marketing campaigns, mainly basing on policies and marketing activities of local concessionaires as key business partners

Raiffeisen Leasing would like to use this opportunity to thank its clients and business partners for the excellent cooperation in 2014 and especially for the trust they laid. It is also especially grateful to its employees for their commitment and efforts expressing the deep conviction that Raiffeisen Leasing team will be able to keep its strong market position in 2015 as well.

Prospect 2015

Thanks to our high professional standards and expertise of the Group which proved to be very strong even in difficult times, Raiffeisen Leasing Sh.a will be in position to actively support the business and investment plans of its clients in 2015 as well, by offering financing of vehicles and equipment. We will stay fully committed to further development of long-lasting cooperation with our clients and dealers and will continue to proactively respond to their needs by developing our range of products and services.

Having in mind the changed business environment, our major objectives will be increasing of new business, improving cross-sales with Raiffeisen bank in all segments, constant improvement of existing products and innovation of new ones, adequate risk management, cost reduction and efficiency improvement. We are fully dedicated to keeping the stability of our portfolio by applying the principle of quality, instead of quantity and strict risk policy.

Our experience and support of Raiffeisen Group, strong capital base and quality portfolio represent a guarantee that we will remain a secure and reliable partner to our clients and dealers in the forthcoming period as well.

Raiffeisen INVEST Sh.a

About Raiffeisen INVEST Sh.a

During 2014, Raiffeisen INVEST remained the only Asset Management Company licensed by the Albanian Financial Supervising Authority to manage both investment funds and voluntary pension funds. In its third year of activity, the assets under management registered 27 per cent growth, exceeding € 456 million, while the number of investors who have trusted their assets to Raiffeisen INVEST was over 32,000 for investment funds and 2,540 for the pension fund.

This development dynamic favored by a low interest rates banking environment indicates a growing interest from domestic investors, mainly for investment funds. The latter provide the public with the opportunity to invest their savings in Lek and Euro in a profitable manner, but also to diversify their financial portfolio outside the spectrum of banking products.

Of the same importance was the role of the Pension Fund, as an effective mechanism for supplementing pension income, increasing savings over the years of contribution.

Some of the advantages of funds compared to other products are the simplicity of the investment process, as well as the high level of liquidity and satisfactory return on investment. During 2014, Raiffeisen INVEST delivered on its promise to generate a net return that exceeded the interest rates that investors could receive from the term deposits offered by the banks, and more importantly this was achieved with very little or no price volatility at all, a reflection of its prudent approach in terms of investment policy and risk management.

Fund Performance

More specifically, during 2014 our funds generated the following net performance (after management fee is deducted):

- Pension Fund: 5.45 per cent,
- Prestige Fund: 5.2 per cent
- Euro Fund: 3.39 per cent

The investment policy approved during 2014 focused on the combination of a prudent liquidity management and satisfactory income generation for Funds investors. The investment portfolios were adjusted in accordance with the above mentioned objective and market developments, resulting in careful selection of financial instruments. Depending on the fund, the portfolio may be invested in different financial instruments in Albanian Lek and Euro, in the Albanian market and/or international markets.

Social Responsibility

In addition to a successful great with regard to growth of assets under management and customers, Raiffeisen INVEST made an important contribution to the Albanian society and economy, through its sponsorship program which was executed in close cooperation with Raiffeisen Bank. This program consisted in substantial donations to charitable organizations, different not-for-profit institutions and various public projects which were aimed at improving the social and economic lives of the Albanian citizens.

2015 Outlook

2015 will likely be another challenging year for the Albanian economy and the financial market in general. The low level of lending despite monetary policy easing and the contraction of consumption can be extended during 2015 and the country's economy may continue to face external risks, particularly related to the poor economic performance of other European economies.

Raiffeisen INVEST will continue to pursue its growth strategy, in line with its medium-term business outlook, with the ultimate goal of improving its financial performance of the company. Its focus will remain on maintaining the performance of the current funds and high levels of service for funds investors. However, special attention will be paid to expanding the product line with new funds, with higher risk profile, giving the investors more diversification opportunities, public education on financial markets and the expansion of private pension market, already supported by the appropriate fiscal incentives.

Raiffeisen INVEST will respond to public demands with a suitable offer of investment products aiming not only the growth of its business but also the development of capital market in the country.

Raiffeisen Bank International at a glance

A leading bank in CEE as well as Austria

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and major multinational clients operating in CEE. All in all, RBI employs about 55,000 staff and has total assets of approximately € 122 billion.

Long-term success story

Raiffeisen Zentralbank Österreich AG (RZB) was founded in 1927 as "Genossenschaftliche Zentralbank". RZB founded its first subsidiary bank in Central and Eastern Europe already back in 1987. Since then, further subsidiaries have been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined into a holding company that operated under the name Raiffeisen International from 2003. In April 2005, Raiffeisen International was listed on the stock exchange in order to finance its future growth efficiently. Today's RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas of RZB.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger. As at year-end 2014, RZB held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.


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Raiffeisen Glossary

Gable Cross

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group and RZB Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. It symbolizes the protection and security that the members of the Raiffeisen banks enjoy through their self-determined collaboration. Today, the gable cross is one of Austria's best-known trademarks and a well-recognized brand in CEE.

Raiffeisen Bank International

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers as well as major multinational clients operating in CEE. All in all, RBI employs about 55,000 staff/employees and has total assets of approximately € 122 billion.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger. As at year-end 2014, RZB held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.

RZB

Founded in 1927, Raiffeisen Zentralbank Österreich AG (RZB) is the central institution of the Austrian Raiffeisen Banking Group (RBG) and acts as group centre for the entire RZB Group, including RBI. RZB functions as the key link between RBG and RBI, with its banking network in Central and Eastern Europe (CEE) and numerous other international operations.

RZB Group

The Group owned and steered by RZB. Raiffeisen Bank International is the Group's largest unit.

Raiffeisen Banking Group

With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, its role as market leader among Austria's banks. RBG's strong market position was achieved through healthy organic growth. RBG consists of *Raiffeisen Banks* on the local level, *Regional Raiffeisen Banks* on the provincial level and *RZB* as central institution. RZB also acts as the link between the international operations of its group and RBG. Raiffeisen Banks are private cooperative credit institutions, operating as universal banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 90 per cent of RZB's ordinary shares.

The Raiffeisen Banks go back to an initiative of the German social reformer *Friedrich Wilhelm Raiffeisen* (1818 – 1888), who, by founding the first cooperative banking association in 1862, has laid the cornerstone of the global organization of Raiffeisen cooperative societies. Only 10 years after the foundation of the first Austrian Raiffeisen banking cooperative in 1886, already 600 savings and loan banks were operating according to the Raiffeisen system throughout the country. According to Raiffeisen's fundamental principle of self-help, the promotion of their members' interests is a key objective of their business policies.