Annual Report 2010

Raiffeisen BANK

Kosovo

Survey of key data

Raiffeisen Bank Kosovo JSC Monetary values are in €mn	2010	2009	Change
Income Statement	**1/1 – 31/12**	**1/1 – 31/12**	
Net interest income after provisioning	28.9	25.6	13.0 %
Net commission income	7.4	6.3	17.9 %
Trading profit	(0.1)	0.2	-142.8 %
Net valuation result financial instruments carried at FV	(0.2)	(1.2)	-79.8 %
Net valuation of equity investments	(0.0)	(0.2)	-89.4 %
Other operating incomes	0.4	0.3	25.7 %
General administrative expenses	(24.7)	(23.7)	4.1 %
Profit before tax	11.7	7.3	59.8 %
Profit after tax	10.2	7.0	44.8 %
Consolidated profit (without minorities)	10.2	7.0	44.8 %
Earnings per share	N/A	N/A	N/A
Balance Sheet	**31/12**	**31/12**	
Loans and advances to banks	166.8	170.2	-2.0 %
Loans and advances to customers	363.8	357.4	1.8 %
Deposits and borrowings from banks	29.7	39.5	-24.9 %
Deposits from customers	550.2	547.8	0.4 %
Equity (incl. minorities and profit)	91.5	81.4	12.4 %
Balance-sheet total	679.2	682.4	-0.5 %
Local Regulatory information			
Risk-weighted assets B1, incl. market risk	433.1	418.5	3.5 %
Total own funds	84.0	75.2	11.7 %
Total own funds requirement	52.0	50.2	3.5 %
Excess cover ratio	61.6 %	49.8 %	23.8 %
Core capital ratio (Tier 1), banking book	18.7 %	16.6 %	12.3 %
Core capital ratio (Tier 1), incl. market risk	18.7 %	16.6 %	12.3 %
Own funds ratio	19.4 %	18.0 %	7.9 %
Performance			
Return on equity (ROE) before tax	13.5 %	9.5 %	41.5 %
Return on equity (ROE) after tax	11.8 %	9.2 %	28.2 %
Consolidated return on equity (without minorities)	11.8 %	9.2 %	28.2 %
Cost/income ratio	58.7 %	53.0 %	10.6 %
Return on assets (ROA) before tax	1.8 %	1.2 %	50.9 %
Net provisioning ratio			
(average risk-weighted assets B2 in banking book)	1.3 %	2.9 %	-54.4 %
Risk/earnings ratio	16.6 %	34.9 %	-52.6 %
Resources			
Number of staff	684	666	2.7 %
Business outlets	50	50	0.0 %

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Introduction by the Chairman of the Supervisory Board

Ladies and Gentlemen,

Although most banking executives remember 2009 as an incredibly intensive year, 2010 raised the bar again for intensity. This time, however, the bulk of our efforts were internal, as we were working on a major reorganization of our Group. Raiffeisen International, the former parent company of Raiffeisen Bank Kosovo, was merged with the principal business areas of Raiffeisen Zentralbank (RZB) to form Raiffeisen Bank International (RBI), which was entered in the commercial register in October. One of the goals of the merger was to combine the dense network of Raiffeisen International in CEE with RZB's product development expertise in the field of corporate and investment banking, thereby generating added value for both our customers and shareholders. In addition, RBI now benefits from even better refinancing opportunities – where Raiffeisen International previously accessed the equities market and RBI used the debt market, the new RBI can now access both.

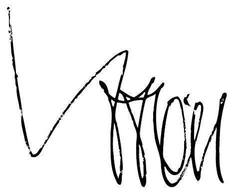
2010 was also the year in which our home market Central and Eastern Europe (CEE) showed the first signs of improvement, after the outflow of liquidity at year-end 2008 and the resulting economic downturn. The sharp declines in growth in 2009 were replaced by a return to real gains in economic performance. Besides the growing stabilization in CEE, economists expect that these markets will return to a higher level of growth than in the eurozone. We expect economic growth in CEE to be around 2 percentage points greater than in the western European economies. The driver for this trend is the continuing high potential for catch-up in the region, which should re-emerge in the long term as Europe's growth zone. Despite the merger and resulting expansion of our area of activity, CEE will continue to be the central focus of our strategy.

Our result for 2010 shows that we took the right countermeasures during the crisis. Despite the continuing slight rise in nonperforming loans, which we expect to finally peak in the course of 2011, the RBI Group achieved a consolidated profit of € 1,087 million. This represents growth of 142 per cent on the previous year, which is a strong performance even by international comparison. The emerging economic recovery, the measures initiated in the current year to improve our efficiency and competitiveness as well as the trust shown by our customers and shareholders give me confidence for our whole group for 2011.

Regarding Raiffeisen Bank Kosovo, I am pleased to say that its general performance was very successful during 2010. Our subsidiary maintained its position as the second largest bank in the market, continued to be the best capitalized bank in the country and offered improved products and services to all customer.

I am also pleased to say that the Kosovo economy has experienced stronger growth than in the previous year with an estimated GDP growth of 4.5 per cent compared to 3.8 per cent in 2009. Raiffeisen Bank Kosovo played an important role in the local banking market, thereby contributing significantly to the country's economic development.

These good results would not be possible without the efforts and high level of professionalism of both employees and management. I sincerely thank all the bank's employees and its Management Board for their hard work and commitment. I also thank our customers for their trust in Raiffeisen Bank Kosovo. We are looking forward to continuing the fruitful co-operation for many years to come.



Heinz Hödl
Chairman of the Supervisory Board

Introduction by the Chairman of the Management Board

While we remember 2009 as a challenging year, I am pleased to inform you that 2010 was very successful for us. We continued to serve all categories of customers, businesses and individuals and offered them a high quality service. Market share and growth at any cost was not our primary goal. We had excellent liquidity within our deposit base and we grew our loan portfolio prudently with a clear focus on the quality, rather than the quantity of loans. As a result of this approach, the profit of Raiffeisen Bank Kosovo significantly improved and we closed the year with a profit after tax of € 10.2 million. In addition, our service range and quality, as well as our good business results, were recognized by the well-known Global Finance magazine, which selected us as the Best Bank in Kosovo in 2010.

Looking at our business segments in more detail, the overall performance of the bank's Private Individual segment was successful during 2010: deposit volumes experienced good growth, and the lending portfolio increased. Risk diversification was the main focus in the Micro Enterprises segment, which also succeeded in increasing its number of new customers especially in small-sized loans. The bank increased access to finance for existing Small Enterprise and Corporate customers with increasingly competitive conditions and an improved level of service. This resulted in an expansion of the customer base, and our Corporate loan portfolio grew by almost 14 per cent.

To support our business activities and to offer high quality banking services to our customers with cutting-edge technology, we continued to invest in our IT and Operations. In recognition of this, we became the first company in the region to be certified by Registered Quality Assurance (LRQA) for ISO 20000.

During 2010, Raiffeisen Bank Kosovo has been very active in supporting various activities in sport, culture, education and social welfare. In fact, our contribution to society has been recognized by the American Chamber of Commerce and the United Nations Development Program which awarded us as "Best Company in Kosovo for Corporate Social Responsibility 2010". This makes all of us very proud working for the bank and such a strong brand.

Finally, I would like to say that these good results and achievements would not be possible without the skills, commitment and loyalty of all the staff. I sincerely thank everyone for their hard work and excellent results. I also warmly thank our customers for their loyalty and valuable business. I can assure them that we will continue to improve our products and services for the benefit of all our customers in 2011.

Robert Wright
Chairman of the Management Board

The Management Board

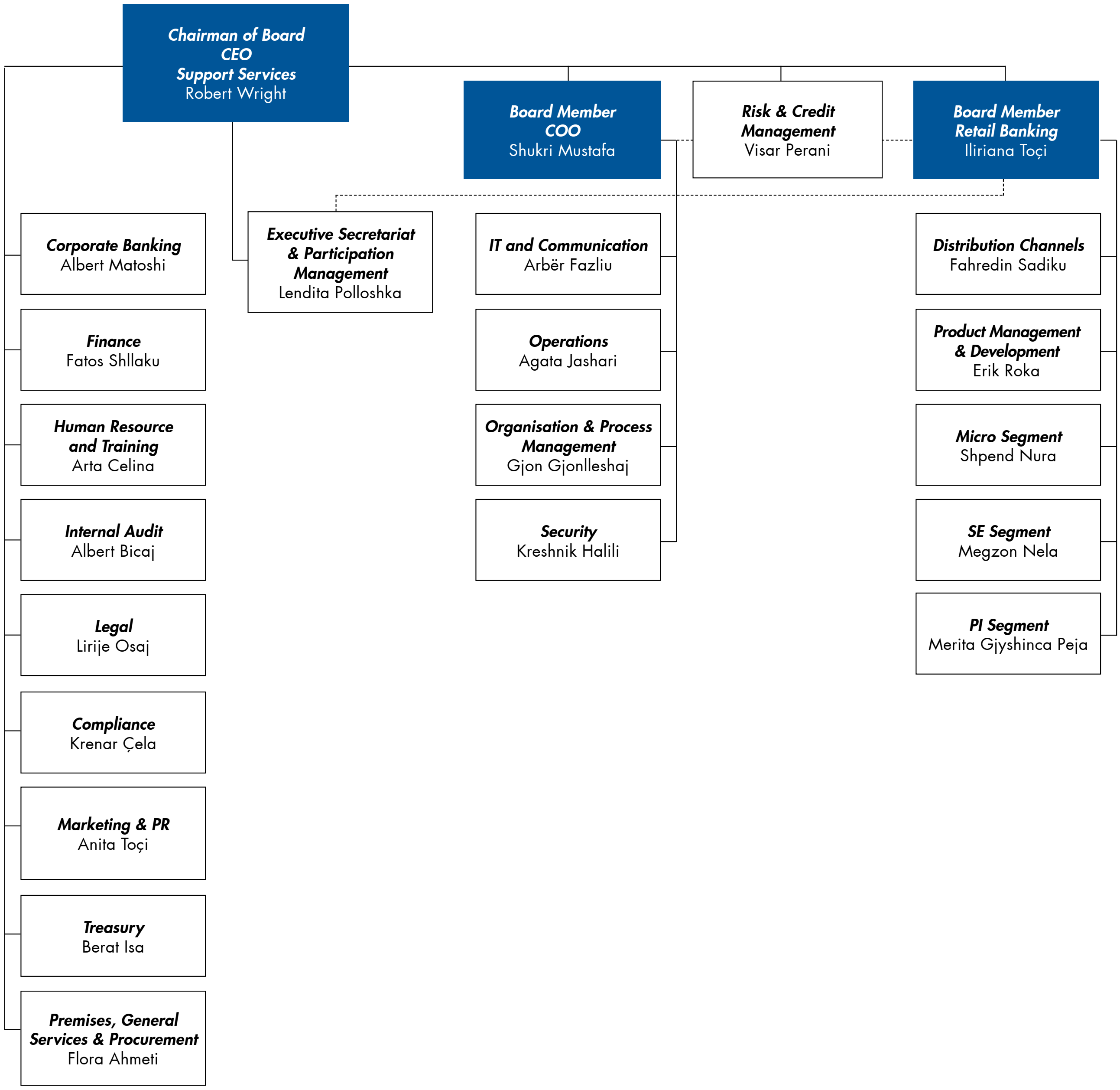
Shukri Mustafa
Management Board Member

Iliriana Toçi
Management Board Member

Robert Wright
Chairman of the Management Board

Organisational Structure of Raiffeisen Bank Kosovo

as at 31 December 2010



Vision and Mission of Raiffeisen Bank Kosovo

Vision
To be the leading universal bank in Kosovo.

Mission
To develop long-term relationships with our customers by providing a wide range of competitive products and a high standard of service.

To be the employer of choice.

Raiffeisen Bank International at a glance

Raiffeisen Bank Kosovo is a subsidiary of Raiffeisen Bank International AG (RBI), a leading universal bank in Central and Eastern Europe (CEE) and one of the foremost providers of corporate and investment banking services in Austria. RBI originated from the merger of the spun-off business areas of Raiffeisen Zentralbank Österreich AG (RZB) with Raiffeisen International Bank-Holding AG. The transaction was legally completed in October 2010. RBI is a fully-consolidated subsidiary of RZB, which owns 78.5 per cent of the bank's common stock. The remainder is in free float, with the shares listed on the Vienna Stock Exchange.

RBI offers corporate and investment banking for Austrian and international companies, an extensive banking and leasing network in CEE for both corporate and retail customers, as well as corporate and investment banking services in Asia and the world's principal financial centres. The group's subsidiary banks are present in the following Central and Eastern European markets:

- Albania Raiffeisen Bank Sh.a.
- Belarus Priorbank, OAO
- Bosnia and Herzegovina Raiffeisen Bank d.d. Bosna i Hercegovina
- Bulgaria Raiffeisenbank (Bulgaria) EAD
- Croatia Raiffeisenbank Austria d.d.
- Czech Republic Raiffeisenbank a.s.
- Hungary Raiffeisen Bank Zrt.
- Kosovo Raiffeisen Bank Kosovo J.S.C.
- Poland Raiffeisen Bank Polska S.A.
- Romania Raiffeisen Bank S.A.
- Russia ZAO Raiffeisenbank
- Serbia Raiffeisen banka a.d.
- Slovakia Tatra banka, a.s.
- Slovenia Raiffeisen Banka d.d.
- Ukraine VAT Raiffeisen Bank Aval

The parent company of these banks is RBI, whose shareholding in them is at or near to 100 per cent in most cases. The Raiffeisen Bank International Group also includes many finance leasing companies (including one each in Kazakhstan and Moldova) and a number of other financial service providers.

In Western Europe and the USA, RBI operates a branch in London and representative offices in Frankfurt, Madrid, Milan, Paris, Stockholm and New York. A finance company in New York and a subsidiary bank in Malta complement the scope of the bank's presence. In Asia, the Group's second geographical focus, RBI runs branches in Beijing, Xiamen and Singapore, a finance company in Hong Kong, as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai and Seoul. This strong presence clearly underlines the Group's emerging markets strategy. In addition to its banking operations, RBI runs several specialist companies in CEE that offer solutions in a wide variety of areas, including M&A, equity investment, real estate development, project management and fund management.

The RBI Group's consistent commitment to quality is regularly reflected by a broad range of local and international awards, including by such leading finance industry publications as "The Banker", "Euromoney" and "Global Finance".

RZB and the Austrian Raiffeisen Banking Group

RBI is a subsidiary of Vienna-based RZB. Founded in 1927, RZB is the steering holding of the entire RZB Group and the central institution of the Austrian Raiffeisen Banking Group (RBG), the country's largest banking group.

RBG represents approximately a quarter of all banking business in Austria and comprises the country's largest banking network, with 527 independent banks and 1,684 branches (year-end 2010). As of year-end 2010, RBG's consolidated balance-sheet total amounted to €255 billion. RBG's three-tiered structure consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. Raiffeisenbanks are private cooperative credit institutions, operating as general service retail banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 per cent of RZB's ordinary shares. The cooperative idea on which the Raiffeisen organisation is based reflects the principles and work of the German social reformer Friedrich Wilhelm Raiffeisen (1818-1888).

www.rbinternational.com
www.rzb.at

Raiffeisen Glossary

Gable Cross

The international Raiffeisen logo is the Gable Cross. It consists of two stylized crossed horses' heads and can be traced back hundreds of years to European folk traditions. It is a symbol of defence against evil and life's dangers and can still be found on rural houses in Central Europe. According to their founder's objectives, Raiffeisen's members have safeguarded themselves against economic hazards by uniting within the cooperative and therefore chose the Gable Cross as an emblem of protection under a shared roof. The logo has developed into an internationally well-known and very positively associated trademark and is in use around the world.

Raiffeisen Banking Group

The Raiffeisen Banking Group (RBG) is Austria's largest banking group by total assets. As per year-end 2010, RBG's consolidated balance-sheet total amounted to more than €255 billion. It represents about a quarter of all domestic banking business and comprises the country's largest banking network with more than 2,200 business outlets and 23,000 employees. 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 general service retail banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 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.

Raiffeisen Bank International

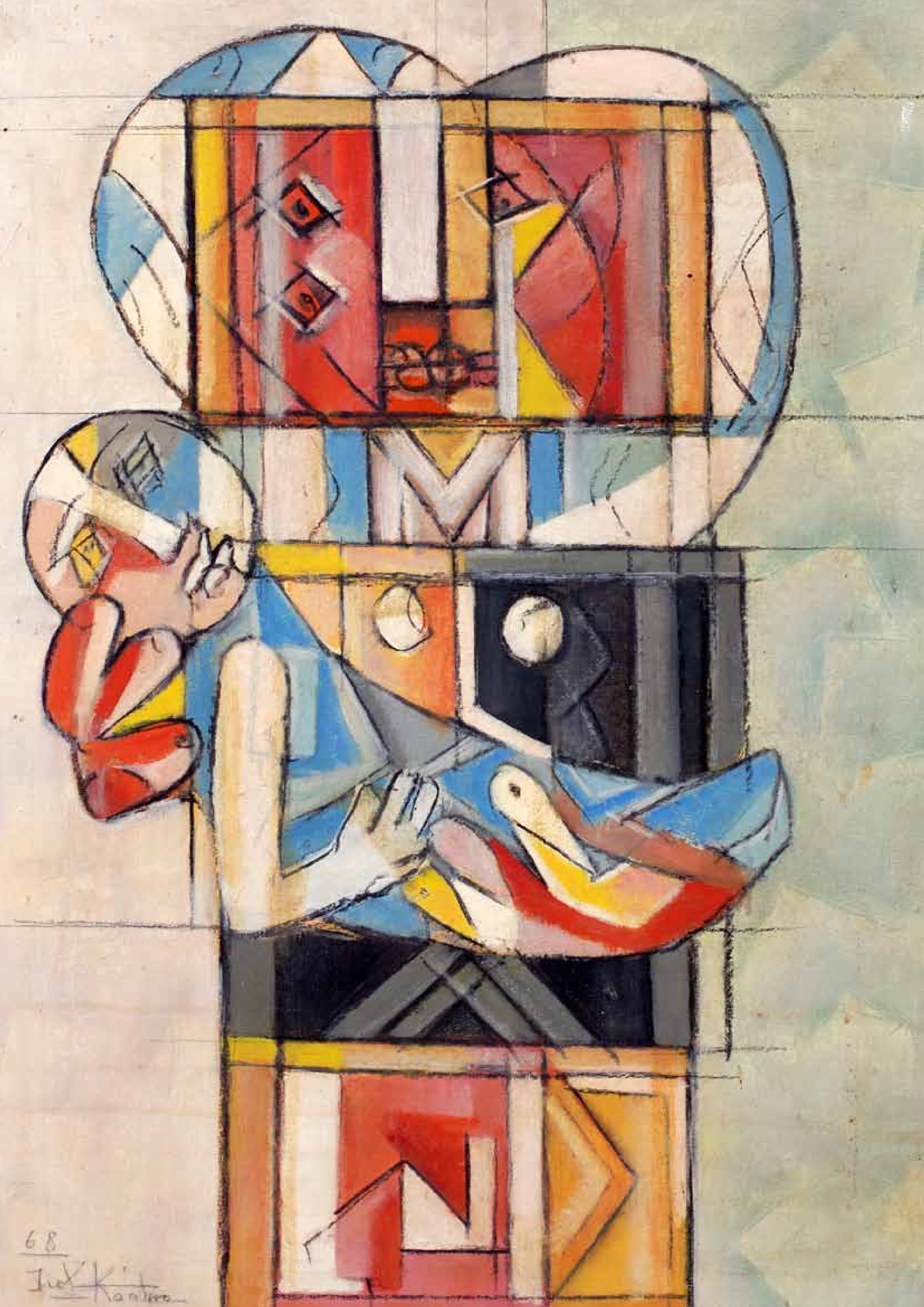
Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market and core region. In CEE, RBI operates as a universal bank through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 countries. In Austria, RBI is one of the leading commercial and investment banks. It is also present in the world's financial centers and has branches and representative offices in Asia. As of year-end 2010, some 60,000 employees served around 14 million customers in about 3,000 business outlets. The group's total assets amounted to €131.2 billion.

RBI resulted from the merger of Raiffeisen International Bank-Holding AG (RI) with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB) in autumn 2010. By securing its good access to retail and corporate customers and merging the product ranges of RI and RZB, RBI has strategically realigned itself as a universal banking group in its core CEE region. Up-to date risk management and substantially improved access to the capital market and all of products ensure that the bank is well-equipped for future growth and to meet future challenges.

RBI shares, which are included in the ATX, the DJ Euro Stoxx Banks and other major indices, are traded on the Vienna Stock Exchange. Approximately 21.5 per cent of the shares are held by international investors, mainly in the UK and the USA, as well as by Austrian private investors. The remaining shares (approximately 78.5 per cent) are held indirectly by RZB. With its long-term "A" (S&P, Fitch) and "A1" (Moody's) ratings, RBI is also a regular issuer of debt securities.

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 the Austrian Raiffeisen Banking Group 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.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The Macroeconomic Environment in Kosovo

Note: The overview is based on the reports from the Central Bank of the Republic of Kosovo and World Bank.

Economic and political overview

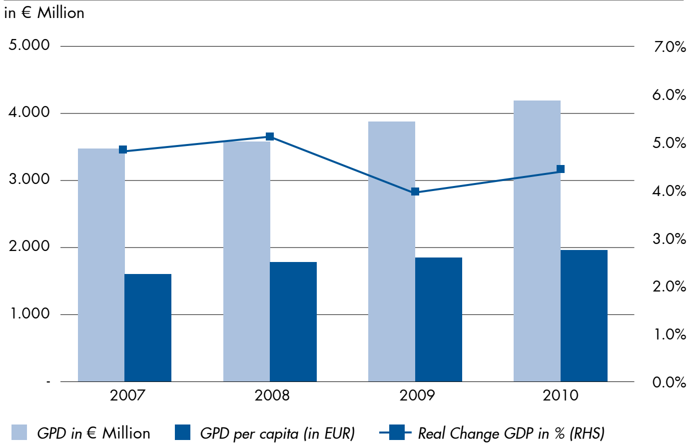
In line with worldwide development, the economy of Kosovo has regained some strength and is growing steadily. Remittances and Foreign Direct Investments have at best stopped dropping, while exports have almost doubled compared to 2009. Bank lending has relaxed to business and household economies and it is seen as the end of the financial crisis.

There is still reason for scepticism, domestic production remains at a low level and dependency on imports for covering basic needs continues to generate a negative trade balance. From a political standpoint, the year contained some groundbreaking developments. In July the International Court of Justice decided that the unilateral declaration of independence in 2008 was in accordance with international law. Consequently, in September, the Security Council of the United Nations gave a mandate to the EU to facilitate a dialogue between Kosovo and Serbia. In November, the European Commission published its progress report for Kosovo, according to which, apart from some minor improvements, most of the expectations set by the European Commission were not met. In December 2010, the national elections took place in Kosovo.

Output

The real sector in the Kosovar economy has experienced a stronger growth in 2010 than in the previous year. The GDP recorded a growth of estimated 4.5 per cent in 2010 whereas the growth in 2009 was 3.8 per cent. It should be emphasized that in 2010, the main economic aggregate does not indicate government spending but just the private sector. Relaxed lending and remittances have allowed private consumption and investment to rise. Public expenditures were mainly made in road infrastructure. In comparison, the neighboring countries have experienced a lower economic growth and a depreciation of their local currency.

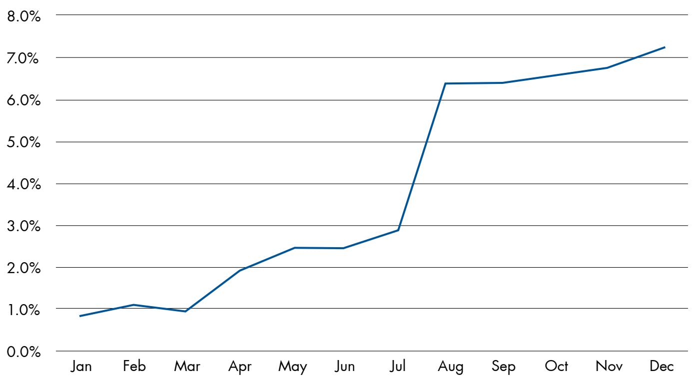
GDP information



Consumer Price Index

In December 2010, the inflation annual growth was 3.5 per cent. Only during the last two quarters, the inflation average monthly growth rate of 6.1 per cent - a trend that is expected to continue also during the first quarter of 2011. Main forces for the inflation are higher fuel prices (+15.9 per cent annually), higher costs for foods (+4.8 per cent annually) and for transportation.

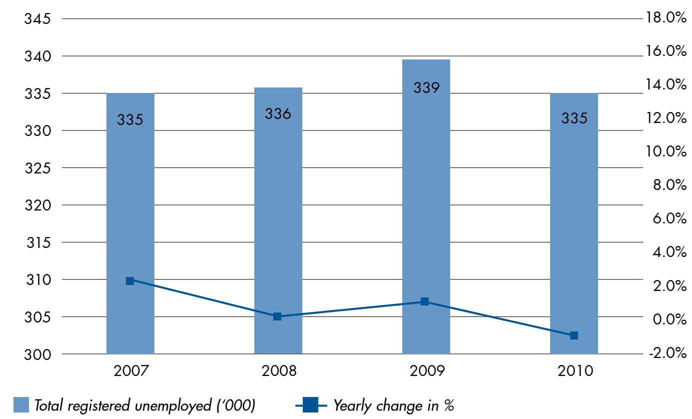
2010 Consumer Price Index in %, YoY



Employment

Despite a minimal decrease of 1.1 per cent, the unemployment in Kosovo persists at a high level of 45 per cent of the population (Statistical Office of Kosovo). The same percentage of the population lives below the national poverty line. An attempt to ease this social problem is through fostering entrepreneurship as a means for self-employment, whereas the private sector is the biggest employer in the Kosovar economy.

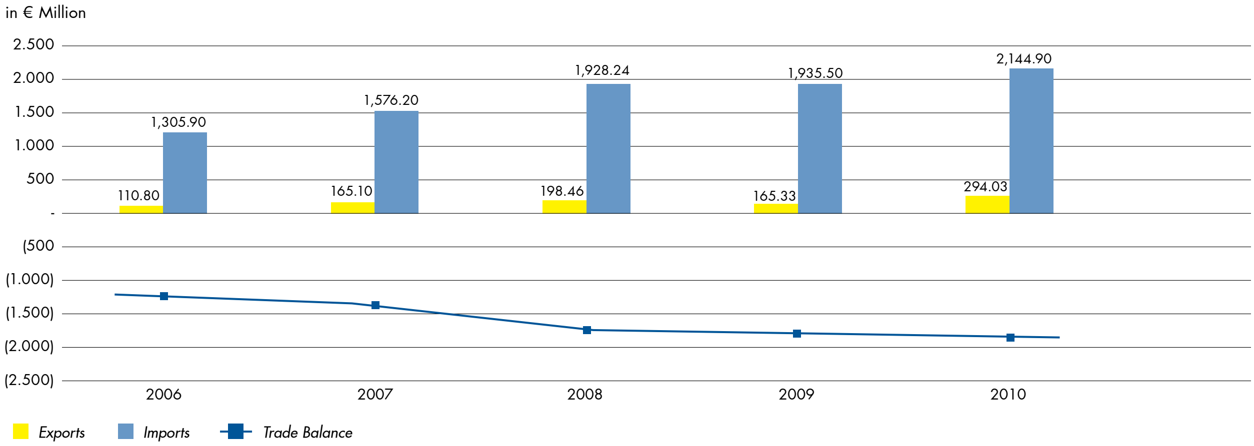
Registered Employment Information



Trade Balance

After a rapid growth, exports declined sharply in 2009, but Kosovo increased its exports in 2010 by 78 per cent close to € 300 million. Trade with Kosovo is considered like expanding, taking into consideration that also imports have reached a value of over € 2.1 billion. Still, Kosovo's economy is highly dependent on imports (ratio of imports to exports is 7:1), which makes the price development in the Kosovar market highly vulnerable to global shifts. The limited integration with regional and global financial markets guarded Kosovo from intense exposure to the global financial crisis, but it is also limiting an attraction of large-scale foreign investments. Remittances remain a crucial pillar for financing Kosovo's economy.

Trade Balance of Kosovo

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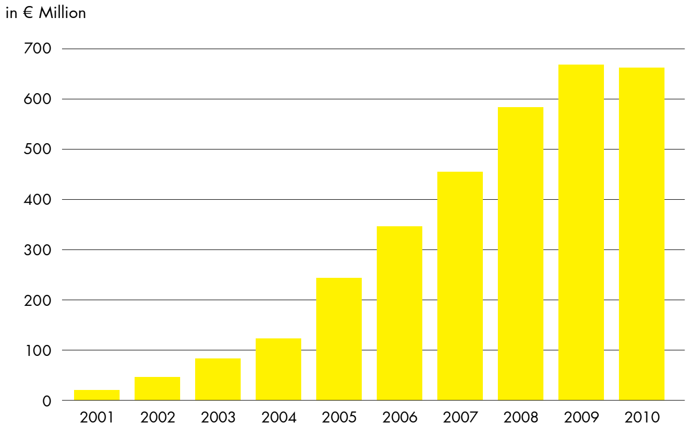
Raiffeisen Bank Kosovo Overview

Note: The analysis is based on preliminary unaudited figures for the market, but final audited figures for Raiffeisen Bank Kosovo.

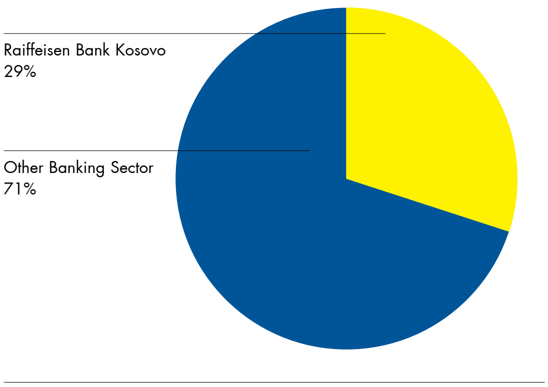
Raiffeisen Bank Kosovo continued to maintain its position as one of the two leading banks in the Kosovo market during 2010. The Bank had excellent liquidity within the deposit base and grew the loan portfolio prudently with a big focus on the quality rather than quantity of loans. Following this approach, the profit of the Bank improved significantly and it closed the year with a profit after tax of € 10.2 million.

At the end of December 2010, Raiffeisen Bank Kosovo had total assets of € 679.2 million. The Bank's market share was calculated to be 29 per cent of the total banking asset market in Kosovo.

Total Assets

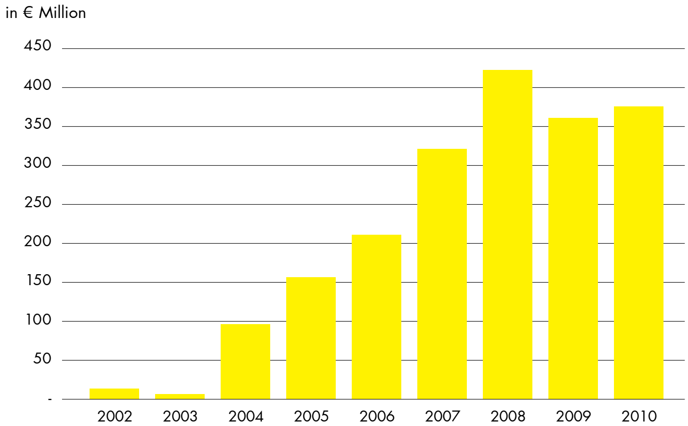


Total Assets - Market Share

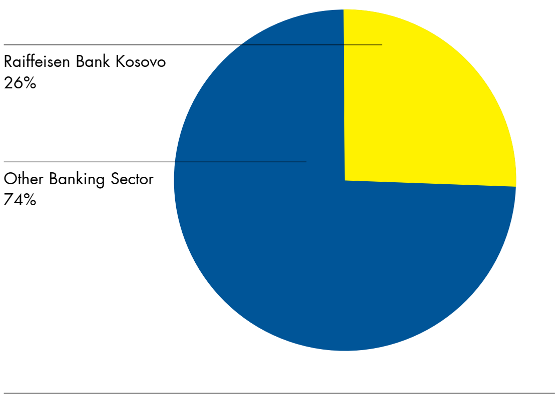


Gross loan and overdraft portfolio in 2010 was € 391.9 million (2009: € 381.2 million). The Bank's market share in the loans and overdrafts market was 26 per cent of the total banking sector in Kosovo.

Loans and Overdrafts (Gross)

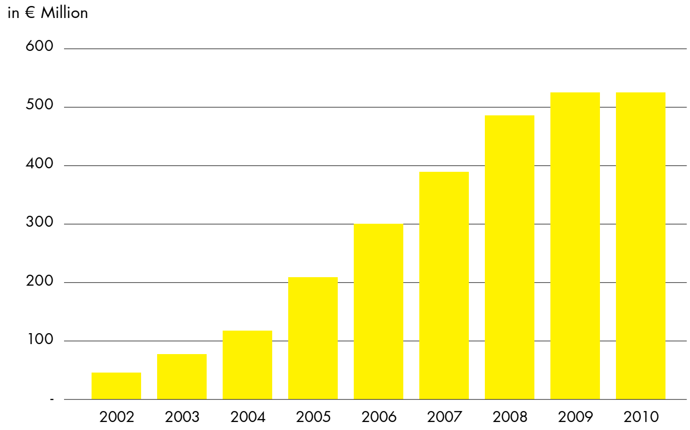


Loans and Overdrafts Market Share

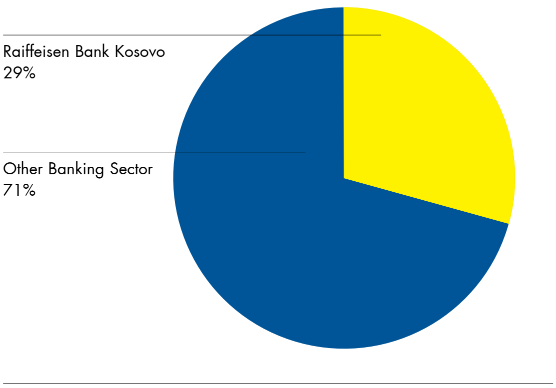


Deposits of customers in 2010 were € 550.2 million (2009: € 547.8 million). The Bank's market share in the deposits market was 29 per cent of the total banking sector in Kosovo.

Total Deposits

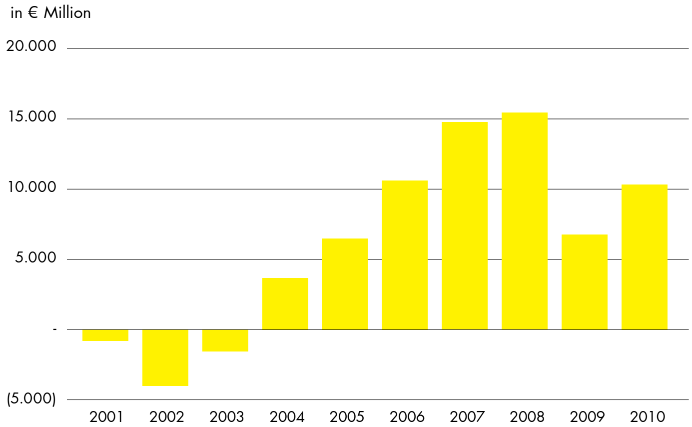


Deposits - Market Share

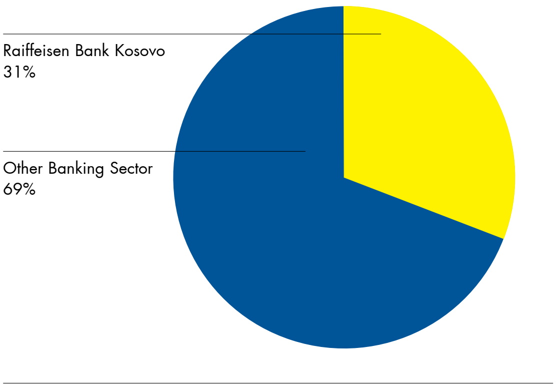


2010 was a profitable year for Kosovo. The net income after tax in 2010 was € 10.2 million, a significant increase compared with the year 2009 (2009: € 7.1 million). It resulted in the increase of the market share from 18.2 per cent that was in 2009 to 31 per cent of the total profit market share in banking sector in Kosovo.

Net Income After Tax

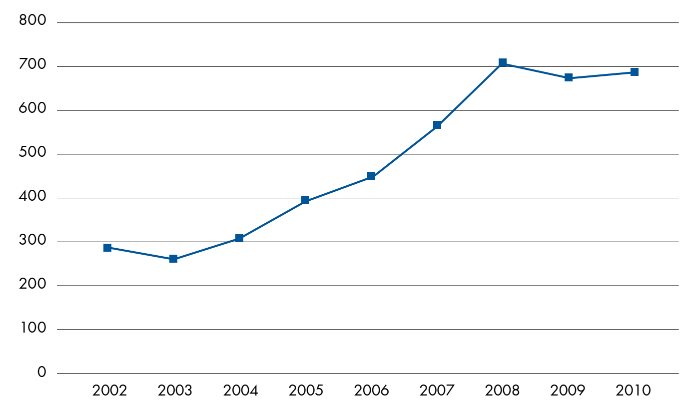


Net Income After Tax - Market Share

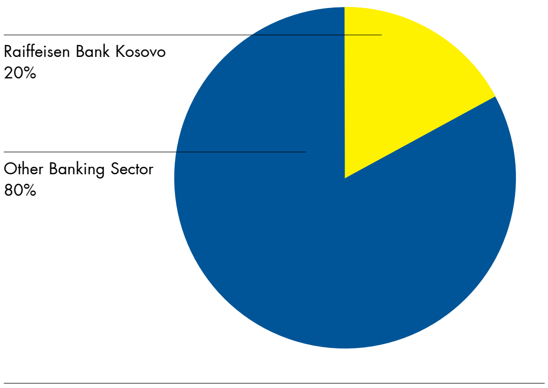


Raiffeisen Bank Kosovo continued to remain one of the largest employers, representing 20 per cent of the total employment market in banking sector in Kosovo. The total number of employees in Raiffeisen Bank Kosovo as of 31 December 2010 was 709 employees (this number is in accordance with the Central Bank of the Republic of Kosovo (CBK) which are comparable with the market, but different from the summary page which is based on RBI standards).

Number of Employees

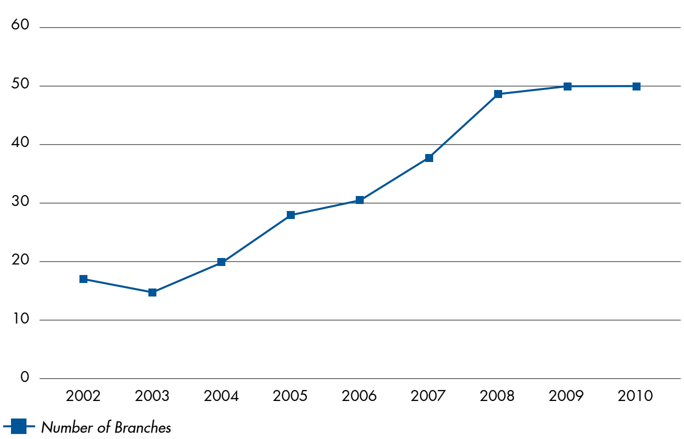


Number of Employees

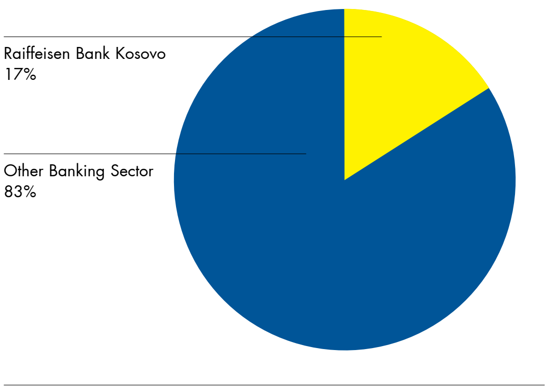


As of 31 December 2010, Raiffeisen Bank Kosovo operated 50 business outlets covering the whole territory of Kosovo. Its multichannel strategy enabled smooth distribution of products and services to its customers. The branch network consisted of 50 out of which eight main branches, 40 sub branches, one premium banking office and one corporate office. The branch network of Raiffeisen Bank Kosovo represents 17 per cent of the total branches in the banking sector in Kosovo.

Number of Branches



Number of Branches



Corporate Banking

The year 2010 was another successful business year for Corporate Banking in all aspects. Raiffeisen Bank Kosovo maintained its key position in the corporate segment by being a strong supportive pillar to Kosovan businesses. As in previous year, the Bank has further increased the corporate loan portfolio, the number of customers, and the service quality. The corporate loan assets grew by 15 per cent compared to previous year while the number of customers increased to 550, an increase of 10 per cent.

In 2010, the Bank responded very successfully to its customers' needs in a not so easy business environment by offering them a wide range of products and services. Apart from standard services, such as: domestic and international payment services, credit cards and electronic banking, term deposits, treasury transactions, the bank has offered various types of corporate loans including loans for privatization which is another fact for bank's strong commitment to supporting local economy.

On the product side, the Bank has developed a cash management product with focus on enhancing of cash management service to our customers that include local and international transactions, the bank cards, e-banking, all kind of payments, etc. It will be followed by the development of new credit cards for corporate customers and other products in accordance with market needs. Furthermore as part of sales management activity and in order to promote cross-selling, improve service quality and speed up sales processes, the Bank has successfully implemented sophisticated Customer Relationship Management technology (CRM). The CRM tool increases the efficiency of the internal processes and improves access to customer related information. It also provides a high level of automation of many sales processes thus leading to reduced administrative work and more efficient business processes. Finally, it supports building relationships with the customers that are part of Raiffeisen Bank International mission as a customer orientated relationship bank.

With a strong focus on improving existing and developing new and innovative products, the corporate business will continue to offer secure financial solutions to its customers through attractive products. It will enable the Bank to maintain the leading position in the market over next years as well.

Treasury

Kosovo still remains under-developed as far as treasury products and money management is concerned. The overall banking sector funding is based on local deposits, and thus so far the banking sector has been able to lend solely on the funds from deposits collected from households and firms in Kosovo.

Wholesale funding and interbank cooperation on Money Market and interbank lending has improved in 2010. However, the interchange of liquidity between banks is limited due to lack of systems and laws in place for collateral exchange for lending versus security and repo. Mostly, the lending between banks in Kosovo has been unsecured and subject to the credit limits constraints

The maturity of the deposits remained short term overall in the banking sector, therefore the interest rate mismatch and maturity mismatch is symptomatic to the banking market in Kosovo. However, the composition and majority of deposits are known to have exceptionally high stickiness which improves the real liquidity mismatch.

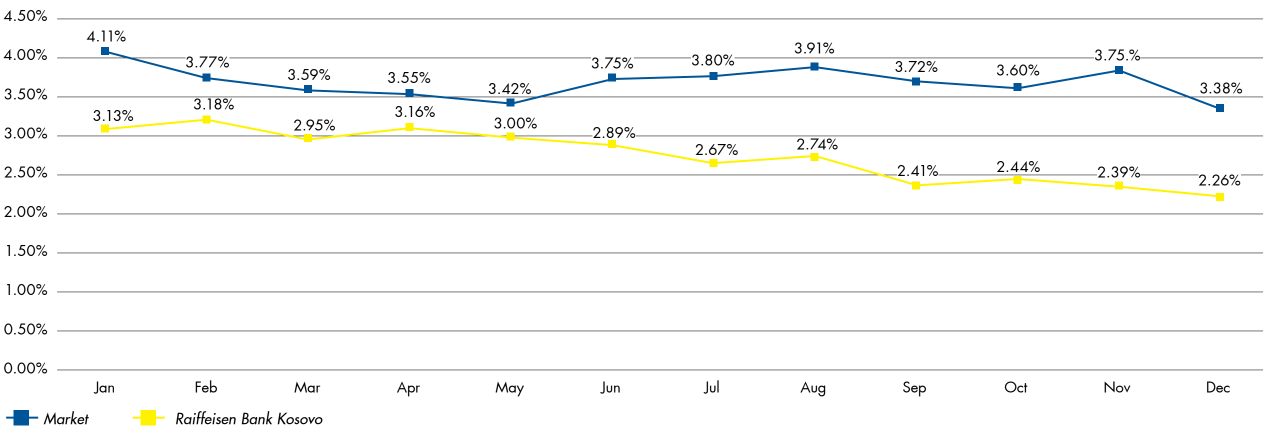
Raiffeisen Bank Kosovo Treasury

Money Market and Cost of Money

2010 was successful as far as collection and consolidation of deposits is concerned. The Bank managed to retain its core deposit customers. Following the increased trust in the financial system, especially the brand of Raiffeisen Bank Kosovo, and constrained lending activity, the Bank's liquidity increased more than in the preceding periods.

The prudent asset and liability management made possible for the Bank to keep the lowest cost of funds in the market compared to the competition (local market), which in turn enabled lower lending rates for certain products.

Cost of Funds



However, the liquidity costs of Kosovo remain high due to the Euro interest rate curve. The liquidity costs are high mainly due to Kosovo Country risk parameters.

Bonds

After the out-break of the worldwide financial crisis, the Bank decided to allocate part of its interbank money market bank assets into sovereign bonds. In 2009, the allocation as per yearend figures was € 33.4 million. This figure increased only slightly in 2010 to € 39.9 million. The bonds are OECD (Organization for Economic Co-operation and Development) member countries issue, and were acquired with Held to Maturity and average duration of two to three years in risk concentration of best rating available.

Financial Derivatives

The Bank's interest rate swaps portfolio stands at € 14.7 million. The portfolio of interest rate swaps is used for partial hedge of the fixed lending book at maturities longer than four to five years. This portfolio is still active as of the year end 2010.

Institutional funding

Institutional funding remained an important source of long-term liquidity during 2010. However, due to the balance sheet increased liquidity, the Bank did not envisage increasing its funding from non-deposit funding. Although still a small portfolio, Raiffeisen Bank expanded the possibility to access the long term funding of its liquidity. In addition, institutional funding enabled technical assistance, which in return helped us implement some important environmental projects in 2010.

In the medium term future, it is expected that the most significant source of long term funding will come from supranational institutions. In the future, it will help to alleviate the pressure on the increase of interest rates on deposits. The highly respected institutions are long-term partners of Raiffeisen Bank International. The long term funding will enable the Bank to enter into longer term projects.

Liquidity and Risk Management

The overall liquidity and interest risk management of the Bank are the responsibilities of the treasury department. The deposit growth has shown a substantial increase while the loan book growth has been reliable. The combination has produced increased liquidity levels for the Bank has prudently remained about 34 per cent of liquidity, ensuring profitable growth of the balance sheet. The eligibility to do repos with the parent using our existing bond portfolio enables strong counterbalancing capacity for our liquidity gapping positions.

in € Million	Dec 2007	Dec 2008	Dec 2009	Dec 2010
Total Assets	*477*	*601*	*672*	*678*
**Liquidity including Bonds*	*140*	*161*	*232*	*233*
Liquidity as per cent of Total Assets	*29%*	*26%*	*34%*	*34%*

The liquidity amounts do not include the CBK account balance and cash held in distribution channels in Kosovo

The internal controls and additional risk control tools established by Raiffeisen Bank International risk management enable controlled risk management of the overall treasury operations.

Foreign Exchange Business

Foreign Exchange business produced more than € 1.3 million in revenues in 2010. It is only slightly lower than income in 2009. Despite competition in the market, the Bank's foreign exchange dealing desk is the most profitable desk in the banking industry in Kosovo.

In addition, foreign exchange business has fostered the Bank's turnover in the funds transfer commission income business. It also increased the Bank's capabilities to offer the customers complete solutions to their financial requirements. The Bank has presented a new line of business: working with licensed exchange offices in Kosovo.

in € Thousands	2007	2008	2009	2010
Foreign Exchange income	*1,052*	*1,073*	*1,392*	*1,326*

Kosovo has the Euro as its official country currency. The Euro currency itself imposes limitations on theforeign exchange business.

Retail Banking

Small Enterprises

The Small Enterprise (SE) Segment supports business with an annual turnover from € 1 million up to € 5 million by providing them with the services and financial support. During 2010, with respect to the financing requirements of small enterprises, the Bank increased the access to finance on competitive conditions for the existing SE customers. It also expanded the customer base through offering the high level of service and through financing the new acquired SE customers.
In 2010, the Bank focused in strengthening further the relationship with existing SE customers and developing long-term relationship with the new SE customers. A priority was given to the management of the credit risk through careful evaluation of the credit proposals supported by the segment centralization.

Following the SE application processing system introduced earlier, the SE Segment has started with the measurement of the sub-processes of SE applications approval and disbursements. It will enable the Bank to increase the efficiency of the loan approval and disbursement processes and thus meet the SE customers needs in the best way possible. In addition, in 2010, the current account packages were launched for SE Segment customers. Raiffeisen Bank Kosovo continued to be the leading bank in the market in small enterprises segment by having a considerable market share.

Micro Enterprises

2010 was characterized with the more stable business environment comparing to the previous year and this was followed by a stable and consolidated business in micro segment, as well. The Bank provided banking services to ordinary people and businesses, with a particular focus on self-employed entrepreneurs in different industries and the agriculture sector.

Risk diversification was the main focus of the micro enterprise segment in 2010. Increased number of new customers especially in small ticket loans, market share and decrease of the average loan amount are the results of this successful year. More than 40 per cent of total customers recruited during the year were new customers.

The Bank has continuously developed and upgraded attractive lending methodologies in order to maintain relationship with existing customers and recruit new customers. In addition, the segment has improved processes related to the qualitative lending and customer satisfactions. During 2010, the Bank introduced additional services such as current account packages and financial bundles with the main aim on maintaining the relationship and expanding the cross-selling opportunities.

Agro lending was also a success story in 2010. The agro business has increased by 25 per cent compared to the previous year. The cooperation with farmers' associations, NGO's involved in agro business and other government bodies was outstanding. Moreover, the credit line with KFW continued with the aim of supporting energy efficiency and renewable energy investment purposes for business customers.

Private Individuals

Raiffeisen Bank's private individual segment offers a wide spectrum of banking products and services, standard and tailored, to its private individual (PI) customers. General performance of the Bank's PI segment during 2010 was considered successful: the credit balances has experienced a growth likewise the lending portfolio recorded increase. Only during 2010, there were over € 60 millions loans disbursed to private individual's customers. In addition, 32,000 new customers were acquired; now conceitedly the Bank is serving more than 280 thousand private individual customers.

The Bank has also been focused in developing further the premium banking infrastructure in the entire network with an objective to increase customer satisfaction and product variety. Premium Banking is covering all regions in Kosovo, offering a holistic approach, the provision of tailored products and services to premium customers. The number of premium customers grew by 30 per cent during 2010, from 4500 to 6,200 customers.

Raiffeisen Bank ensured that its premium banking customers have the opportunity to discuss every detail of their financial plans and investment opportunities with their premium relationship manager by providing a private customer service area in the designated premium banking branches/corners. The Premium Banking customers have a range of benefits: personal financial advisor, priority treatment at the Bank branches/dedicated counters all around Kosova, as well as exclusive banking products and services.

Product Management and Development

The current account package was the product that achieved the highest success in terms of retention. This offer consists of a range of different products and services, now presented as one. It was available for three segments: individuals and premium clients, who could choose between three different package contents, while micro and small businesses had the choice of four such.

Likewise, a similar package, called "Financial Bundle", was introduced to the market. It contains credit products, like loans, overdrafts and credit cards, and is offered to individuals, premium and micro clients. This bundle was highly appreciated by the market.

Simultaneously the bundles were accompanied by a review of interest rates and the criteria for all credit products, with the aim to increase the bank's competitiveness.

Credit and Risk Management

Active risk management continued to be one of the crucial areas of Raiffeisen Bank Kosovo. In order to recognize, assess and manage risks effectively, the Bank complies with the Raiffeisen Bank International risk management system. There have been two areas of risk management in 2010 – retail and corporate management. In addition, Raiffeisen Bank Kosovo has established a leasing risk management to support Raiffeisen Leasing Kosovo which is the first leasing company in the country.

Whereas, during 2010, risk management has continued to improve its processes and functions in order to strengthen overall bank performance focusing on collection and workout program, early warning system, and application of Basel II.

Collection and Workout Program

This program has been launched in 2009 and continued to be applied in 2010. It intends to intensify the proactive approach at the portfolio level. This program includes three phases: assessment, intensive care and standard care. It ensures that the current status of collections is first determined and it is decided about a list of measures to be taken accordingly. During 2010, the Bank has invested in Collections activity in form of updating existing systems, further training of staff covering even larger credit exposures and increasing headcount in general in this very important function.

Early Warning System

In order to ensure that the customer loan portfolio is managed properly, Raiffeisen Bank Kosovo followed a process that is based on a clear definition of the risk status of each customer. The assessment of a certain risk status results from the early warning. The early warning consists of a partially automated and IT supported cause and effect analysis based on numerous signals. Early detection of potential problem cases enables the Bank to support customers as early as possible.

The process is divided into the following categories: standard (no need for action), pre-workout (first signs of a potential problem case), and workout (subdivided into phases of early workout and late workout. Depending on the respective classification, the Bank and customer jointly develop measures to minimize the risks. Moreover, depending on the risk status, in addition to the account manager, the Bank offers to the customer the workout specialist who deals and supports the customer further.

Further implementation of Basel II

Basel II approach and rules is being implemented for several years in the Bank. During 2010, the Bank has managed to even formally approve different scorecards that are used for retail customers. Using such sophisticated tools, the Bank will be able to differentiate more among its large pool of retail customers and practically start treating them differently based on score assigned.

Distribution Channels

Branch Network

As of 31 December 2010, Raiffeisen Bank Kosovo operated 50 business outlets covering the whole territory of Kosovo. The Bank outlets feature eight main branches, 41 sub branches and one corporate office. The branch network is accompanied with the other alternative and sophisticated channels that are there to enable the customers have easy and friendly access to the Bank's products and services: mobile bankers/sales agents, mobile/credit bus, Raiffeisen Direct/Call Centre, SMS channel.

In 2010, the Bank relocated four sub-branches. This shift of branches supports Bank's ultimate goal of providing excellent customer services as well as comfortable working conditions for the Bank's employees.

Raiffeisen Direct

Raiffeisen Direct is the 24/7 service that continuously has been one of the key players in support to the overall bank sales strategy. Its specialized staff has contributed remarkably to the sales objectives by providing superior customer service, direct sale and cross selling lending products, deposit products all being considered as highly attractive and easy to approach.

In 2010, Raiffeisen Direct/Call Centre continued to provide superior services, increased sales and build customer trust and value. This channel has expanded its activities by being closely involved in offering retail and micro products to customers such as Top Up Loans, consumer sales through merchants, direct mails, flexible deposits, prepaid cards, loan buying programs. Furthermore, the SMS channel as well as the e-banking help desk was in the focus of Raiffeisen Direct on the service side.

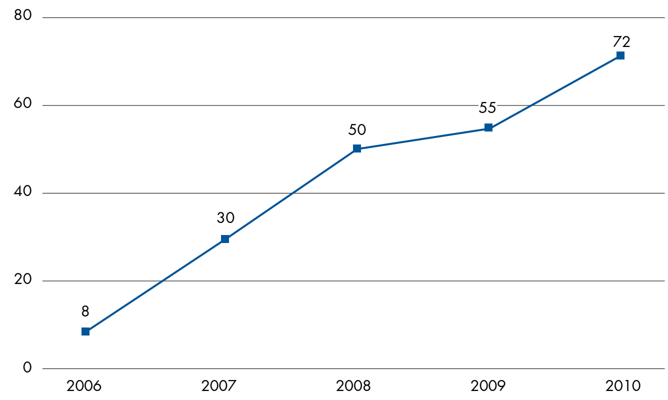
Direct Sales Agents

The Direct Sales Agents (DSA) network consists of its two sub networks: direct sales agents for private individuals and micro businesses. The PI sales agents' network has been established in 2006, and during this period, it has contributed with about 26 per cent of the total sales in PI segment.

In order to improve further the level of customer service, since 2008, the Bank introduced a new sales channel named: micro sales agents. The core objective of this channel is to provide products and services to company customers. This network managed to obtain about 35 per cent of total new micro customers during 2010.

Total number of PI and micro agents being 55 during 2009, reached the number of 72 during 2010, representing an increase of 31 per cent. Overall, this channel has significantly contributed to the Bank's objectives by reaching the customers on the spot.

Number of DSA Agents



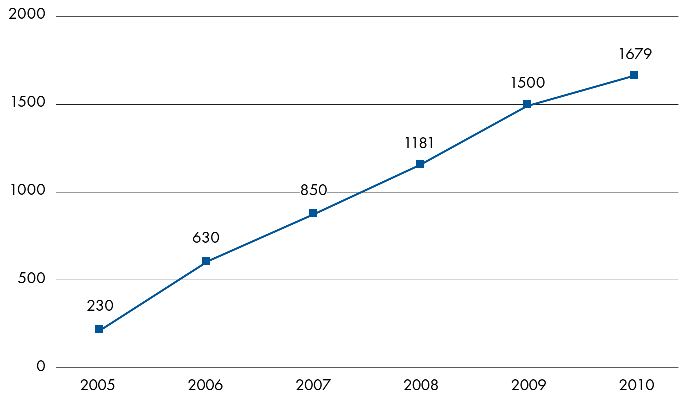
Mobile Bank

Through its unique service in Kosovo market 'Bank on Wheels', Raiffeisen Bank Kosovo offers banking products and services in the areas where the bank is not present with its branches. This channel is mainly present in rural areas and aims to fulfill the needs of customers who are not in a position to approach branches or other alternative channels.

Merchants and POS

The Point of Sales (POS) network expanded further in 2010. The Bank closed the year with the total number of 1,679 POS terminals installed at various merchants. The number of POS transactions increased for 22 per cent compared to the previous year.

Number of POS



The number of merchants that cooperate with the bank for mutual interest of selling different bank products has further increased to 2000 companies/merchants.

Customer Service

To maintain its competitive advantage of offering superior financial services to all its customers regardless of business segments the customers belong to, Customer Service started the Service Excellence Project during 2010 for measuring, monitoring and improving the quality of services. The main benefit of the outcome of the project was the customer of the Bank. By aligning the two major purposes of this initiative, further enhancement of customer experiences with the Bank and the review and simplification of most common processes performed in the branch network a number of activities were performed to identify the most important and valuable indicators of superior service viewed from the customers' perspective.

Following the research performed and internal activities with the branch management and employees as well as comparison with the main competitors in the market, the Bank does not face any major service gaps or issues. However, a number of new ideas were developed to further enhance the service quality leader approach in the banking market. The implementation of new ideas in total has immediately started.

The service measurement tool will enable the Bank to measure and monitor the quality level of its services and ensure that the Banks' customers receive the high level of services in all of the Bank's outlets.

Operations

Cash Management and Treasury Back Office

Treasury Back Office supports Treasury Front Office in:
- Processing of the transactions
- Maintenance Process
- Back Office Treasury Front Sales – Customer Business Foreign Exchange
- Branch Front Sales – Customer Business Foreign Exchange
- Updating the Standard Exchange Rate
- Banknotes Shipment

Treasury Back Office supports the Treasury Front Office Department in processing Front Office deals into the core system, deals on behalf of the Bank's own account and maintenance / monitoring transactions performed by treasury / branch front sales. Deals include both Money Market transactions and also Foreign Exchange transactions.

Payroll Processing

Payroll processing is one of the products that the Bank offers to business customers by processing payroll lists and handling reconciliations. The total number of payrolls processed in 2010 was 4,526 with a total turnover of € 196 million. Compared with 2009, this product has achieved a growth of 9 per cent in 2010.

Collection Accounts

Collection Accounts are services that the Bank offers to business customers who have accounts with Raiffeisen Bank Kosovo. Total number of payments in 2010 reached 273 thousand payments with a total turnover of € 124 million. Compared with 2009, the number of payments showed a growth of 16.7 per cent in 2010.

Cash Management

Cash Management Services include:

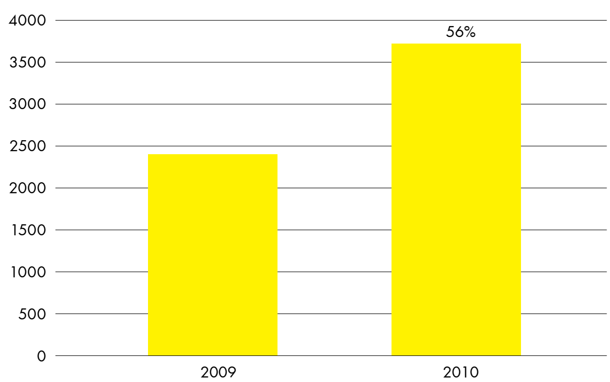
- Cash Transfers between Head Office and Branches
- Cash in Transit CIT
- Depositing and withdrawing in BPK
- Depositing and withdrawing in RBI

Payments

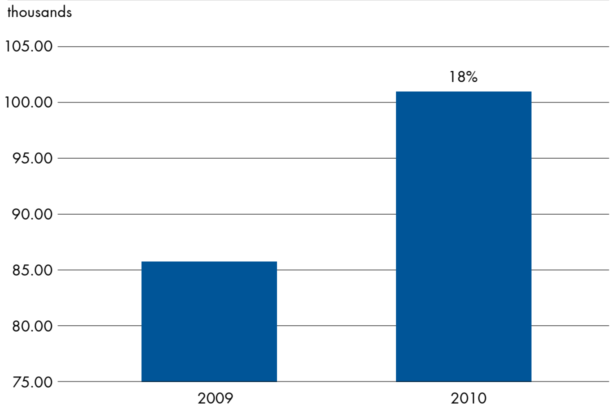
During the 2010, there was an increasing trend on payment area. The number of international payments was 97,622, an increase of 10 per cent compared with 2009. The amount of international payments totaled € 1,472 million or 22 per cent more than in 2009. Local payments increased 94 per cent with 500,424 number of payments and the total amount of these payments amounted to € 2,149 million, an increase of 13 per cent compared to 2009.

The application of the E-banking service had impact in the growth of transactions and users. Below is given a graph which shows the significant growth in 2010. The number of E-banking users increased by 56 per cent compared with 2009 while the total number of transactions increased by 18 per cent).

Number of users



Number of Transactions

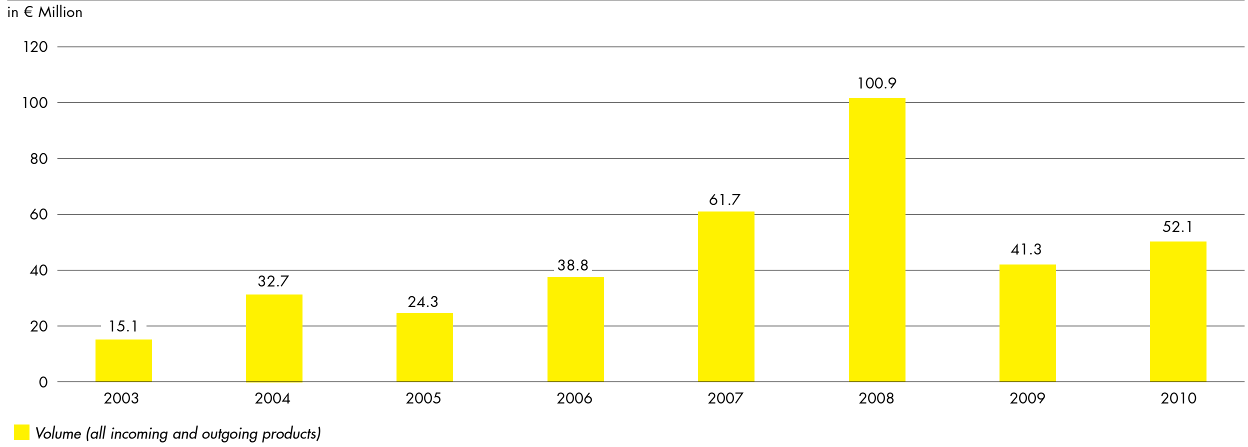


Trade Finance

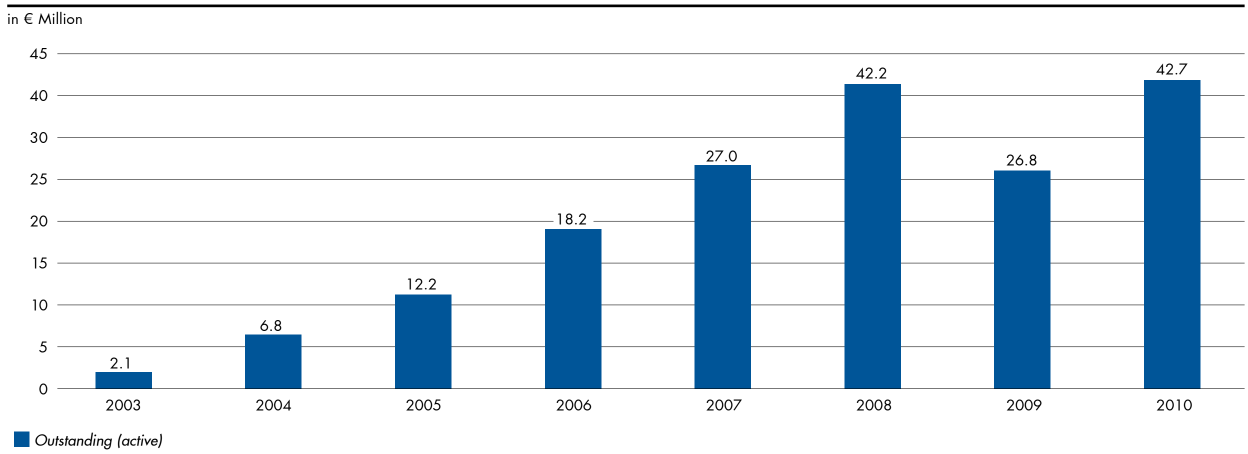
Raiffeisen Bank Kosovo facilitates and finances a significant volume of domestic and international trade by providing trade finance products. During 2010, the volume of incoming and outgoing trade finance products has increased to € 52 million.

As it is shown in the figure below, the outstanding amount of trade finance products at the end of year 2010 reached € 42.66 million.

Trade Finance Products - Volume



Trade Finance Products - Outstanding



Organization and Process Management

2010 for the Process Management has been characterized with expansion in the domain of Cost and Productivity Management. Lean 6 Sigma, process improvement methodology has further developed within the Bank. During the year, lean transformation has been initiated within Bank's operations department. With this strategy, we aim to further increase productivity of the staff as well as further streamline core and supporting processes. Ultimately, meeting and exceeding customers' expectations is part of our objective. From Process and Productivity projects the total savings for 2010 operative year was € 1.3 million.

Furthermore, the Organization Management expended its functionality further. During 2010 Internal Control Systems-ICS functionally was developed within the department. With this functionality, the Bank aims to comply with Raiffeisen Bank International strategy of locating and maintaining effective controls within Bank's processes/sub-processes.

Project Management Office (PMO) continued its development in 2010 with an extensive work in many Group and Local Projects. During the year, PMO has further developed Project Cost Controlling processes, which help project managers, project sponsors, and other stakeholders to better control the project cost, project cost forecasting, and eventually better utilization of the Project budget. Also, PMO in cooperation with HR has initiated Project Management training based on the PMI methodology. For the first time in Kosovo, Project Management Professional (PMP) training was developed on the Enterprise level enabling successful projects managers of the bank to earn PMP Certification, which is world known certification offered from the Project Management Institute.

Personnel Training and Management

The training and development of employees has always been one of the priorities of the Bank. Having into consideration that the Bank employees represent the most valuable asset, the Bank organised many development activities and training that took place in 2010.

During 2010, the number of people who applied to work in Raiffeisen Bank was increased. In total, there were 107 external vacancy announcements while 27 were internal vacancy announcements. Raiffeisen Bank continues to consider internal vacancy announcements as a relevant method to advance the existing employees. The number of applications received were near 7,000 for all the positions advertised externally. This number shows that Raiffeisen Bank Kosovo is considered as Employer of Choice and it is one of the banking institutions where the applicants prefer to develop their career. In 2010 the number of new employees that joined the Bank was 70.

Raiffeisen Bank Kosovo, through its Department of Human Resource and Training had an important role in developing the working power and supporting the development of the best students in Kosovo by being part of projects of different agencies that deal with this area of expertise. In 2010, the Bank supported the competition of the best students in "Business Challenge Case Competition" which was organised by World Education Services (WUS) – Austria. The Bank continued the internship program with best students of several universities in Kosovo. The internship program during 2010 was the largest ever run by Raiffeisen Bank. In addition, at the end of this year, Raiffeisen Bank supported also the program of USAID/KPEP, which aimed to increase the level of employment. Overall the number of students exceeded the figure of 100 students.

Throughout the internship sessions, students were given the possibility to consolidate their theoretical knowledge through practical experience, during which one of the major components was the formation of a solid professional attitude. The ultimate purpose of the internship program was to offer competent, professional, and dedicated entry-level students the opportunity to successfully complete their internship and gain practical work experience. Following completion of the internship program during 2010, several internees were selected and appointed to join the certain departments and branches as full or part time members or in project assignments.

Raiffeisen Bank Kosovo is committed to ensure that its employees develop their knowledge and skills by offering them internal and external training. The Bank offers other possibilities for their development as engagements in other local and international projects. These projects resulted in knowledge improvements in the field of banking products and services as well as in more efficient customer service.

During 2010, 85 per cent of the employees participated in different training programs and workshops. This figures show an excellent achievement of attendance according to European standards with 4.53 training days for one employee in 2010. By expanding the range of training offers and by increasing the number of internal trainers, the Department of Human Resources and Training managed to organize more courses for its employees. During 2010, the number of training days was 3,120 days, whereas 295 sessions took place within the year. Raiffeisen Bank Kosovo cooperates with various training providers in and out of Kosova for specific training programs. Initially identification of Training Needs was done in 2010 in order to have tailored programs to various needs.

In addition to the activities already mentioned, Raiffeisen Bank Kosovo continued to sponsor postgraduate studies and special courses as specific support to capacity building. As a result, three of the Bank staff graduated in 2010 bank sponsored studies. In addition, there were a number of professional courses repeated and also new courses offered to Bank employees on wide range of topics from technical to soft skills training.

The Human Resource and Training Department has been very active in running a series of leisure activities focusing on non-formal Team Building amongst all employees such as: Bank Football Tournament, Football & Basketball tournament through the Sportive Association of the Kosovo Employees, Happy Hours, Bowling, different parties including the New Year all staff party. In Prishtina, a kindergarten continues to function for many children of employees that work in Prishtina. All this contributes to creating a better working environment for Raiffeisen Bank employees.

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Statement of Management's Responsibilities

To the Shareholders of Raiffeisen Bank Kosovo J.S.C.

We have prepared the financial statements as at 31 December 2010 and for the year then ended, which present fairly, in all material respects the financial position of Raiffeisen Bank Kosovo J.S.C. (the "Bank") as at 31 December 2010 and the results of its operations and its cash flows for the year then ended. Management is responsible for ensuring that the Bank keeps accounting records that comply with the Kosovo banking regulations and can be suitably amended to disclose with reasonable accuracy the financial position of the Bank and the results of its operations and cash flows in accordance with International Financial Reporting Standards that include International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for related accounting periods. Management also has a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

Management considers that, in preparing the financial statements, the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that appropriate International Financial Reporting Standards have been followed.

The financial statements are hereby approved on behalf of the Management of the Bank.

Shukri Mustafa	Iliriana Toçi	Robert Wright
Chief Operations Officer	Head of Retail Banking	Chief Executive Officer
Management Board Member	Management Board Member	Chairman of the Management Board

Prishtina, Kosova
29 April 2011

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Independent Auditor's Report

To the shareholders and Board of Directors of Raiffeisen Bank Kosovo J.S.C.

We have audited the accompanying separate financial statements of Raiffeisen Bank Kosovo J.S.C. (the "Bank"), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Kosova sh.p.k

Deloitte Kosova sh.p.k.
Prishtina, Kosova
April 29, 2011

Statement of Financial Position as at 31 December 2010

(in thousands of Euro unless otherwise stated)

	Note	31 December 2010	31 December 2009
Assets			
Cash and cash equivalents and mandatory reserve	6	96,697	106,959
Due from other banks	7	166,837	170,194
Loans and advances to customers	8	363,834	357,355
Investment securities	9	40,190	33,718
Investments in a subsidiary	10	249	268
Other assets	11	2,368	4,403
Leasehold improvements, equipment and intangible assets	12	8,985	9,461
Total assets		**679,160**	**682,358**
Liabilities			
Deposits from customers	13	550,202	547,815
Deposits and borrowings from banks	14	29,688	39,549
Other liabilities	15	6,807	12,587
Current tax liability		-	-
Deferred Tax Liability	22	941	1,015
Total liabilities		**587,638**	**600,966**
Shareholders' equity			
Share capital	16	58,000	58,000
Retained earnings		33,224	23,047
Other reserves		298	345
Total shareholders' equity		**91,522**	**81,392**
Total liabilities and shareholders equity		**679,160**	**682,358**

Approved for issue on behalf of the Management of Raiffeisen Bank Kosovo J.S.C. and signed on its behalf on April 29, 2011

Shukri Mustafa
Chief Operations Officer
Management Board Member

Robert Wright
Chief Executive Officer
Chairman of the Management Board

Statement of Comprehensive Income for the Year Ended 31 December 2010

(in thousands of Euro unless otherwise stated)

	Note	Year ended 31 December 2010	Year ended 31 December 2009
Interest income	17	48,801	56,421
Interest expense	17	(14,209)	(17,168)
Net interest income		**34,592**	**39,253**
Provision for loan impairment	8	(6,230)	(13,110)
Recoveries from loans written off		521	228
Provision for losses on commitments and contingent liabilities	15	(21)	(822)
Net interest income after provision for loan impairment		**28,862**	**25,549**
Fee and commission income	18	10,394	9,142
Fee and commission expense	18	(2,963)	(2,840)
Trading profit/loss		(90)	210
Net valuation result financial instruments carried at fair value-held for trading	23	(240)	(1,186)
Net valuation of equity investments		(19)	(182)
Other operating income	19	389	309
Operating income		**36,333**	**31,002**
Staff costs	20	(9,270)	(9,582)
Other operating expenses	21	(15,410)	(14,131)
Profit before taxation		**11,653**	**7,289**
Income tax expense	22	(1,476)	(260)
Net Profit for the Year		**10,177**	**7,029**
Other comprehensive income			
Valuation result of AFS instruments booked in equity		(47)	139
Total comprehensive income		**10,130**	**7,168**

Statement of Changes in Equity for the Year Ended 31 December 2010

(in thousands of Euro unless otherwise stated)

	Share capital	Retained earnings	Other Reserves	Total shareholders' equity
Balance at 1 January 2009	**58,000**	**16,018**	**206**	**74,224**
Net Profit for the year	-	7,029	-	7,029
Valuation of AFS financial instruments	-	-	139	139
Balance at 31 December 2009	**58,000**	**23,047**	**345**	**81,392**
Net Profit for the year	-	10,177	-	10,177
Valuation of AFS financial instruments	-	-	(47)	(47)
Balance at 31 December 2010	**58,000**	**33,224**	**298**	**91,522**

Statement of Cash Flow for the Year Ended 31 December 2010

(in thousands of Euro unless otherwise stated)

	Note	Year ended 31 December 2010	Year ended 31 December 2009
Cash flow from operating activities			
Interest received on loans		47,742	55,950
Interest received on placements		619	1,156
Interest received on government bonds		322	3
Interest paid		(16,761)	(17,019)
Fees and commissions received		7,431	9,424
Fees and commissions paid		(90)	(866)
Valuation result AFS instruments paid		-	(6,424)
Other income received		594	538
Staff costs paid		(9,050)	(9,409)
Other operating expenses paid		(12,067)	(14,439)
Income tax paid		(1,114)	(4,383)
Cash flow from operating activities before changes in operating assets and liabilities		**17,626**	**14,531**
Changes in operating assets and liabilities			
Net increase / (decrease) in mandatory liquidity reserve		1,063	(5,255)
Net increase / (decrease) in due from other banks		3,386	(65,820)
Net increase / (decrease) in loans and advances to customers		(12,371)	49,214
Net (decrease) in government bonds		(6,213)	(33,269)
Net increase in other assets		788	3,262
Net increase in customer accounts		4,874	53,033
Net (decrease) in deposits from banks		(490)	(1,590)
Net (decrease) in other liabilities		(5,333)	(169)
Net cash flow from operating activities		**3,330**	**13,937**
Cash flow from investing activities			
Payments for leasehold improvements, equipment and intangible assets		(3,002)	(4,826)
Net cash used in investing activities		**(3,002)**	**(4,826)**
Cash flow from financing activities			
Borrowings		-	26,798
Repayment of borrowings		(9,444)	(4,200)
Net cash from/(used in) financing activities		(9,444)	22,598
Effect of exchange rate changes		(83)	83
Net increase / (decrease) in cash and cash equivalents		**(9,199)**	**31,792**
Cash and cash equivalents at the beginning of the year	6	53,954	22,162
Cash and cash equivalents at 31 December (excluding mandatory liquidity reserve)	**6**	**44,755**	**53,954**

Notes to the Financial Statements for the year ended 31 December 2010

1. Corporate Information

The 100% shareholder of Raiffeisen Bank Kosovo J.S.C. ("the Bank") is Raiffeisen Bank International AG (RBI).

At the date of foundation of the Bank and up to February 2003 the Bank was called the "American Bank of Kosovo". During February 2003 the shareholders of the Bank decided to change the name of the Bank to Raiffeisen Bank Kosovo J.S.C. The change of the name was approved by the Central Bank of Republic of Kosovo (the "CBK", formerly known as Banking and Payments Authority of Kosovo - BPK) on 28 April 2003.

The Bank operates under a banking licence issued by the CBK on 8 November 2001. The Bank's principal business activities are commercial and retail banking operations within Kosovo.

As at 31 December 2010 the Bank has 9 branches and 41 sub-branches within Kosovo (31 December 2009: 9 branches and 41 sub-branches). The Bank's registered office is located at the following address: UCK Street No 51,
10000 Prishtina,
Republic of Kosovo

2. Adoption of the New Revised International Financial Reporting Standards

2.1 Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IFRS 1 (revised) "First-time Adoption of IFRS" (effective for annual periods beginning on or after 1 July 2009),
- IFRS 3 (revised) "Business Combinations" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 2 "Share-based Payment" - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),
- Amendments to various standards and interpretations "Improvements to IFRSs (2009)" resulting from the annual improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 18 "Transfers of Assets from Customers" (effective for transfer of assets from customers received on or after 1 July 2009).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Bank's accounting policies.

2.2 Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010),
- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011),
- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

3. Summary of Significant Accounting Policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit and loss, available-for-sale financial assets and derivative instruments, which are carried at their fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

IFRS defines a so-called hierarchy of fair value determination which reflects the relative reliability of different ways of obtaining a fair value:

(a) Active market: Quoted price (Level 1)
Observe quoted prices for identical financial instruments in active markets.

(b) Valuation technique using observable inputs (Level 2)
Observe quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets or use valuation models where all significant inputs are observable.

(c) Valuation technique with significant non-observable inputs (Level 3)
Use valuation models where one or more significant inputs are not observable.
Only if the first best way of determining the fair value is not available may the next best determination method be applied. If possible, the Bank obtains fair values from quoted market prices; otherwise, the next best available measurement technique is applied.

Financial instruments measured at fair value for accounting purposes on an ongoing basis include all instruments at fair value through profit or loss and financial instruments classified as available-for-sale. Details on the applied measurement techniques for the balance sheet positions are part of the accounting policies listed below.

The principal accounting policies are set out below.

3.3 Subsidiaries and consolidation
Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

These financial statements represent the result and financial position of the Bank alone and do not include those of its subsidiary, as detailed in Note 10.

A parent need not present consolidated financial statements if the parent is itself a wholly-owned subsidiary and the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards. The Bank prepares separate financial statements in accordance with IFRS. Interests in subsidiaries are accounted for at cost, less impairment, if any, in the separate financial statements.

3.4 Currency of presentation
In accordance with IAS 21 the Bank's measurement currency used in preparing the financial statements is EUR as it is the currency of the primary economic environment in which the Bank operates and it reflects the economic substance of the underlying events ("functional currency").

3.5 Foreign exchange transactions
Foreign exchange transactions are recorded at the rate ruling at the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of

exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss.

Official exchange rates for major currencies used in the translation of the balance sheet items denominated in foreign currencies were as follows (in EUR):

Compared to EUR	31 December 2010	31 December 2009
1 USD	0.7479	0.6982
1 CHF	0.8002	0.6740
1 GBP	1.1614	1.1259

3.6 Classification of financial assets

Financial assets are classified in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, investments held to maturity and loans and receivables. The classification of financial assets is determined at their initial recognition.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the profit or loss for the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized through other comprehensive income, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss of the period through adjustment. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale is recognized in the profit or loss for the period.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

The investments and other financial assets of the Bank are classified into the following categories:

3.6.1 Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading (“trading assets”), including the derivatives held, and financial assets designated at fair value through profit or loss at inception. The Bank does not apply hedge accounting.

Financial assets are designated at fair value through profit or loss when they are part of a separate portfolio that is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy. The fair values reported are usually observable market prices; as a guideline, the Bank prefers to invest in securities for which market prices in active markets can be observed. Only in rare circumstances is the fair value calculated based on current observable market data by using a valuation technique.

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs, if any, are expensed in the profit or loss. Subsequently, they are carried at fair value. Gains and losses arising from changes in their fair value are immediately recognized in the profit or loss for the period. Together with interest earned on financial instruments designated as at fair value through profit and loss they are shown as "net result from financial assets at fair value through profit or loss".

Purchases and sales of financial assets at fair value through profit or loss are recognized on the trade-date – the date on which the Bank commits to purchase or sell the asset. Financial assets at fair value through profit or loss are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related instruments were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue;
- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in net income from financial assets designated at fair value through profit or loss.

3.6.2 Available for sale financial assets

Available-for-sale assets are those intended to be held for an indefinite amount of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

At initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs, if any. Subsequently they are carried at fair value. The fair values reported are either observable market prices or values calculated with a valuation technique based on current observable market. For very short-term financial assets it is assumed that the fair value is best reflected by the transaction price itself. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognized through other comprehensive income in the position “other reserves”, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss through adjustment. Interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the profit or loss. Dividends, if any, on available-for-sale equity instruments, are recognized in the profit or loss when the entity’s right to receive the payment is established.

Purchases and sales of available-for-sale financial assets are recorded on the trade date. The available-for-sale financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

3.6.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances are initially recognized at fair value, being the cash advanced to borrowers. After initial recognition, these are subsequently measured at amortized costs using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Loans and advances are reported net of provisions for loan losses.

3.6.4. Investments held-to-maturity

Investments held-to-maturity, are deposit investments with correspondent banks and investment in government bonds that the Bank has the intent and ability to hold to maturity. As a result they are classified as held-to-maturity assets.

3.6.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.7 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses arising from changes in fair value of derivatives are included in ‘Gains and Losses from investment securities’ in profit or loss for the period.

The Bank uses derivative financial instruments such as over the counter (OTC) interest rate options and forward currency contracts to hedge its risk arising from fluctuations of market interest rates and foreign currency fluctuations. No hedge accounting is applied for derivative instruments. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value and the change in fair values is recognized in profit or loss.

3.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized through profit or loss for the period within 'interest income' and 'interest expense' using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.9 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

3.10 Impairment of financial assets

(a) Impairment of loans and advances

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;

The estimated period between losses occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists 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. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit and loss.

The calculation of the present value of the estimated future cash flows of a collateralized 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.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). 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 in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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 recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit and loss in impairment charge for credit losses.

(b) Impairment of available-for-sale financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of debt investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit and loss.

3.11 Cash and cash equivalents

Cash and cash equivalents are items which can be converted into cash at short notice (less than three months maturity) and which are subject to an insignificant risk of changes in value. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

3.12 Mandatory liquidity reserves

In accordance with the CBK rules, the Bank should meet the minimum average liquidity requirement. The liquidity requirement is calculated on a weekly basis as 10% of the deposit base, defined as the average total deposit liabilities to the non-banking public in EUR and other currencies, over the business days of the maintenance period. The assets with which the Bank may satisfy its liquidity requirement are the EUR deposits with the CBK and 50% of the EUR equivalent of cash denominated in readily convertible currencies. Deposits with the CBK must not be less than 5% of the applicable deposit base. As the respective liquid assets are not available to finance the Bank's day to day operations, they have been excluded from cash and cash equivalents for the purposes of the cash flow statement.

3.13 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet.

3.14 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items of leasehold improvements and equipment.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

The carrying values of leasehold improvements and equipment are reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of leasehold improvements and equipment is the higher of fair value less costs to sell and value in use. In assessing the 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 assets.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss.

Land is not depreciated. Depreciation of assets is charged on a straight-line basis at prescribed rates to allocate the cost of property and equipment over their estimated useful lives. The annual depreciation rates are determined by the estimated useful lives of certain assets as per the table below:

ATMs, other bank and office equipment	5 years
Computer hardware	3 years

Leasehold improvements are depreciated over the lower of useful life and the lease term.
Depreciation methods, useful lives and residual values are reassessed at balance sheet date.

3.15 Intangible assets
Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are entirely comprised of computer software which is amortized using the straight-line method over their estimated useful life of five years.

3.16 Borrowings
Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings using the effective interest method.

3.17 Provisions
Provisions for legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.18 Employee benefits
The Bank pays only contributions to publicly administered pension plan on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

3.19 Operating leases
Payments made under operating leases are charged to expenses on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lesser by way of penalty is recognized as an expense in the period in which termination takes place.

3.20 Off balance sheet commitments and contingencies
In the ordinary course of its business, the Bank enters into credit related commitments, which are recorded to off-balance sheet accounts and primarily include guarantees, letters of credit and un-drawn loan commitments. Such financial commitments are recorded in the Bank's balance sheet if and when they become payable.

3.21 Income tax
The income tax charge in the profit or loss for the year comprises current tax and changes in deferred tax. Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the balance sheet date. Effective from January 1, 2009, the tax rate on corporate income is set at 10% in accordance with Kosovo tax regulations currently in force, Law no. 03/L-113 "On Corporate Income Tax". Current tax is calculated on the basis of the expected taxable profit for the year using the tax rates in force at the balance sheet date. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes other than income taxes are recorded within operating expenses.

Deferred income tax is accounted for using the balance sheet liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.22 Share capital
Dividends on ordinary shares
Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

3.23 Corresponding figures

In 2010 an accounting reclassification of reporting lines was done, which resulted in reclassification of reporting lines for the year ended December 31, 2009, as well. This reclassification has no effect in the overall result of the statement of comprehensive income for the year ended December 31, 2009, and the management of the Bank believes that this presentation will give a more appropriate reflection on the nature of income and expenses.Following are the reclassification of the statement of comprehensive income for the year ended December 31, 2009:

	Note	As reported prior year	As reclassified
Interest income	17	56,278	56,421
Interest expense	17	(17,425)	(17,168)
Net interest income		**38,853**	**39,253**
Provision for loan impairment	8	(13,110)	(13,110)
Recoveries from loans written off		229	229
Provision/release of provision for losses on commitments and contingent liabilities	15	(823)	(823)
Net interest income after provision for loan impairment		**25,149**	**25,549**
Fee and commission income	18	8,103	9,142
Fee and commission expense	18	(1,897)	(2,840)
Trading profit/loss		1,392	210
Net valuation result financial instruments carried at fair value-held for trading	23	(1,368)	(1,186)
Net valuation of equity investments		-	(182)
Other operating income	19	309	309
Operating income		**31,688**	**31,002**
Staff costs	20	(9,589)	(9,582)
Other operating expenses	21	(14,810)	(14,131)
Profit before taxation		**7,289**	**7,289**
Income tax expense	22	(260)	(260)
Net Profit for the Year		**7,029**	**7,029**
Other comprehensive income			
Valuation result of AFS instruments booked in equity		139	139
Total comprehensive income		**7,168**	**7,168**

3.24 Critical accounting estimates and judgments in applying the Banks accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment charge for credit losses
The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit and loss, the Bank makes judgments 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 Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. 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.

b) Impairment of available for-sale investments
The Bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

c) Impairment of foreclosed assets
The process of calculating impairment loss requires that the management make significant and complex assumptions regarding the projected period of sale of foreclosed assets, their estimated net sales value and the corresponding discount rate, in order to discount to net present value the expected cash flow from sale of specific items of foreclosed properties.

Management of the Bank are confident that the foreclose assets will be sold in a reasonable time frame, with no loss. On the contrary, adjustments will be made in future periods if future market activity indicates that such adjustments are appropriate.

d) Recent volatility in global financial markets
The unprecedented crisis in international financial markets, during 2010 and 2009, did not have a direct impact in the financial sector in Kosovo, as there was no major exposure of the sector abroad. Kosovo banking sector continued its normal operations by relying on lending to the domestic economy, while its main source of finance remained deposits in Kosovo.

4. Financial Risk Management

4.1 Overview

The Bank has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risks
- operational risks.

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

4.2 Risk management framework

The internal controls and additional risk control tools set by Raiffeisen International Risk Management enable the controlled risk management of the overall Bank. The risk management and risk control tools have been set according to the latest risk management know-how. The main Risk Management Tools have been endorsed by Raiffeisen International and are applied for use by the Bank.

From January 2008, the Bank has been complying with and reports based on Basel II requirements at the Group level covering credit and market risks. The standardised approach is being applied so far. Its transformation into the latest approach is in the development phase. The implementation of Basel II requirements should ensure a better management of the capital.

The simple financial and market environment in Kosovo allows for the use of simple analysis method. Future more complex factors and risks in the banking industry will be supported by the development of new methods to better manage them.

Based on the Bank policies, the Bank's total assets are classified and analysed as follows:
- Analysis of assets based on the class of asset / product (the assets are classified based on the Group Product Catalogue);
- Analysis of assets based on the credit quality (the assets are classified based on the Group Directives);
- Analysis of assets in line with the measurement basis;
- Analysis of assets based on age, which means analysis performed for assets that are past due but not impaired;
- Individual analysis of assets determined as impaired by impairment factors;
- Analysis of assets based on the collateral type and with consideration to the recoverable estimated amount;
- Analysis of assets based on the concentration of risks for industry / sector / segment / certain exposure amount.

4.3 Current developments

In 2010 the bank has implemented an action plan on proactive sale after a year of limitations in extending loan portfolio and branch network, which resulted on stagnation of loan portfolio due to overcoming financial and economic crisis. The management of the bank performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as developments on local and international financial markets, applying best bank practices based on bank's strategy. Such analyses are reflected on bank's profitability, liquidity and cost of funds, which continue to be stable and growing also in 2010.

4.4 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a monthly or more frequent review. Limits on the level of credit risk by borrower are approved by Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits, where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

The Bank holds different types of collateral as security for the credit risk. Additionally, other credit enhancement methods are applied. The main types of collateral are listed below:

- Property (land, houses)
- Apartments
- Vehicles
- Equipments
- Personal Guarantee

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank 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 0.5 to 5 in the Bank's internal credit risk grading system.

Past due but not impaired loans
Loans where contractual interest or principal payments are past due but the Bank 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 Bank.

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 Bank 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.

Allowances for impairment
The Bank 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 Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank's 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.

Set out below is an analysis of financial assets which are neither past due nor impaired, based on customer rating:

Rating	2010	2009
0.5	-	-
1	-	-
1.5	-	165
2	35,626	62,853
2.5	42,701	13,493
3	22,016	7,798
3.5	26,613	15,380
4	10,981	28,156
4.5	6,829	5,634
5	-	4
Unrated	3,078	370
Retail	150,766	145,393
Total	**298,610**	**279,246**

The aging analysis on both past due and impaired and past due but not impaired loans and overdrafts is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
2010					
Loans and advances to customers Past Due, but not impaired	4,767	5,879	17,602	30,839	59,087
Loans and advances to customers Past Due and impaired	15,239	421	3,193	15,376	34,229
2009					
Loans and advances to customers Past Due, but not impaired	7,888	5,708	19,625	34,954	68,175
Loans and advances to customers Past Due and impaired	13,957	362	6,992	12,449	33,760

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk as at 31 December 2010 and 31 December 2009 is shown below:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
2010					
Legal Entities	13,662	349	2,797	12,666	29,474
Individuals	1,577	72	396	2,710	4,755
Total Loans and advances to customers impaired	15,239	421	3,193	15,376	34,229
2009					
Legal Entities	12,975	297	6,630	10,436	30,338
Individuals	982	65	362	2,013	3,422
Total Loans and advances to customers impaired	13,957	362	6,992	12,449	33,760

4.5 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities. The Bank is exposed to daily calls on its available cash resources from current accounts, maturing deposits, loan draw downs and guarantees. The liquidity risk is managed by the Management of the Bank.

The Bank holds mid to long term assets and due to market conditions, finances its portfolio with short term debt. In this process the Bank inherits liquidity risk pertaining to maturity mismatches. The risks if managed correctly are acceptable risks. It is unusual that the bank matches its maturities. The Bank issues long term assets, such as PI loans and Mortgages, and these portfolios are mainly financed by demand deposits and Term Deposits up to 1 year. The management receives on a daily basis the liquidity ratio information of the Bank, and also on a weekly basis receives a liquidity report sorted by Business segment. Since the Bank issues mid to long term assets, and finances it with short to mid term debt, it is also exposed to interest rate risk.

The table below shows assets and liabilities as at 31 December 2010 and 2009 by their remaining contractual maturity. Some of the assets however, may be of a longer term nature; for example loans are frequently renewed and accordingly short term loans can have longer term duration.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-specific	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	17,377	-	-	-	79,320	96,697
Due from other banks	153,487	13,006	344	-	-	166,837
Loans and advances to customers	32,824	35,302	113,278	182,430	-	363,834
Investment securities	-	-	3,286	36,606	298	40,190
Investments in subsidiaries	-	-	-	-	249	249
Other assets	-	118	2,045	-	205	2,368
Total financial assets	**203,688**	**48,426**	**118,953**	**219,036**	**80,072**	**670,175**
Liabilities						
Deposits from customers	453,747	19,891	67,131	9,405	28	550,202
Deposits and borrowings from banks	396	-	8,090	21,202	-	29,688
Other liabilities	61	104	263	6,194	185	6,807
Total financial liabilities	**454,204**	**19,995**	**75,484**	**36,801**	**213**	**586,697**
Net gap position at 31 December 2010	**(250,516)**	**28,431**	**43,469**	**182,235**	**79,858**	**83,478**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-specific	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	28,020	-	-	-	78,939	106,959
Due from other banks	163,775	5,800	619	-	-	170,194
Loans and advances to customers	41,566	33,422	107,616	174,751	-	357,355
Investment securities	5,128	3,998	-	24,247	345	33,718
Investments in subsidiaries	-	-	-	-	268	268
Other assets	-	794	3,452	-	157	4,403
Total financial assets	**238,489**	**44,014**	**111,687**	**198,998**	**79,709**	**672,897**
Liabilities						
Deposits from customers	312,941	69,100	155,247	10,527	-	547,815
Deposits and borrowings from banks	1,142	189	7,531	30,687	-	39,549
Other liabilities	156	197	10,067	2,010	157	12,587
Total financial liabilities	**314,239**	**69,486**	**172,845**	**43,224**	**157**	**599,951**
Net gap position at 31 December 2009	**(75,750)**	**(25,472)**	**(61,158)**	**155,774**	**79,552**	**72,946**

The maturity analysis of loans to customers is based on the interim remaining maturity dates of the credit agreements, which means taking into account the instalments due on a monthly basis.

Liquidity reporting on a weekly basis at business segment level, monitoring of stickiness ratio separately for all business segments, banking book limits and reports which measure the interest risks and gaps, are currently the tools applied to manage and limit the underlying risk of conducting business.

Overdue assets are fully provided against, and thus, have no impact on the above table. Mandatory liquidity reserves are included within demand and less than one month as the majority of liabilities to which this balance relates are also included within this category.

The maturity analysis for financial liabilities is analysed as follows:

- Based on earliest contractual maturity date – worst case scenario;
- Based on contractual undiscounted cash-flows;
- Determination of the time bands;
- Expected cash-flows are used as supplementary information.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace interest-bearing liabilities as they mature at an acceptable cost are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The Bank has a significant maturity mismatch of the assets and liabilities maturing within one year. This liquidity mismatch arises due to the fact that the major source of finance for the Bank as at 31 December 2010 and 2009 was customer accounts being on demand and maturing in less than one month. Management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors would indicate that these customers' accounts provide a long-term and stable source of funding for the Bank. Further the Bank has a detailed contingency plan for liquidity management for several scenarios, by considering a number of indicators on regular basis as to assess the situation and take the necessary measures accordingly.

The Bank has improved the net position though other sources of funding, which provide middle-term finance and intend to continue matching assets vs. liability maturity in the periods to come. In addition, the Bank has an unused Credit Facility Agreement, which will support in case of liquidity needs.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

4.6 Market risk

Market risk is the risk that the value of an investment will decrease due to moves in market factors.

The four standard market risk factors are:

- Equity risk or the risk that stock prices will change.
- Interest rate risk or the risk that interest rates will change.
- Currency risk or the risk that foreign exchange rates will change.
- Commodity risk or the risk that commodity prices (i.e. grains, metals, etc.) will change.

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency 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.

Geographical risk

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2010 and 2009 is set out below:

	Kosovo	EU	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	79,320	13,062	4,315	96,697
Due from other banks	-	166,837	-	166,837
Loans and advances to customers	363,834	-	-	363,834
Investment securities	-	31,267	8,923	40,190
Investments in subsidiaries	249	-	-	249
Other assets	2,367	-	-	2,367
Total financial assets	**445,770**	**211,166**	**13,238**	**670,174**
Liabilities				
Deposits from customers	533,029	14,889	2,284	550,202
Deposits from banks	268	23,584	5,836	29,688
Other liabilities	4,964	1,843	-	6,807
Total financial liabilities	**538,261**	**40,316**	**8,120**	**586,697**
Net gap position at 31 December 2010	**(92,491)**	**170,850**	**5,118**	**83,477**

	Kosovo	EU	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	78,939	23,468	4,552	106,959
Due from other banks	-	170,194	-	170,194
Loans and advances to customers	357,355	-	-	357,355
Investment securities	-	25,191	8,527	33,718
Investment in subsidiary	268	-	-	268
Other assets	4,403	-	-	4,403
Total financial assets	**440,965**	**218,853**	**13,079**	**672,897**
Liabilities				
Deposits from customers	533,143	12,160	2,512	547,815
Deposits from banks	147	28,832	10,570	39,549
Other liabilities	11,396	1,191	-	12,587
Total financial liabilities	**544,686**	**42,183**	**13,082**	**599,951**
Net gap position at 31 December 2009	**(103,721)**	**176,670**	**(3)**	**72,946**

Currency risk

This is a form of risk that arises from the change in price of one currency against another. The currency risk is managed through monitoring of open FX positions. These positions are set for daily positions and also separately, for overnight positions. The sensitivity analysis is provided to the management on weekly basis.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total, which are monitored daily. The use of EURO in Kosovo and limited exposure in other currencies gives little space for the need to use derivatives.

The Market Risk Report encapsulating the Interest Rate Risk Report and the Open FX currency report is sent to the management on the weekly basis. The respective report is produced by the RBI risk management department based on the inputs that are provided from local reporting resources.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2010 and 2009. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

	EUR	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	74,289	8,013	14,395	96,697
Due from other banks	148,586	18,251	-	166,837
Loans and advances to customers	363,834	-	-	363,834
Investment securities	31,267	8,923	-	40,190
Investments in subsidiary	249	-	-	249
Other assets	2,367	-	-	2,367
Total financial assets	**620,592**	**35,187**	**14,395**	**670,174**
Liabilities				
Deposits from customers	505,226	36,191	8,785	550,202
Deposits from banks	29,538	150	-	29,688
Other liabilities	6,807	-	-	6,807
Total financial liabilities	**541,571**	**36,341**	**8,785**	**586,697**
Net gap position at 31 December 2010	**79,021**	**(1,154)**	**5,610**	**83,477**

	EUR	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	*84,027*	*4,579*	*18,353*	*106,959*
Due from other banks	*149,868*	*20,326*	*-*	*170,194*
Loans and advances to customers	*357,355*	*-*	*-*	*357,355*
Investment securities	*25,191*	*8,527*	*-*	*33,718*
Investments in subsidiary	*268*	*-*	*-*	*268*
Other assets	*4,403*	*-*	*-*	*4,403*
Total financial assets	***621,112***	***33,432***	***18,353***	***672,897***
Liabilities				
Deposits from customers	*503,620*	*37,208*	*6,987*	*547,815*
Deposits from banks	*39,409*	*140*	*-*	*39,549*
Other liabilities	*12,587*	*-*	*-*	*12,587*
Total financial liabilities	***555,616***	***37,348***	***6,987***	***599,951***
Net gap position at 31 December 2009	***65,496***	***(3,916)***	***11,366***	***72,946***

Foreign currency sensitivity analysis

The foreign currencies to which the Bank is mainly exposed are US Dollar (USD) and Swiss Franc (CHF). The following table details the Bank's sensitivity to the respective increase and decrease in the value of EUR against the foreign currencies. The percentage used is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a respective change in foreign currency rates. The sensitivity analysis includes placements with other banks, cash with correspondent banks as well as customer deposits where the denomination of the amounts is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the EUR strengthens with respective percentages against the relevant currency. For the respective weakening of the EUR against the relevant currency, there would be approximately equal and opposite impact on the profit and other equity, and the balances below would be negative.

	US Dollar (USD)		Swiss Franc (CHF)		British Pound (GBP)	
	2010	2009	2010	2009	2010	2009
Sensitivity rates	*13%*	*13%*	*12%*	*6%*	*5%*	*7%*
Profit and loss	*279*	*395*	*(464)*	*(176)*	*11*	*(15)*

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. US Dollar, Swiss Franc and GB Pound denominated transactions are infrequent and are only for transactions and placements with non-EU financial institutions.

Interest rate risk

This is the risk that the relative value of an interest-bearing asset will loose in value. The Bank's assets being largely in mid to long fixed term loans, and liabilities being mainly short term deposits, exposes the bank to a mismatch in interest rates, and consequently the corresponding gaps exposed the Bank to interest rate movements in the market.

The Bank 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.

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term deposits at fixed interest rates. In practice interest rates are generally fixed on a short-term basis. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. Under the interest rate SWAP contracts, the Bank agrees to exchange the difference between the fixed and floating rate interest amount calculated on agreed notional principal amounts. Cash in hand and balances with BPK on which no interest is paid are included in the "non-interest bearing" column in the below table as well as non-interest bearing deposits of customers.

In order to hedge for the gaps in fixed-mid to long term loans vs. variable short to mid term debt, financial derivative called Interest Rate Swap is used, whereby Raiffeisen Bank Kosovo is mainly a fixed side interest payer, where as in return the counterparty is variable rate payer, and the variable side is indexed to 6 Month EURIBOR, to insure optimal sensitivity.

Raiffeisen Bank Kosovo applies active risk management to hedge against market risk positions. Interest rate risk is hedged through financial derivatives. In order to ensure long term profitability on existing loan portfolios, maturing in 2010 up to 15 years, these positions are hedged through Interest Rate Swaps. The positions up to 5 years are hedged 75% and positions from 5- 10 are hedged 100%. This Risk controlling approach insures optimal VaR (value at risk).

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-interest bearing	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	17,377	-	-	-	79,320	96,697
Due from other banks	153,487	13,007	-	-	343	166,837
Loans and advances to customers	32,824	35,302	113,278	182,430	-	363,834
Investment securities	-	-	3,286	36,606	298	40,190
Investments in subsidiaries	-	-	-	-	249	249
Other assets	-	-	-	-	2,367	2,367
Total financial assets	**203,688**	**48,309**	**116,564**	**219,036**	**82,577**	**670,174**
Liabilities						
Deposits from customers	168,673	69,628	70,363	9,405	232,133	550,202
Deposits from banks	277	-	8,090	21,202	119	29,688
Other liabilities	-	-	-	-	6,807	6,807
Total financial liabilities	**168,950**	**69,628**	**78,453**	**30,607**	**239,059**	**586,697**
Net gap position at 31 December 2010	**34,738**	**(21,319)**	**38,111**	**188,429**	**(156,482)**	**83,477**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-interest bearing	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	28,020	-	-	-	78,939	106,959
Due from other banks	163,775	5,800	-	-	619	170,194
Loans and advances to customers	41,566	33,422	107,616	174,751	-	357,355
Investment securities	5,128	3,998	-	24,247	345	33,718
Investments in subsidiaries	-	-	-	-	268	268
Other assets	-	-	-	-	4,403	4,403
Total financial assets	**238,489**	**43,220**	**107,616**	**198,998**	**84,574**	**672,897**
Liabilities						
Deposits from customers	161,171	33,025	151,968	10,262	191,390	547,815
Deposits from banks	523	189	7,531	30,687	619	39,549
Other liabilities	-	-	-	-	12,587	12,587
Total financial liabilities	**161,694**	**33,214**	**159,499**	**40,949**	**204,596**	**599,951**
Net gap position at 31 December 2009	**76,795**	**10,006**	**(51,883)**	**158,049**	**(120,022)**	**72,946**

The table below summarises the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using annual effective rates.

In percentage	2010				2009			
	EUR	USD	CHF	GBP	EUR	USD	CHF	GBP
Assets								
Placements on call with other banks	0.2	0.2	N/A	0.3	0.4	0.1	0.0	0.7
Term deposits with other banks	0.4	0.2	N/A	N/A	0.6	0.5	N/A	N/A
Government Bonds yield	1.6	1.6	N/A	N/A	0.3	0.4	N/A	N/A
Loans and advances to customers	11.4	N/A	N/A	N/A	13.6	N/A	N/A	N/A
Liabilities								
Customer accounts	0.7	0.1	0.1	0.2	0.7	0.1	0.1	0.3
Term deposits	4.6	1.8	1.1	2.4	4.9	1.8	1.0	3.7
Savings accounts	2.3	0.3	0.3	0.2	2.7	0.4	0.3	0.3

From Risk Management and control perspective there are two aspects of risk:
- Risk evaluation
- Risk Control

Interest Risk Evaluation

The Interest Rate risk is measured using VaR (Value at risk) approach. This approach implies a measurement of scenario using 10 days duration and 99% confidence interval. The VaR is measured at stress of 1bps shift in the Yield curve. This Scenario assumes the implication on Profit and loss account of the Bank, in case the yield curve moves in one or the other direction by one basis point or 0.01%.

The results of the sensitivity analysis are presented to the management on a weekly basis, and are independently sent by the RBI risk management department.

Interest Rate Risk Control

The mechanism of control is utilized through the banking book which is produced on a weekly basis. The Bank currently owns banking book limits, set at 418 Million EUR. The weighting factors assume that the distant future is more uncertain than the near future, therefore according to this approach the longer the maturities, the higher the weighting factors to be accounted against the limit.

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Bank's overall strategy remains unchanged from previous year.

The capital structure of the Bank consists of debt, which includes borrowings, and equity attributable to equity holders, comprising issued capital and retained earnings.

Gearing ratio

The Bank's risk management committee reviews the capital structure on a continuously basis. As part of this review, the committee considers the cost of capital and the risk associated with each class of capital. The gearing ratio at the year ended was as follow:

	31 December 2010	31 December 2009
Debt	*29,420*	*38,790*
Equity	*91,522*	*81,392*
Net debt to equity ratio	***32%***	***48%***

5. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However judgement is necessarily required to interpret market data to determine the estimated fair value. The volume of activity in financial markets is not significant. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

		2010		2009
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Due from other banks	*166,837*	*166,837*	*170,194*	*169,757*
Loan and advances to customers	*363,834*	*363,834*	*357,355*	*347,476*
Investment securities	*40,190*	*40,190*	*33,718*	*33,718*
Liabilities				
Deposits from customers	*550,202*	*550,202*	*547,815*	*547,815*
Deposits from banks	*29,688*	*29,688*	*39,549*	*39,549*

6. Cash and Cash Equivalents and Mandatory Reserve

	31 December 2010	31 December 2009
Cash on hand	*27,829*	*23,371*
Balances with the CBK	*51,491*	*55,568*
Correspondent accounts with other banks	*15,048*	*19,305*
Money market placements	*2,329*	*8,715*
Total	***96,697***	***106,959***

Cash, cash equivalents and mandatory reserve include a mandatory liquidity reserve balance with CBK of EUR 51,942 thousand (31 December 2009: EUR 53,005 thousand). The liquidity reserve balance is calculated on the basis of a simple average over a week and should be maintained as 10 per cent of certain obligations of the Bank. As such the balance can vary from day-to-day. This balance is excluded from cash and cash equivalents for the purposes of the cash flow statement.

As at 31 December 2010 and 2009 the Bank's cash and cash equivalents for the purposes of the cash flow statement were as follows:

	2010	2009
Total cash and cash equivalents and mandatory reserve	96,697	106,959
Less: Mandatory liquidity reserve	(51,942)	(53,005)
Cash and cash equivalents for the purposes of cash flow statement	**44,755**	**53,954**

The CBK pays interest on the Bank's average assets holdings with the CBK above 5% of the applicable deposit base up to the amount of its average minimum liquidity reserve requirement. As at 31 December 2010 the interest was paid at the rate of 0.10% per annum (31 December 2009: 0.10% per annum).

7. Due from Other Banks

Term deposits and call deposits are placed with banks operating in OECD countries. Guarantee deposits represent placements with RBI as at 31 December 2010 and 2009.
The balance due from other banks includes accrued interest income in the amount of EUR 44 thousand (31 December 2009: EUR 14 thousand).

Guarantee deposits include an amount of EUR 344 thousand as at 31 December 2010 (31 December 2009: EUR 619 thousand) which represent restricted deposits with a related party in relation to guarantees issued on the Bank's behalf, for its customers. The Bank does not have the right to use these funds for the purposes of funding its own activities.

	2010	2009
Term deposits	166,493	169,575
Guarantee deposits	344	619
Total due from other banks	**166,837**	**170,194**

8. Loans and Advances to Customers

	2010	2009
Legal entities		
Current and rescheduled loans	*216,671*	*200,269*
Overdue loans	*-*	*16,901*
Overdraft facilities	*66,805*	*59,480*
Customer accounts in overdraft	*175*	*104*
	283,651	*276,754*
Individuals		
Personal loans	*103,801*	*101,402*
Payroll overdrafts	*3,643*	*2,442*
Customer accounts in overdraft	*831*	*584*
	108,275	***104,428***
Loans and advances to customers	***391,926***	***381,182***
Less: Provision for loan impairment	*(28,092)*	*(23,827)*
Loans and advances to customers, net	***363,834***	***357,355***

Loans and advances to customers include accrued interest income in the amount of EUR 1,669 thousand (31 December 2009: EUR 1,723 thousand).

Movements in the provision for loan impairment are as follows:

	2010	2009
Provision for loan impairment at the beginning of the year	***23,827***	***14,010***
Net charge for provision for loan impairment during the year	*6,230*	*13,110*
Write-offs	*(1,965)*	*(3,293)*
Provision for loan impairment at the end of the year	***28,092***	***23,827***

As at 31 December 2010 the Bank has 418 borrowers (31 December 2009: 415 borrowers) with aggregated loan amounts above EUR 100 thousand. The aggregate amount of these loans is EUR 195,219 thousand or 50 % of the gross loan portfolio (31 December 2009: 198,938 thousand or 52% of the gross loan portfolio).

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

Amount	2010 Amount	%	2009 Amount	%
Trade	160,223	41%	151,380	40%
Manufacturing, chemical and processing	52,741	13%	60,503	16%
Service	7,770	2%	9,396	2%
Construction and construction servicing	25,787	7%	26,477	7%
Food industry and agriculture	3,250	1%	4,464	1%
Individuals	126,864	32%	123,135	32%
Other	15,291	4%	5,826	2%
Total loans and advances to customers before provision for loan impairment	**391,926**	**100%**	**381,181**	**100%**

9. Investment Securities

	2010	2009
Available for sale equity investments	298	345
Held to maturity investments (Government Bonds)	39,892	33,373
Total investment securities	**40,190**	**33,718**

10. Investment in a Subsidiary

	2010	2009
Investment in Raiffeisen Leasing Kosovo	249	268
Total Investments in subsidiaries	**249**	**268**

11. Other Assets

	2010	2009
Prepayments and advances for services	2,085	3,538
Fees receivables	78	8
Other receivables	205	857
Total other assets	**2,368**	**4,403**

12. Leasehold Improvements, Equipment and Intangible Assets

	Leasehold improvements	ATM, other bank and office equipment	Computer hardware	Intangible assets	Total
Cost as at 31 December 2010					
2008	3,018	5,549	3,143	4,280	15,990
Additions	385	1,384	1,587	1,467	4,823
Disposals	(56)	(149)	(214)	-	(419)
2009	3,347	6,784	4,516	5,747	20,394
Additions	268	2,244	(344)	835	3,003
Disposals	(11)	(72)	-	-	(83)
Accumulated depreciation and amortisation at 31 December					
2008	**1,372**	**2,306**	**2,071**	**2,595**	**8,344**
Depreciation/amortisation charge for the year (Note 21)	623	1,071	515	748	2,957
Eliminated on disposals	(43)	(113)	(212)	-	(368)
2009	**1,952**	**3,264**	**2,374**	**3,343**	**10,933**
Depreciation/amortisation charge for the year (Note 21)	664	1,461	434	890	3,449
Eliminated on disposals	(4)	(49)	`-	-	(53)
2010	**2,612**	**4,676**	**2,808**	**4,233**	**14,329**
Net book value at 31 December 2010	**992**	**4,280**	**1,364**	**2,349**	**8,985**
Net book value at 31 December 2009	**1,395**	**3,520**	**2,142**	**2,404**	**9,461**

13. Deposits from Customers

	2010	2009
Corporate Customers		
Current accounts	95,023	68,734
Savings accounts	9,574	1,425
Term deposits and margin accounts	24,597	65,499
	129,194	**135,658**
Retail Customers		
Current accounts	137,111	122,738
Savings accounts	159,099	120,183
Term deposits and margin accounts	124,798	169,236
	421,008	**412,157**
Total customer accounts	**550,202**	**547,815**

As at 31 December 2010, customer accounts include accrued interest expense in the amount of EUR 2,423 thousand (31 December 2009: EUR 4,905 thousand).

As at 31 December 2010 the Bank has 501 customers with balances above EUR 100 thousand (31 December 2009: 532 customers). The aggregate balances of these customers are EUR 205,080 thousand or 37 % of total customer accounts (31 December 2009: 223,620 thousand or 41% of total customer accounts).

Included in customer accounts are deposits of EUR 7,740 thousand as at 31 December 2010, held as collateral for guarantees and letters of credit issued by the Bank to these customers (31 December 2009: EUR 6,060 thousand). Details of related party balances are presented under Note 25.

	2010	2009
Borrowings		
Supranational institutions and development banks	29,420	38,790
Deposits		
Other commercial banks – non OECD Countries	268	759
Total deposits and borrowings from banks	***29,688***	***39,549***

14. Deposits and Borrowings from Banks

In the borrowings amount as at 31 December 2010 is included an accrued interest amount of EUR 236 thousand (31 December 2009: EUR 290 thousand).

As of 31 December 2010 the Bank had an amount of EUR 2,963 thousand of unused funds from contracted credit lines from supranational institutions and development banks.

Maturity of the loans from supranational institutions and development banks are from the shortest maturing in 2011 to longest maturing in 2015.

15. Other Liabilities

	2010	2009
Deferred income	1,499	1,650
Tax payable	142	157
Accrued staff costs	588	555
Accrued operating expenses	334	231
Payables	1,172	811
Provision for losses on commitments and contingent liabilities (see below)	141	920
Liabilities on leased assets	80	22
Interest Rate SWAP payable	250	230
Negative fair value financial derivative instruments	1,201	961
Clearing deposits from payment transfer business	1,144	6,857
Total other liabilities	***6,807***	***12,587***

Details of related party balances are presented under Note 25.

Movements in the provision for losses on commitments and contingent liabilities are as follows:

	2010	2009
Provision for losses on commitments and contingent liabilities at the beginning of the year	**920**	**130**
Provision / (release of provision) for losses on commitments and contingent liabilities	21	822
Usage of previous year provisions	(800)	(32)
Provision for losses on commitments and contingent liabilities at the end of the year	**141**	**920**

Following is the breakdown of the provision as at 31 December:

	2010	2009
Provision for tax penalties and interests	-	800
Provision for legal cases	141	120
Total Provision	**141**	**920**

16. Share Capital

Authorised and registered share capital of the Bank comprises 100 shares of common stock. During 2010, the share capital amount remained unchanged at 58,000 thousand EUR. The structure of the share capital of the Bank as at 31 December 2010 and 2009 is as follows:

	2010			2009		
Shareholder	Number of shares	Amount in thousands EUR	Voting share	Number of shares	Amount in thousands EUR	Voting Share
Raiffeisen Bank International AG (RBI)	100	58,000	100%	100	58,000	100%

All shares have equal rights to dividends and carry equal voting rights.

17. Interest Income and Expense

	2010	2009
Interest income		
Loans and advances to customers	47,519	55,143
Loans and advances to banks	653	1,171
Financial investments	629	107
Total interest income	**48,801**	**56,421**
Interest expense		
Deposits from customers	(11,714)	(15,383)
Deposits from banks	(1,948)	(1,359)
Derivative financial instruments (non-trading)	(474)	(311)
Other interest expense	(73)	(115)
Total interest expense	**(14,209)**	**(17,168)**
Net interest income	**34,592**	**39,253**

18. Fee and Commission Income and Expense

	2010	2009
Payments transfer business	7,789	6,745
Loan administration and guarantee business	960	1,051
Foreign currency business	1,419	1,183
Agency services for third-party products	203	156
Other banking services	23	7
Total fee and commission income	**10,394**	**9,142**
Payment transfer business	(2,567)	(2,380)
Agency services for own products	-	-
Other banking services	(396)	(460)
Total fee and commission expense	**(2,963)**	**(2,840)**
Net fee and commission income	**7,431**	**6,302**

19. Other Income

	2010	2009
Recoveries of bad debts acquired as part of the purchased loan portfolio	-	14
Recoveries of operational losses	307	-
Other	82	295
Total other income	**389**	**309**

The other income line contains the amount of EUR 307 thousand recognized as income in 2010, which is the reversal of tax provision on 2009.

20. Staff Costs

	2010	2009
Salaries and wages	8,258	8,727
Other voluntary social expenses	418	403
Expenses on retirement benefits	438	440
Employee services prepayment	156	12
Total staff cost	**9,270**	**9,582**

21. Other Operating Expenses

	2010	2009
Office space expenses (rental, maintenance, other)	3,030	3,138
IT cost	2,070	1,312
Legal, advisory and consulting expenses	677	1,004
Advertising, PR and promotional expenses	2,044	2,050
Deposit insurance fees	-	-
Communication expenses	629	644
Office supplies	557	707
Car expenses	355	256
Security expenses	1,281	1,300
Travelling expenses	150	119
Training expenses for staff	417	289
Depreciation of tangible assets	2,558	2,209
Amortisation of intangible assets	890	748
Other administrative expense	752	355
Total other operating expenses	**15,410**	**14,131**

22. Income Taxes

	2010	2009
Current profit tax (credit) / charge	1,550	(68)
Deferred taxation	(74)	328
Income tax expense for the year	**1,476**	**260**

The income tax rate applicable to the Bank's income is 10% (31 December 2009: 10%). The reconciliation between the expected and the actual taxation charge is provided below.

	2010	2009
Profit before taxation	11,653	7,290
Tax charge for the year at the applicable statutory rate	1,165	729
Tax effect of items which are not deductible for taxation purposes and other regulatory differences	278	424
Adjustment on previous year tax expense	107	(1,221)
Current profit tax charge	**1,550**	**(68)**

Differences between IFRS financial statements and Kosovo statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 10%.

	2009	Movement during 2010	2010
Tax effect of deductible temporary differences			
Leasehold improvements, equipment and intangible assets	*(14)*	*(62)*	*(76)*
Gross deferred tax asset / (liability)	*(14)*	*(62)*	*(76)*
Tax effect of deductible temporary differences			
Loan impairment provision	*(982)*	*130*	*(852)*
Off-balance sheet provision	*(19)*	*6*	*(13)*
Total net deferred tax asset / (liability)	***(1,015)***	***74***	***(941)***

23. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. As at 31 December 2010 the Bank had a number of legal cases pending in the court. On the basis of internal judgement based on previous court rulings and Management decision, the Bank has made a provision of EUR 141 thousand as the nearest estimate of possible cash outflows arising from possible court decisions. The amount of EUR 21 thousand was included in the 2010 result.

Tax regulations. Raiffeisen Bank has calculated the tax profit and has paid to the Kosovo Tax Administration (TAK) all advance payments as required by law.

The first tax inspection has ended in 2010, which has resulted in tax penalties of EUR 494 thousand. The difference between actual charge and booked estimation has been booked in 2010 as a profit.

Capital commitments. As at 31 December 2010 the Bank has no capital commitments in respect of the purchase of equipment and software (31 December 2009: Nil).

Operating lease commitments. The future minimum lease payments under non cancellable operating leases, where the Bank is the lessee, are as follows:

	2010	2009
Not more than 1 year	*1,963*	*1,855*
More than 1 year and not more than 5 years	*3,291*	*2,908*
Total operating lease commitments	***5,254***	***4,763***

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand-by letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to make loans at a specific rate of interest during a fixed period of time are accounted for as derivatives. Unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, they are considered to be "regular way" transactions.

Outstanding credit-related commitments are as follows:

	2010	2009
Commitments to extend credit	*49,051*	*51,584*
Guarantees and similar commitments issued (credit facility)	*25,706*	*21,983*
Guarantees and similar commitments issued (cash covered)	*5,119*	*809*
Letters of credit (credit facility)	*1,389*	*69*
Letters of credit (cash covered)	*95*	*270*
TF line of credit	*10,354*	*3,313*
Letters of comfort	-	-
Total credit-related commitments	***91,714***	***78,028***

Commitments to extend credit represent loan amounts in which the loan documentation has been signed but the money not yet disbursed and unused amounts of overdraft limits in respect of customer accounts. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to losses in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit-related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of commitments to extend credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Interest Rate SWAPs. The main purpose of these instruments is to mitigate the interest rate risk associated to the fixed rate lending. As of December 31, 2010, the Bank has 40 interest rate SWAP contracts with a notional amount of EUR 14,700 thousand (December 31, 2009: EUR 14,700 thousand). The Bank pays fixed and receives variable interest rates. The net valuation result of these contracts for the year ended 31 December 2010 EUR 240 thousands (2009: EUR 1,186 thousand).

24. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.
Banking transactions are entered into in the normal course of business with significant

shareholders, directors, companies with which the Bank has significant shareholders in common and other related parties. These transactions include settlements, placements, deposit taking and foreign currency transactions. These transactions are priced at market rates. The outstanding balances at the year end and related income and expense items during the year with related parties are as follows:

		2010		2009
	Parent	Other related party	Parent	Other related party
Balance Sheet				
Cash and cash equivalents and mandatory reserve	11,378	-	21,372	1,105
Due from other banks	-	-	243	-
Loans and advances to customers	-	4,209	-	272
Investment securities	-	201	-	268
Other assets	53	17	125	-
Liabilities				
Customer accounts	-	7	-	615
Borrowings	-	5,836	-	9,960
Other liabilities	1,645	74	1,333	-
Profit and loss				
Interest income	13	77	285	197
Interest expense	(492)	-	(380)	-
Fee and commission expense	(167)	(8)	(152)	(235)
Net valuation result financial instruments carried at fair value	(240)	-	(1,186)	-
Net valuation of equity investments	-	(19)	-	(182)
Other operating expenses	(924)	(156)	(1,093)	(309)
Purchase of intangible assets	292	-	300	-
Off-Balance Sheet				
Guarantees	-	-	1,482	-

25. Subsequent Events

There are no significant events after the balance sheet date that may require adjustment or disclosure in the separate financial statements.

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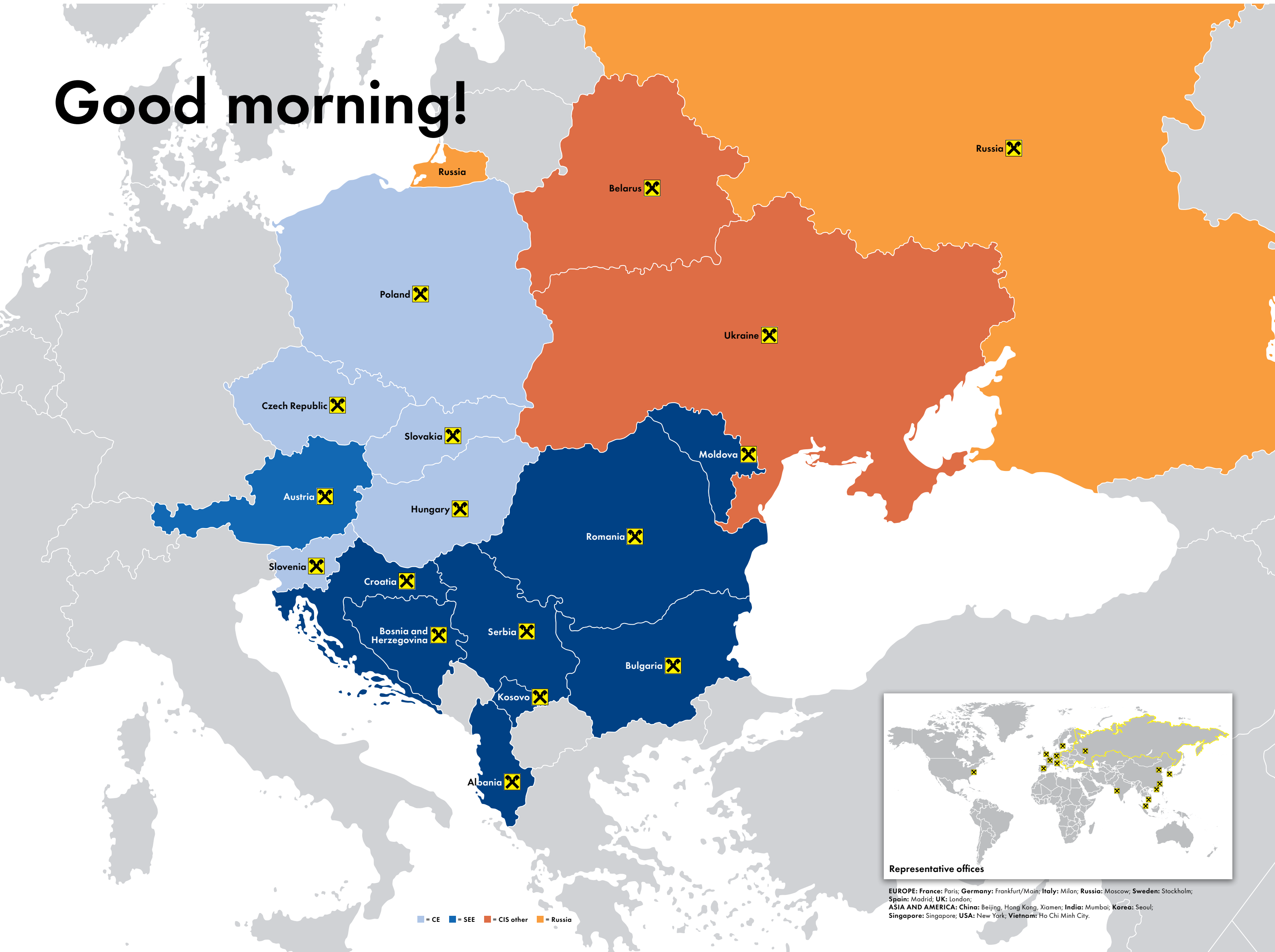
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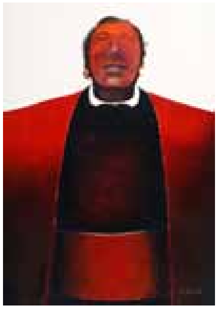
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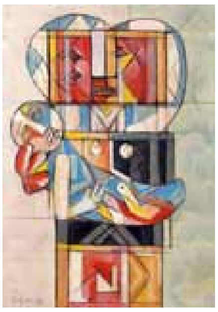
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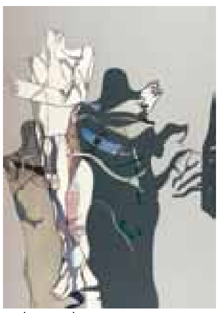
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