

ALBANIAN DEPOSIT INSURANCE AGENCY

*Financial Statements for the year ended December 31, 2013
with the Independent Auditor's Report*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Albanian Deposit Insurance Agency

We have audited the accompanying financial statements of the Albanian Deposit Insurance Agency ("the Agency"), which comprise the statement of financial position as at December 31, 2013, the statement of comprehensive income, statement of changes in deposit insurance fund, and cash flow statement 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

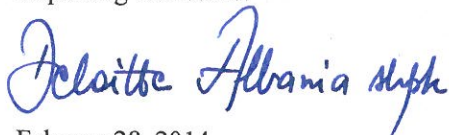
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 accompanying financial statements present fairly, in all material respects, the financial position of the Albanian Deposit Insurance Agency as at December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



February 28, 2014
Tirana, Albania



Elvis Ziu
Engagement Partner

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ALBANIAN DEPOSIT INSURANCE AGENCY
Statement of Financial Position as of December 31, 2013 and 2012

(All amounts are in LEK unless otherwise stated)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Cash and cash equivalents	8	330,407,938	152,453,245
Insurance premiums receivable	9	684,388,183	586,858,438
Investments held to maturity	10	19,391,942,529	15,959,602,922
Property and equipment, net	11	67,802,005	56,590,297
Intangible assets, net	12	3,391,745	811,500
Other assets, net	13	3,195,439	2,163,929
TOTAL ASSETS		20,481,127,839	16,758,480,331
LIABILITIES			
Other liabilities	14	4,047,511	1,759,690
TOTAL LIABILITIES		4,047,511	1,759,690
DEPOSIT INSURANCE FUND			
Initial establishment fund	15	400,000,000	400,000,000
Accumulated fund		16,356,720,641	12,971,740,478
Profit for the year		3,720,359,687	3,384,980,163
TOTAL DEPOSIT INSURANCE FUND		20,477,080,328	16,756,720,641
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND		20,481,127,839	16,758,480,331

The accompanying notes on pages 8 to 32 are an integral part of these financial statements.

ALBANIAN DEPOSIT INSURANCE AGENCY**Statement of Comprehensive Income for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)*

	Note	Year ended December 31, 2013	Year ended December 31, 2012
Operating income:			
Income from insurance premiums	16	2,775,118,878	2,547,690,715
Investment income	17	1,029,437,022	901,488,542
Other operating income		433,233	64,000
		3,804,989,133	3,449,243,257
Finance expenses:			
Loss on foreign currency re-translation		(15,602,113)	(7,167,402)
Finance expenses		(1,738,600)	(1,726,797)
		(17,340,713)	(8,894,199)
Operating expenses:			
Personnel expenses	18	(42,203,811)	(35,499,385)
Administrative expenses	19	(20,918,749)	(17,118,521)
Depreciation and amortisation	11,12	(4,166,173)	(2,750,989)
		(67,288,733)	(55,368,895)
NET PROFIT FOR THE YEAR		3,720,359,687	3,384,980,163
Other comprehensive income, net		-	-
TOTAL COMPREHENSIVE INCOME		3,720,359,687	3,384,980,163

The accompanying notes on pages 8 to 32 are an integral part of these financial statements.

ALBANIAN DEPOSIT INSURANCE AGENCY**Statement of Cash Flow for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)*

	Note	Year ended December 31, 2013	Year ended December 31, 2012
NET PROFIT FOR THE YEAR		3,720,359,687	3,384,980,163
Adjustment for:			
Depreciation and amortization	11, 12	4,166,173	2,750,989
Accrued interest on investment securities		(90,388,969)	162,101,663
Change in:			
Insurance premiums receivable		(97,529,745)	(125,801,202)
Other assets		(1,031,510)	(151,320)
Other liabilities		2,287,821	339,127
Cash flows generated from operating activities		3,537,863,457	3,424,219,420
INVESTING ACTIVITIES			
Purchases of equipment	11	(14,556,726)	(198,964)
Purchases of intangibles	12	(3,401,400)	-
Purchases of investment securities		(3,341,950,638)	(3,376,457,723)
Cash flows used for investing activities		(3,359,908,764)	(3,376,656,687)
Increase in cash during the year		177,954,693	47,562,733
Cash and cash equivalents at the beginning of the year	8	152,453,245	104,890,512
Cash and cash equivalents at the end of the year	8	330,407,938	152,453,245

The accompanying notes on pages 8 to 32 are an integral part of these financial statements.

ALBANIAN DEPOSIT INSURANCE AGENCY**Statement of Changes in Deposit Insurance Fund for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)*

	Initial establishment fund	Accumulated Fund	Total
As of January 1, 2012	400,000,000	12,971,740,478	13,371,740,478
Total comprehensive income for the year	-	3,384,980,163	3,384,980,163
As of December 31, 2012	400,000,000	16,356,720,641	16,756,720,641
Total comprehensive income for the year	-	3,720,359,687	3,720,359,687
At December 31, 2013	400,000,000	20,077,080,328	20,477,080,328

The accompanying notes on pages 8 to 32 are an integral part of these financial statements.

These financial statements are approved by the Board of Directors of the Agency with decision No. 5 on February 21, 2014 and signed on its behalf by:



Toni Gogu
General Director



Azmi Stringa
Head of Finance and Investments

1. REPORTING ENTITY

Albanian Deposit Insurance Agency (the “Agency” or “ADIA”) is an independent entity established in 2002 by Law no. 8873, dated March 29, 2002, “On deposit insurance” (the “Law on deposit insurance” or “Law”), amended by Law no.10106, dated March 30, 2009 and Law 78/2012, dated July 26, 2012. In accordance with the Law, the Agency reports to the Bank of Albania (the “Supervising Authority”), the Parliament of the Republic of Albania, and the Council of Ministers of the Republic of Albania. ADIA is member of the International Association of Deposit Insurers and the European Forum of Deposit Insurers.

The Agency was established to insure and compensate the deposits of individuals with local banks, branches and subsidiaries of foreign banks, and savings and credit associations operating in Albania. The institutions, which are members of the insurance scheme, cannot accept deposits of individuals unless they are insured by ADIA. Compensation of insured deposits begins when the Agency is notified in writing by Bank of Albania on the intervention on an insured institution or when such institution is voluntarily liquidated.

According to the Law on deposit insurance, ADIA’s core activity involves determining and collecting the initial contributions from institutions entering the insurance scheme, determining and collecting the annual insurance premiums from institutions that are members of the insurance scheme, and investing the accumulated funds.

The Agency, following the amendment to the Law on deposits insurance on March 29, 2009, insures up to 2,500,000 Albanian Lek (“Lek”) all eligible deposits held by individuals in each institution that is a member of the insurance scheme.

As of December 31, 2013 and 2012 all banks operating in Albania (2013:16, 2012:16) are participating members in the insurance scheme. As of December 31, 2013 and 2012, the number of savings and credit associations that are member of ADIA’s insurance scheme is nil.

The Agency started its operations on October 12, 2002. Currently, the Agency’s address and headquarters are in Tirana (“Rruga e Elbasanit”, Tirana, Albania).

As of December 31, 2013, the Agency had 23 employees (December 2012: 14).

2. REGULATORY FRAMEWORK OF ADIA OPERATIONS

The Agency’s operations are regulated by the Law on deposit insurance and relevant regulations issued by the Agency and the Supervisory Authority. Such Law and regulations require that proceeds from member institutions be invested in debt instruments issued by the Government of Albania or Bank of Albania, debt instruments issued by foreign governments or central banks that are highly rated by reputable credit rating agencies, debt instruments issued by international financial institutions that are highly rated by reputable credit rating agencies, or placed into short deposits with Bank of Albania. All investment instruments shall have maturity of not longer than twelve months from the date of purchase by the Agency.

The highest governing body of the Agency is the Board of Directors. The Board of Directors is composed of five members appointed by the Supervisory Authority. Two members are proposed by the Supervisory Authority, two members are proposed by the Minister of Finance of the Republic of Albania, and one member is proposed by the Institute of Authorized Chartered Auditors of Albania.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

3. BASIS OF PREPARATION AND ADOPTION OF IFRS (CONTINUED)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) Functional and presentation currency

These financial statements are presented in Lek, which is the Agency's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Notes 6 and 7.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

4.1 Standards and Interpretations effective in the current period

The following revisions of the existing standards published by the International Accounting Standards Board and the interpretations published by the Committee of International Financial Reporting Interpretations are effective for the current period:

- **IFRS 13 Fair Value Measurement** (effective for annual periods beginning on or after January 1, 2013)

The Agency has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from January 1, 2013.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

- **Amendments to IAS 1 “Presentation of financial statements” – *Presentation of Items of Other Comprehensive Income*** (effective for annual periods beginning on or after July 1, 2012).

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement.

4.2 Standards and Interpretations in issue not yet adopted

As of the date 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 January 1, 2018),
- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – *Mandatory Effective Date and Transition Disclosures*,**
- **Amendments to IFRS 10 “Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” – *Investment Entities*** (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 32 “Financial instruments: presentation” - *Offsetting Financial Assets and Financial Liabilities*** (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 36 “Impairment of assets” - *Recoverable Amount Disclosures for Non-Financial Assets*** (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – *Novation of Derivatives and Continuation of Hedge Accounting*** (effective for annual periods beginning on or after January 1, 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after January 1, 2014).

The Agency has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. Management anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Agency in the period of initial application because of the limited nature of transactions performed by the Agency.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**5.1 Transactions in foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to the functional currency at the exchange rate ruling at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

Official exchange rates used for main foreign currencies to convert balance sheet items in Lek are as follows:

	December 31, 2013	December 31, 2012
EURO	140.20	139.59
United States Dollar (USD)	101.86	105.85
Swiss Franc (CHF)	114.41	115.65

5.2 Deposit insurance premium and contributions

In accordance with the Law for deposit insurance, the annual insurance premium for the year is calculated as 0.5% of the arithmetic average balance of the insured deposits at the end of each working day in the last quarter of the previous year. The annual premium is payable in four equal instalments. Each instalment is payable in arrears within 15 days of a quarter end.

Each insured bank pays an initial contribution, calculated as 0.5% of the bank's share capital, not later than 30 days from the date when the Banking License is granted by the Bank of Albania. The initial contribution is payable in one instalment at the Agency's account with the Bank of Albania and is recognized as income in the period when received.

5.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Agency estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

5.4 Fees and commission

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**5.5 Financial assets and financial liabilities****(i) Recognition**

The Agency initially recognises investment in securities, deposits, borrowings and other subordinated liabilities on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Agency commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Agency becomes a party to the contractual provisions of the instrument.

(ii) Classification*Financial assets*

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Agency classifies its financial assets in one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as:
 - held for trading; or
 - designated at fair value through profit or loss.

As of December 31, 2013 and December 31, 2012 the Agency's financial assets comprise of cash and cash equivalent, insurance premium receivables and investment securities classified as held-to-maturity. No changes in the classification of financial assets occurred during the years ended December 31, 2013 and December 31, 2012. See Notes 5.6, 5.7 and 5.8.

Financial liabilities

The Agency classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

As of December 31, 2013 and December 31, 2012 the Agency's financial liabilities are comprised only of payables to suppliers and other liabilities measured at amortised cost.

(iii) Derecognition*Financial assets*

The Agency derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Agency neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Agency is recognised as a separate asset or liability.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

The Agency derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Agency has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from similar transactions such as in the Agency's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Agency has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Agency measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Agency uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Agency determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Agency measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Agency's accounting policy on fair value measurements is set out in Note 7.1.

The Agency measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Agency determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The Agency recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment

At each reporting date the Agency assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the debt issuer, default or delinquency by a counterparty, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of debt issuers in the group, or economic conditions that correlate with defaults in the group.

The Agency considers evidence of impairment for loans and advances and held-to-maturity investment securities at a specific asset level. All individually significant held-to-maturity investment securities are assessed for specific impairment.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

5.6 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid deposits with Bank of Albania with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Agency in the management of its short-term operating activities. Cash and cash equivalents are carried at amortised cost in the statement of financial position, which approximates fair value due to their short term nature.

5.7 Insurance premiums receivable

Insurance premiums receivable comprises the fourth instalment of the annual insurance premiums and that is payable within 15 days from the reporting date. Insurance premiums receivables are carried at amortised cost in the statement of financial position, which approximates fair value due to their short term nature.

5.8 Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available for sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Agency has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Agency from classifying investment securities as held to maturity for the current and the following two financial years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.8 Investment securities (continued)

(i) Held-to-maturity (continued)

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Agency has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Agency's control that could not have been reasonably anticipated.

5.9 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent costs

A subsequent expenditure is capitalised only when it is probable that the future economic benefits from the expenditure will flow to the Agency. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

- | | |
|---------------------------------|-------------|
| • Buildings | 25-40 years |
| • Computer equipment | 3-5 years |
| • Vehicles | 5 years |
| • Office furniture and supplies | 3-20 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.10 Intangible assets

Intangible assets include the Accounting Software Alpha Platinum and the Enterprise Resource Planning software acquired by the Agency and measured at cost less accumulated amortisation and any accumulated impairment losses. The software are amortized on a straight-line basis over a period of three years.

5.11 Provisions

A provision is recognised if, as a result of a past event, the Agency has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for insured deposits compensation

Provisions for insured deposits compensation represent the best estimates of the Agency, for present obligation as a result of an intervention on an insured institution, for which the Agency is notified in writing by Bank of Albania, or of such institution being voluntarily liquidated.

Such provision is recognised in the period when the voluntary liquidation of an insured institution is initiated or when notified in writing by Bank of Albania on the intervention on such institution.

As of December 31, 2013 and December 31, 2012 no such event has occurred (see Note 6.3), hence no provision is recognised in the statement of financial position.

5.12 Taxation

In accordance to Law no. 8873, dated March 29, 2002 “On Deposit Insurance”, amended, the Agency is exempted from value added tax and tax on profit.

5.13 Employees’ Contributions

The Agency makes only compulsory health insurance contributions and social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legal thresholds for such contributions in Albania under defined contribution plans. The Agency’s contributions for health insurance and social security are charged to the profit or loss as incurred.

6. FINANCIAL RISK MANAGEMENT

In the ordinary course of its operations, the Agency is exposed to a variety of financial risks, the most important of which are market risk (including currency risk, risk of changes in fair value and interest rates), credit risk and liquidity risk. General risk management is focused on identifying the risks that might affect the financial results and position of the Agency and minimising the potential negative effects arising from such risks.

Financial risks are currently identified, measured and monitored through various control mechanisms introduced to adequately assess the market circumstances of its investments and the ways for maintaining liquid assets in order to prevent undue risk concentration.

The management of ADIA strives to improve the methods for assessing and managing the risks related to the investment portfolio (credit, liquidity, interest and currency risks) in order to ensure effective management of funds and timely fulfilment of its obligations toward insured depositors in case of an insurance event. With the objective of minimising risks, the Agency maintains currency limits, maturity distribution limits and a portfolio modified duration of no longer than twelve months. In addition the Agency has entered into an agreement with the Ministry of Finance and Bank of Albania that allows the Agency, in case of an insurance event, to obtain liquidity through executing with the Ministry of Finance a sale and repurchase agreement on the Government of Albania debt securities it owns.

The Agency's financial operations are regulated by the Law on deposit insurance and the Agency's Investment Policy. The Law requires that proceeds from member institutions be invested in debt instruments issued by the Government of Albania or Bank of Albania, debt instruments issued by foreign governments or central banks that are highly rated by reputable credit rating agencies, debt instruments issued by international financial institutions that are highly rated by reputable credit rating agencies, or placed into short deposits with Bank of Albania. All investment instruments shall have maturity of not longer than twelve months from the date of purchase by the Agency.

The Investment Policy, which is approved by the Board of Directors, outlines the investment procedures and sets the limits on the credit quality of foreign investments, maturity concentrations, and currency concentrations of ADIA's investment portfolio. The Investment Committee of ADIA is responsible for ensuring the execution of the investment strategy and the structure of the portfolio are in compliance with the Investment Policy. The structure of financial assets and liabilities is assessed on a regular basis based on the information provided by the Finance and Investments Sector, the Risk Analysis Sector, and Bank of Albania. The Investment Committee periodically reports to the Board of Directors on the performance of the investment portfolio.

6.1 Credit risk

Credit risk is the risk of financial loss to the Agency if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Agency's investment securities and balances with banks. For risk management reporting purposes the Agency considers and consolidates all elements of credit risk exposure such as individual obligor default risk and country risk.

The Investment Committee is responsible for the oversight of credit risk, including review and assessment of credit risk, and ensuring compliance with concentration limits on exposure to counterparties/countries and other relevant policies set in the regulatory framework.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)*

6. FINANCIAL RISK MANAGEMENT (CONTINUED)**6.1 Credit risk (continued)**

The table below presents credit risk exposure by counterparty (country) and related delinquency or impairment, if any:

Investment securities	Government of Albania	US Government	Total
<i>As of December 31, 2013</i>			
Neither past due nor impaired	19,013,091,170	378,851,359	19,391,942,529
<i>As of December 31, 2012</i>			
Neither past due nor impaired	15,326,940,858	632,662,064	15,959,602,922

The Agency had no outstanding contingent financial commitments as of December 31, 2013 and December 31, 2012.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2 Market risks**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Agency's income or the value of its holdings of financial instruments. The objective of the Agency's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Agency's solvency while optimising the return on risk.

(i) Exposure to interest rate risk – held-to-maturity investments

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Investment Committee is the monitoring body for compliance with these limits.

A summary of the Agency's interest rate gap position on non-trading portfolios is as follows:

As of December 31, 2013	Carrying amount	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months
Cash and cash equivalents	330,407,938	330,407,938	-	-	-
Insurance premiums receivable	684,388,183	684,388,183	-	-	-
Investments held to maturity	19,391,942,529	2,825,556,029	2,460,392,885	4,654,552,832	9,451,440,783
TOTAL	20,406,738,650	3,840,352,150	2,460,392,885	4,654,552,832	9,451,440,783

As of December 31, 2012	Carrying amount	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months
Cash and cash equivalents	152,453,245	152,453,245	-	-	-
Insurance premiums receivable	586,858,438	586,858,438	-	-	-
Investments held to maturity	15,959,602,922	2,032,310,923	2,052,821,676	4,138,766,076	7,735,704,247
TOTAL	16,698,914,605	2,771,622,606	2,052,821,676	4,138,766,076	7,735,704,247

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2 Market risks (continued)***(i) Exposure to interest rate risk – held-to-maturity investments (continued)*

Management considered a standard scenario that includes a 100 basis point (“bp”) parallel fall or rise in all yield curves worldwide. An analysis of the Agency’s sensitivity to an increase or decrease in market interest rates is as follows:

Change in rates	As of December 31, 2013	As of December 31, 2012
+100bp	110,026,206	88,874,779
-100bp	(110,026,206)	(88,874,779)

(ii) Exposure to currency risk

Currency risk is defined as the risk that movements in exchange rates may cause significant changes, positive or negative, in the statement of financial position. The Agency is mainly exposed to risk of changes in the exchange rate of the US dollar and Euro to the Albanian Lek, with a view of its open exposures denominated in US dollars and Euro. The existing exposures are short-term in nature and limits on such exposures are set and monitored in accordance with the Investment Policy of the Agency.

A summary of the Agency’s currency exposure position is as follows (amounts in Lek):

As of December 31, 2013	LEK	USD	EUR	CHF
ASSETS				
Cash and cash equivalents	56,725,088	121,254,633	152,422,359	5,858
Insurance premiums receivable	684,388,183	-	-	-
Investments held to maturity	18,504,413,408	378,851,359	508,677,762	-
TOTAL	19,245,526,679	500,105,992	661,100,121	5,858
LIABILITIES				
Other liabilities	(4,047,511)	-	-	-
TOTAL LIABILITIES	(4,047,511)	-	-	-
CURRENCY EXPOSURE	19,241,479,168	500,105,992	661,100,121	5,858

As of December 31, 2012	LEK	USD	EUR	CHF
ASSETS				
Cash and cash equivalents	143,681,647	629,173	8,142,425	-
Insurance premiums receivable	586,858,438	-	-	-
Investments held to maturity	14,701,622,048	632,662,064	625,318,810	-
TOTAL	15,432,162,133	633,291,237	633,461,235	-
LIABILITIES				
Other liabilities	(1,759,690)	-	-	-
TOTAL LIABILITIES	(1,759,690)	-	-	-
CURRENCY EXPOSURE	15,430,402,443	633,291,237	633,461,235	-

6. FINANCIAL RISK MANAGEMENT (CONTINUED)**6.2 Market risks (continued)***(ii) Exposure to currency risk (continued)**Foreign currency sensitivity analysis*

The table below demonstrates the sensitivity to a 10 per cent increase/decrease in the spot rates of Lek against USD and EUR based on the structure of foreign currency denominated assets and liabilities of the Agency as of December 31, assuming that all other variables remain constant. The effect is measured and presented as an impact on the result and directly on the net assets with all other conditions held constant.

	USD		EUR	
	+10%	-10%	+10%	-10%
As of December 31, 2013	50,010,599	(50,010,599)	66,110,012	(66,110,012)
As of December 31, 2012	63,329,124	(63,329,124)	63,346,124	(63,346,124)

On a 10 per cent increase in the spot rate of USD against Lek, the overall impact on the financial result of the Agency for a one-year period ending December 31, 2013 would be an increase by Lek 50,010,599 (December 31, 2012: Lek 63,329,124) due to the exposure from securities and current account balances denominated in USD. Respectively, the impact on net assets would be the same.

On a 10 per cent decrease in the spot rate of USD against Lek, the overall impact on the financial result and net assets of the Agency would be equal but in opposite direction to the increase described above.

On a 10 per cent increase in the spot rate of EUR against Lek, the overall impact on the financial result of the Agency for a one-year period ending December 31, 2013 would be an increase by Lek 66,110,012 (December 31, 2012: Lek 63,346,124) due to the exposure of securities and current account balances denominated in EUR. Respectively, the impact on net assets would be the same.

On a 10 per cent decrease in the spot rate of EUR against Lek, the overall impact on the financial result and net assets of the Agency would be equal but in opposite direction to the increase described above.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.3 Liquidity risk**

Liquidity risk is the risk that the Agency will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The liquidity management policy of ADIA is conservative, maintaining a constant optimal liquid cash reserve to secure an adequate capability for funding its activities. The Agency has entered into an agreement with the Ministry of Finance and Bank of Albania that allows the Agency, in case of an insurance event, to obtain liquidity through executing with the Ministry of Finance a sale and repurchase agreement on the Government of Albania debt securities it owns. In addition, in accordance with the Law on deposit insurance, in the event of an insufficiency of funds the Agency has the right to request advance payments of the annual insurance premiums from insured institutions, increase of the annual premium contributions, collect a special contribution from insured institutions, and obtain loans under the terms and conditions set by the Agency's Board of Directors (Article 20/1 of the Law on deposit insurance).

The table below includes the Agency's financial instruments classified by their residual term to maturity on the basis of undiscounted contractual cash flows:

As of December 31, 2013	Carrying amount	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Total contractual cash flows
ASSETS						
Cash and cash equivalents	330,407,938	330,407,938	-	-	-	330,407,938
Insurance premiums receivable	684,388,183	684,388,183	-	-	-	684,388,183
Investments held to maturity	19,391,942,529	2,835,600,000	2,482,609,140	4,749,794,973	9,733,475,287	19,801,479,400
TOTAL	20,406,738,650	3,850,396,121	2,482,609,140	4,749,794,973	9,733,475,287	20,816,275,521
LIABILITIES						
Other liabilities	(4,047,511)	(4,047,511)	-	-	-	(4,047,511)
TOTAL	(4,047,511)	(4,047,511)	-	-	-	(4,047,511)
CUMULATIVE LIQUIDITY GAP	20,402,691,139	3,846,348,610	6,328,957,750	11,078,752,723	20,812,228,010	20,812,228,010

Total cumulative liquidity gap is higher than the Deposit Insurance Fund as of December 31, 2013.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.3 Liquidity risk (continued)**

As of December 31, 2012	Carrying amount	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Total contractual cash flows
ASSETS						
Cash and cash equivalents	152,453,245	152,453,245	-	-	-	152,453,245
Insurance premiums receivable	586,858,438	586,858,438	-	-	-	586,858,438
Investments held to maturity	15,959,602,922	2,039,700,000	2,073,604,250	4,234,045,718	8,112,178,794	16,459,528,762
TOTAL	16,698,914,605	2,779,011,683	2,073,604,250	4,234,045,718	8,112,178,794	17,198,840,445
LIABILITIES						
Other liabilities	(1,759,690)	(1,759,690)	-	-	-	(1,759,690)
TOTAL	(1,759,690)	(1,759,690)	-	-	-	(1,759,690)
CUMULATIVE LIQUIDITY GAP	16,697,154,915	2,777,251,993	4,850,856,243	9,084,901,961	17,197,080,755	17,197,080,755

Total cumulative liquidity gap is higher than the Deposit Insurance Fund as of December 31, 2012.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

Financial stability

The stability of the banking sector is the main factor affecting the liquidity position of the Agency. The Agency continuously assesses the stability of the banking sector in order to forecast its obligations towards insured depositors in accordance with the Law on deposit insurance.

According to Bank of Albania, as of the end of the year 2013 the banking sector was assessed as stable. Stress-test exercises in the form of sensitivity and scenario analyses performed by Bank of Albania during 2013 and 2012 show that the banking sector, overall, is resilient to various shock scenarios in respect to capital adequacy and quality.

In the year 2013 the banking sector experienced slower growth rates and a decline in lending activity. Credit risk represents the most important challenge for the sector. Such factors were reflected in the financial performance of the banking sector for the year. Despite these developments, the capitalization and operating liquidity position of the banking sector are assessed as satisfactory in the light of the increases in retail deposits and capital from controlling groups during the year 2013.

7. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Agency's Board of Directors the development, selection and disclosure of critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 6).

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)****7.1 Valuation of financial instruments**

Accounting classifications and fair values for the financial instruments is presented below:

As of December 31, 2013	Loans and receivables	Held-to-maturity	Other at amortised cost	Carrying amount	Fair value
ASSETS					
Cash and cash equivalents	330,407,938	-	-	330,407,938	330,407,938
Insurance premiums receivable	684,388,183	-	-	684,388,183	684,388,183
Investments held to maturity	-	19,391,942,529	-	19,391,942,529	19,443,319,397
TOTAL	1,014,796,121	19,391,942,529	-	20,406,738,650	20,458,115,518
LIABILITIES					
Other liabilities	-	-	(4,047,511)	(4,047,511)	(4,047,511)
TOTAL	-	-	(4,047,511)	(4,047,511)	(4,047,511)

As of December 31, 2012	Loans and receivables	Held-to-maturity	Other at amortised cost	Carrying amount	Fair value
ASSETS					
Cash and cash equivalents	152,453,245	-	-	152,453,245	152,453,245
Insurance premiums receivable	586,858,438	-	-	586,858,438	586,858,438
Investments held to maturity	-	15,959,602,922	-	15,959,602,922	15,983,540,694
TOTAL	739,311,683	15,959,602,922	-	16,698,914,605	16,722,852,377
LIABILITIES					
Other liabilities	-	-	(1,759,690)	(1,759,690)	(1,759,690)
TOTAL	-	-	(1,759,690)	(1,759,690)	(1,759,690)

Due to their short-term maturity (less than one month), Management estimates the fair values of the cash and cash equivalents, insurance premiums receivable and other liabilities to be equal to their carrying amounts at the end of December 31, 2013 and 2012.

Management estimated the fair value of held to maturity investments in treasury securities using observable market rates (level 2) for similar securities with similar maturity based on their remaining maturity as of December 31, 2013, December 31 and 2012.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***8. CASH AND CASH EQUIVALENTS**

Cash and cash equivalent balances as of December 31, 2013 and December 31, 2012 are detailed as follows:

	December 31, 2013	December 31, 2012
<i>Balances with Banks</i>		
Current accounts with Bank of Albania	152,399,867	48,039,968
Short-term deposits	55,500,000	100,000,000
Current accounts with local banks	1,223,701	3,265,422
Current accounts with foreign banks	121,284,370	1,147,855
Total	330,407,938	152,453,245

Short-term deposits include 7-day deposit with Bank of Albania at the end of the year to be invested in next Government of Albania Treasury auction.

9. INSURANCE PREMIUMS RECEIVABLE

Insurance premiums receivable consist of the last instalments of the yearly insurance premium yet to be collected at the end of the year.

Each bank pays the annual insurance premium in four instalments. Each instalment should be paid in arrears for each quarter on the 15th of January, April, July and October.

On January 15, 2014, 100% of the premiums receivable on December 31, 2013 was collected. On January 15, 2013, 100% of the premiums receivable on December 31, 2012 was collected.

10. INVESTMENT SECURITIES – HELD TO MATURITY

	December 31, 2013	December 31, 2012
Investments in Albanian Government securities (10.1)	19,013,091,170	15,326,940,858
Investments in foreign government securities (10.2)	378,851,359	632,662,064
Total	19,391,942,529	15,959,602,922

10.1 Albanian Government Treasury Bills

Investment in Albanian Government securities are detailed as follows:

	December 31, 2013	December 31, 2012
Treasury Bills in LEK	18,504,413,408	14,701,622,068
Treasury Bills in EUR	508,677,762	625,318,790
Total	19,013,091,170	15,326,940,858

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***10. INVESTMENT SECURITIES – HELD TO MATURITY (CONTINUED)****10.1 Albanian Government Treasury Bills (continued)**

Albanian Government securities by contractual maturity are presented as follows:

	December 31, 2013	weighted average yield	December 31, 2012	weighted average yield
<i>T-Bills in LEK</i>				
3 months	496,422,378	3.06%	-	n/a
6 months	198,035,749	3.65%	1,752,421,990	6.13%
12 months	17,809,955,281	5.12%	12,949,200,078	6.87%
Total	18,504,413,408		14,701,622,068	
<i>T-Bills in EUR</i>				
12 months	508,677,762	2.66%	625,318,790	5.04%
Total	508,677,762		625,318,790	

The year ended December 31, 2013 was characterized by a decrease in market rates across all maturities and such trend has had an impact on the yields of the Agency's investments.

10.2 Foreign Government Treasury Bonds

Investment in foreign government securities breakdown by currency and counterparty is presented as follows:

	December 31, 2013	weighted average yield	December 31, 2012	weighted average yield
<i>Bonds in USD</i>				
U.S.	378,851,359	0.12%	632,662,064	0.19%
Total	378,851,359		632,662,064	

All investments in foreign government securities have a contractual maturity up to 12 months in accordance with the Agency liquidity risk management policy (see Note 6.3).

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the years ended December 31, 2013 and 2012
(All amounts are in LEK unless otherwise stated)
11. PROPERTY AND EQUIPMENT

	Building	Technical installations	Computer equipment	Vehicles	Office Supplies	Total
<i>Cost</i>						
At January 1, 2012	58,819,632	381,173	1,900,590	-	625,727	61,727,122
Additions	-	-	179,884	-	19,080	198,964
At December 31, 2012	58,819,632	381,173	2,080,474	-	644,807	61,926,086
Additions	93,060	964,276	5,415,360	6,240,000	1,844,030	14,556,726
Transfers	-	727,560	(2,980,560)	-	2,253,000	-
At December 31, 2013	58,912,692	2,073,009	4,515,274	6,240,000	4,741,837	76,482,812
<i>Accumulated depreciation</i>						
At January 1, 2012	(1,797,936)	(63,810)	(620,790)	-	(222,264)	(2,704,800)
Charge for the period	(1,797,942)	(57,362)	(554,482)	-	(221,203)	(2,630,989)
At December 31, 2012	(3,595,878)	(121,172)	(1,175,272)	-	(443,467)	(5,335,789)
Charge for the period	(1,801,665)	(77,346)	(734,340)	(229,085)	(502,582)	(3,345,018)
At December 31, 2013	(5,397,543)	(198,518)	(1,909,612)	(229,085)	(946,049)	(8,680,807)
<i>Net carrying amount</i>						
As January 1, 2012	57,021,696	317,363	1,279,800	-	403,463	59,022,322
At December 31, 2012	55,223,754	260,001	905,202	-	201,340	56,590,297
At December 31, 2013	53,515,149	1,874,491	2,605,662	6,010,915	3,795,788	67,802,005

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***12. INTANGIBLE ASSETS, NET**

	Software
<i>Cost</i>	
At January 1, 2012	931,500
Additions	-
At December 31, 2012	931,500
Additions	3,401,400
At December 31, 2013	4,332,900
<i>Accumulated amortisation</i>	
At January 1, 2012	-
Amortisation for the year	(120,000)
At December 31, 2012	(120,000)
Amortisation for the year	(821,155)
At December 31, 2013	(941,155)
<i>Net Carrying amount</i>	
At January 1, 2012	931,500
At December 31, 2012	811,500
At December 31, 2013	3,391,745

13. OTHER ASSETS, NET

	December 31, 2013	December 31, 2012
Inventory	2,378,200	1,566,712
Prepaid expenses	817,239	597,217
Other assets	-	-
Total	3,195,439	2,163,929

14. OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Accrued expenses	2,265,007	475,830
Social and health insurance	560,729	346,765
Personal income tax	623,313	642,435
Other liabilities	598,462	294,660
Total	4,047,511	1,759,690

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***15. INITIAL ESTABLISHMENT FUND**

As of December 31, 2013, the Initial Establishment Fund of 400,000,000 Lek (December 31, 2012: 400,000,000 Lek) represents a contribution of the State Budget provided at time of the Agency's establishment. Per the Law on deposit insurance, the Initial Establishment Fund can be reimbursed to the State Budget in accordance with the terms and conditions set by the Board of Directors of the Agency. The Initial Establishment Fund can be increased by additional contributions of the State Budget at the request of the Board of Directors of the Agency and with the approval of the Government of Albania. For the years ended December 31, 2013 and December 31, 2012 there have been no increases or decreases in the Initial Establishment Fund.

16. INCOME FROM INSURANCE PREMIUMS

For the year ended December 31, 2013, the Agency accrued annual insurance premium income from 16 banks in the amount of Lek 2,775,118,878 (2012: Lek 2,547,690,715 from 16 banks). The annual insurance premium for the year is calculated as 0.5% of the arithmetic average balance of the insured deposits at the end of each working day in the last quarter of the previous year. For the year ended December 31, 2013, the amount of eligible deposits (average balance in the last quarter of 2012) used for calculating the annual insurance premium was Lek 555,024 million (2012: Lek 509,538 million based on the average balance of eligible deposits in the last quarter of 2011).

17. INTEREST INCOME

Interest income for the year ended on December 31, 2013 and 2012 are generated from the following activities:

	Year ended December 31, 2013	Year ended December 31, 2012
Albanian Treasury Bills in LEK	982,288,763	867,800,183
Albanian Treasury Bills in EURO	26,925,065	11,309,210
Foreign Treasury Securities in EURO	-	2,706,603
Foreign Treasury Securities in USD	824,443	1,028,121
Short term deposits at Bank of Albania	19,382,250	18,629,236
Other interest income	16,501	15,189
Total	1,029,437,022	901,488,542

18. PERSONNEL EXPENSES

Personnel expenses for the year ended December 31, 2013 and 2012 are as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Expenses for salaries and bonuses	38,577,855	32,441,509
Social security and health insurance	3,118,055	2,282,744
Other	507,901	775,132
Total	42,203,811	35,499,385

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the years ended December 31, 2013 and 2012***(All amounts are in LEK unless otherwise stated)***19. ADMINISTRATIVE EXPENSES**

	Year ended December 31, 2013	Year ended December 31, 2012
Training and continuous education	8,467,187	4,445,472
Board of Directors expenses	4,063,969	4,173,632
Professional services	2,062,000	613,440
Membership fees	1,408,943	1,449,080
Utilities	1,488,194	1,346,502
Publications and subscriptions	216,836	1,547,789
Workshops and conferences	381,280	50,245
Communication and post	787,231	875,233
Office supplies	354,972	372,812
Other operating expenses	1,688,137	2,244,316
Total	20,918,749	17,118,521

20. RELATIONS AND TRANSACTIONS WITH GOVERNMENTAL INSTITUTIONS, BODIES AND ENTERPRISES

The Bank of Albania and the Ministry of Finance are the governmental institutions with which the Agency has established regular relations in accordance with its legal status and functions and in line with relevant legal requirements.

The Agency is governed by the Board of Directors, which members are appointed in accordance with the Law on deposits insurance (Note 1).

A significant portion of the financial assets are invested in debt instruments issued by the Government of Albania or placed into short deposits with Bank of Albania (Notes 8 and 10). Investment securities are acquired both in the primary market through participation in auctions and the secondary market.

21. EVENTS AFTER THE REPORTING DATE

The Agency has evaluated subsequent events through February 28, 2014, the date these financial statements were available to be issued. In January 2014 the Agency prepared a new Bill to replace the current Law on deposit insurance. The Bill was reviewed by the Supervisory Authority, which then sent it to the Ministry of Finance for their review on February 11, 2014. The Bill is currently under review by the Ministry of Finance, which has the authority to propose it to the Parliament of Albania for discussion and voting. Such event does not require any adjustment or additional disclosure to these financial statements.

There are no other events after the reporting date and as of February 28, 2014 that would require either adjustments or additional disclosures in the financial statements of the Agency.