

**ALBANIAN DEPOSIT INSURANCE AGENCY
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the year ended on 31 December 2021

	PAGE
INDEPENDENT AUDITOR'S REPORT	i-iii
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF INCOME AND EXPENSES AND OTHER	
COMPREHENSIVE INCOME	2
STATEMENT OF CASH FLOW	3
STATEMENT OF CHANGES IN DEPOSIT INSURANCE FUND	4
NOTES TO THE FINANCIAL STATEMENTS	5-42

Independent Auditor's Report

To the Supervisory Board of the Albanian Deposit Insurance Agency.

Opinion

We have audited the financial statements of Albanian Deposit Insurance Agency ("Agency"), which comprise the statement of financial position as at 31 December 2021, the statement of income and expenses and other comprehensive income, the statement of changes in the deposit insurance fund and the statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at 31 December 2021, and its financial performance and its cash flows for the year ended on this date in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

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

This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Other matters

The Financial Statements of the Agency for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 February 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue its activity, based on the going concern principle, disclosing, as applicable, matters related to going concern of Agency's activity and using the going concern principle as a basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton sh.p.k.

Tirana, Albania

8 March 2022



This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ALBANIAN DEPOSIT INSURANCE AGENCY**Statement of Financial Position***(All values are in thousands of ALL, unless otherwise stated)*

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	8	2,451,117,794	2,387,437,946
Investments held to collect contractual cash flows	9	50,396,517,087	45,599,089,145
Property and equipment, net	10	56,277,430	57,755,798
Intangible assets, net	11	100	3,074,833
Other assets, net	12	55,291,909	4,514,601
TOTAL ASSETS		52,959,204,320	48,051,872,323
LIABILITIES			
Other liabilities	13	11,600,575	6,930,333
TOTAL LIABILITIES		11,600,575	6,930,333
DEPOSIT INSURANCE FUND			
Initial establishment fund for bank deposit insurance	14	400,000,000	400,000,000
Initial establishment fund for SCA deposit insurance	14	76,000,000	76,000,000
Accumulated fund for bank deposit insurance		52,380,939,665	47,500,232,112
Accumulated fund for SCA deposit insurance		90,664,080	68,709,878
TOTAL DEPOSIT INSURANCE FUND		52,947,603,745	48,044,941,990
TOTAL LIABILITIES AND DEPOSITS INSURANCE FUND		52,959,204,320	48,051,872,323

The accompanying notes on pages 5 to 42 are an integral part of these financial statements.

ALBANIAN DEPOSIT INSURANCE AGENCY**Statement of Income and Expenses and Other Comprehensive Income***(All values are in thousands of ALL, unless otherwise stated)*

	Note	31 December 2021	31 December 2020
Operating income:			
Income from insurance premiums	15	3,787,716,881	3,590,102,779
Income from initial contributions	16	25,520	80,164
Interest income	17	1,396,826,460	1,227,990,771
Other operating income	18	1,739,381	1,504,175
Total operating income		5,186,308,242	4,819,677,889
Finance expenses:			
Gain/Loss on translation of foreign currency		(126,324,429)	37,338,299
Other financial expenses	19	(33,380,279)	(4,493,905)
Total finance expenses		(159,704,708)	32,844,394
Operating expenses:			
Personnel expenses	20	(78,505,882)	(79,892,504)
Administrative expenses	21	(29,308,657)	(25,944,801)
Depreciation and amortization	10, 11	(9,499,717)	(8,795,656)
Total operating expenses		(117,314,256)	(114,632,961)
Repurchase / (Expenses) provision of financial instruments held to collect contractual flows	8, 9	(6,627,523)	(5,898,049)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR		4,902,661,755	4,731,991,273
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		4,902,661,755	4,731,991,273

The accompanying notes on pages 5 to 42 are an integral part of these financial statements.

ALBANIAN DEPOSIT INSURANCE AGENCY**Statement of Cash Flows***(All values are in thousands of ALL, unless otherwise stated)*

	Note	31 December 2021	31 December 2020
Surplus of income over expenditures for the year		4,902,661,757	4,731,991,273
Adjustment for:			
Interest income	17	(1,396,826,458)	(1,227,990,771)
Depreciation and amortization expenses	10, 11	9,499,716	8,795,656
Reversed provision		-	(5,332,886)
Movement in the provision fund for financial instruments	9	6,627,524	11,230,935
Change in:			
Other assets		(50,777,307)	(178,939)
Other liabilities		4,670,238	576,013
Interest received		1,246,931,305	1,077,205,959
Cash flows generated from operating activities		4,722,786,775	4,596,297,240
INVESTING ACTIVITIES			
Purchase of long-term assets	11	(4,946,616)	(3,328,205)
Purchase of financial instruments held to collect contractual flows		(4,652,304,000)	(5,246,578,501)
Cash flows used for investing activities		(4,657,250,616)	(5,249,906,706)
Increase/Decrease in cash during the year		65,536,159	(653,609,465)
Cash and cash equivalents at the beginning of the year	8	2,388,282,103	3,041,891,569
Cash and cash equivalents at the end of the year	8	2,453,818,262	2,388,282,104

The accompanying notes on pages 5 to 42 are an integral part of these financial statements.

ALBANIAN DEPOSIT INSURANCE AGENCY

Statement of Changes in Deposit Insurance Fund

(All amounts are in ALL unless otherwise stated)

	Initial establishment fund for bank deposit insurance	Initial establishment fund for SCA deposit insurance	Accumulated fund for bank deposit insurance	Accumulated fund for SCA deposit insurance	Total
As at January 1, 2020	400,000,000	76,000,000	42,788,356,194	48,594,523	43,312,950,717
Surplus of income over expenditure for the year	-	-	4,711,875,918	20,115,355	4,731,991,273
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	4,711,875,918	20,115,355	4,731,991,273
On December 31, 2020	400,000,000	76,000,000	47,500,232,112	68,709,878	48,044,941,990
Surplus of income over expenditure for the year	-	-	4,880,707,553	21,954,202	4,902,661,755
Other comprehensive income	-	-	-	-	-
On December 31, 2021	400,000,000	76,000,000	52,380,939,665	90,664,080	52,947,603,745

The accompanying notes on pages 5 to 42 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 March 8, 2022, and signed on its behalf by:

Genci Mamani
General Director

Ornela Shqarri
Head of Finance and Investment Sector

1. GENERAL INFORMATION ON THE REPORTING ENTITY

The Albanian Deposit Insurance Agency (the “Agency” or “ADIA”) is an independent public entity established in 2002 and the activities and operations of the Agency are regulated by Law no. 53/2014 dated May 22, 2014, “On deposit insurance” (“Law”), amended. 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 a 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, entrepreneurs and companies operating with local banks and savings and credit associations (“SCAs”). The institutions, which are members of the insurance scheme, cannot accept deposits of individuals unless they are insured by ADIA. The Agency starts the compensation process when it is notified through a written form by the Bank of Albania on the intervention in an insured institution.

The agency started the activity on October 12, 2002. The Agency carries out its functions to fulfil the objectives in implementing the Law. In particular, but not only, the Agency includes and excludes entities in the scheme; verifies the data reported periodically from member entities; conducts full and partial inspections regarding deposit insurance and compensation of the member entities; develops activities for awareness and education of the public of the insurance scheme; compensates deposits under the provisions of this law; receives initial contributions, insurance premiums, and special contributions; and invests financial assets, under the provisions of this law.

In accordance with the Law, the Agency insures up to 2,500,000 Albanian ALL (“ALL”) of deposits held by individuals, entrepreneurs and companies in the banks that are members of the insurance scheme. As of December 2021 and 2020, all banks operating in Albania (starting from October 1, 2018: 14 banks, 2017:16 banks) are participating members in the insurance scheme. Actually, participating banks of the insurance scheme are 12.

The Agency, in accordance with the Law, insures up to 2,000,000 ALL of deposits held by individuals, entrepreneurs and companies in each savings and credit association that is a member of the insurance scheme. Currently, seven deposit savings companies are included in the deposit insurance scheme, of which one company was admitted to the deposit insurance scheme during 2021. (2020: 9 savings and credit associations).

Starting from January 1, 2018, in accordance with law 133/2016 “On the recovery and resolution of banks in the Republic of Albania”, Insurance Deposit Agency administrates the Resolution Fund in accordance with the provisions of this Law and other bylaws adopted for this purpose by the Bank of Albania. The Resolution Fund, which consists of the banks' own contributions, will be used to enable the implementation of the emergency intervention instruments provided for in Law 133/2016 “On emergency recovery and intervention in banks in the Republic of Albania”.

Currently, the Agency’s address and headquarters are in Tirana (“Rruga e Elbasanit”, Tirana, Albania). On December 31, 2021, the Agency had 26 employees (31 December 2020: 27).

2. REGULATORY FRAMEWORK OF ADIA OPERATIONS

The ADIA’s operations are regulated by the Law on deposit insurance and relevant regulations issued by the Agency and the Supervising Authority. The law and bylaws require that the revenues collected by the institutions of the insurance scheme must be invested in debt securities issued by the Government of Albania or the Bank of Albania, debt securities issued by the government or foreign central banks assessed as safe, from reputable credit rating agencies, or to be placed on short-term deposits in the Bank of Albania or in international financial institutions rated as safe by reputable credit rating agencies.

2. REGULATORY FRAMEWORK OF ADIA OPERATIONS (CONTINUED)

As of December 31, 2021, in accordance with the Law and relevant regulations, all investment instruments have maturity of no longer than 10 years from the date of purchase by the Agency.

The highest governing body of the Agency is the Supervisory Board. The Supervisory Board is composed by five members appointed by the Supervising Authority. Two members are proposed by the Supervising 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. The members of the Supervisory Board are non-executive, with the exception of the member appointed to the position of General Director. The law on deposit insurance stipulates that the term of office for each member of the Supervisory Board is five years, with the right to be re-elected, based on the performance indicators of their activity.

The Supervisory Board as of December 31, 2021 is composed of:

Mr. Donald Duro	Chairman
Mr. Genci Mamani	Member
Mrs. Majlinda Demko	Member
Mrs. Adelina Xhemali	Member

3. BASIS OF PREPARATION AND APPLICATION OF IFRS

(a) Statement of compliance

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

(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 ALL, which is the Agency's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements in accordance with IFRS requires for the management body 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 the accounting estimates are recognized 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 recognized in the financial statements are included in Notes 6 and 7.

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

(e) Going Concern

Financial Statements of the Agency has been prepared based on the going concern principle, which is the assumption that the Agency will remain in business for the foreseeable future based on its legal objectives for deposit compensation as well as maintaining banking and financial stability and protecting depositors' interests. Based on the approved budget, the Agency plans to increase its operational activity and positive results is foreseen in the coming year.

On March 11, 2020, the World Health Organization announced a pandemic situation due to the global emergency caused by the outbreak of COVID 19. In response to the pandemic, the Albanian Government authorities implemented numerous measures to limit the spread and impact of COVID-19, such as the prohibition and restriction of travel, the quarantine of infected persons, as well as the imposition of restrictions on business activity, until their closure. The above measures were gradually eased during 2020 and 2021. These measures, among others, have limited economic activity in Albania and have negatively affected it. During 2021, the economic situation in Albania has been improving and the activity of banks and financial institutions has been stabilized (note 6.3), which has also affected the activity of ASD. ASD has continued to exceed its revenues over expenditures during 2021 as in previous years. On June 11, 2021, the Agency signed a loan agreement with the European Bank for Reconstruction and Development, accompanied by a guarantee from the Albanian Government, for a credit line available in EUR 100,000,000. At the date of preparation of these financial statements, the Agency based on the above and also in accordance with the approved financial plan in the coming years, expects to increase its operational activity and expects to achieve a positive result in the next year.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

4.1 New and revised standards which are enforced for annual periods beginning on or after January 1, 2021,

Some Accounting Standards which have become effective as of January 1, 2021, and which have been approved do not have a material impact on the financial results or position of the Agency. Therefore, the disclosures regarding these Standards are not provided in the agency statements.

4.2 Standards, amendments and interpretations of existing standards that are not yet effective and have not been previously approved by the agency

Other standards and amendments that are not yet effective and have not been approved early by the board include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References in the Conceptual Framework
- Revenue before target use (Amendments to IAS 16)
- Construction contracts - Cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of liabilities as current or non-current (amendments to IAS 1)
- Deferred tax related to Assets and Liabilities from a single transaction

These amendments are not expected to have a material impact on the financial statements in the period of initial application and therefore disclosure is not included.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Transactions in foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate applicable 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 ALL are as follows:

	December 31, 2021	December 31, 2020
EURO	120.76	123.7
USD	106.54	100.84
CHF	116.82	114.46

5.2 Deposit insurance premium and contributions

In accordance with the Law on deposit insurance no. 53/14 date 22.05.2014, as amended, the insurance premium is determined by the member institutions on a quarterly basis. The quarterly insurance premium for banking institutions is calculated at 0.125% of the arithmetic average balance of the insured deposits on the last day of each month of the previous quarter. For SCAs, quarterly insurance premium is 0.075 percent of the arithmetic average of the number of insured deposits, which are recorded at SCA on the last day of each month of the previous quarter. For the purpose of calculating premiums, quarters begin on the first day of January, April, July, and October. Quarterly insurance premium to banking institutions is paid no later than the 15th of the first month of the quarter for which it is paid.

Every entity which wants to join the deposit insurance scheme pays an initial contribution rate of 0.5 percent of its initial capital converted to ALL to obtain certification for meeting the legal requirements and regulations regarding security deposit. This entity pays at the end of the first year of membership an extension of the initial contribution, which is calculated at the rate of 0.5 per cent of the subject's capital increase during the year.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Interest

Interest income and expense are recognized in the profit or loss statement by using the effective interest method. For financial assets other than purchased or originated credit impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts and payments excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the of the financial asset or liability on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

For financial assets of the Agency which are financial instruments with no increased credit risk, effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability to the gross carrying amount at initial recognition.

5.4 Fees and commissions

The calculation of the effective interest rate also includes fees and commission income and expenses that are integral to the effective interest rate of a financial asset or liability.

5.5 Financial assets and financial liabilities

(i) Recognition

The Agency initially recognizes investment in securities, deposits, borrowings and other subordinated liabilities on the date that they are originated. Frequent purchases and sales of financial assets are recognized 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 recognized 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

When a financial asset or a financial liability is not defined at fair value through profit or loss, it is measured at fair value plus the transaction costs that are directly attributable to its acquisition or issuing.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows.
- Selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(ii) Classification

(i) Amortized cost and effective interest rate

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.

As of December 31, 2021, and December 31, 2020, the Agency's financial assets consist of cash and cash equivalent and investment securities classified as held-to-collect. No changes in the classification of financial assets occurred during the years ended December 31, 2021, and December 31, 2020. 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 amortized cost or fair value through profit or loss. As of December 31, 2021 and December 31, the Agency's financial liabilities consist only of payables to suppliers and other liabilities measured at amortized cost.

(iii) Impairment of financial assets

The Agency recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Agency always recognizes lifetime ECL for its financial assets when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Agency measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(I) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Agency compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Agency considers both quantitative and qualitative information that is reasonable and supportable, including and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the sector in which the Agency operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Agency's core operations. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Impairment of financial assets (continued)

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.
- significant deterioration in external market indicators of credit risk for a particular financial instrument,
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- an actual or expected significant deterioration in the operating results of the debtor.
- significant increases in credit risk on other financial instruments of the same debtor

Despite the foregoing, the Agency assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Agency considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Agency regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(i) Definition of loss

The Agency considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Agency.

Irrespective of the above analysis, the Agency considers that default has occurred when a financial asset is more than 90 days past due unless the Agency has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Impairment of financial assets (continued)

The measurement of expected credit loss is a function of the probability of default, loss given default, and exposure at default. The estimation of the loss given default and the likelihood of loss relies on historical data adjusted for future information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Agency in accordance with the contract and all the cash flows that the Agency expects to receive, discounted at the original effective interest rate. The Agency recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through comprehensive income, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(iii) Derecognition

The Agency derecognizes a financial asset when the contractual rights to the cash flows generated from the financial asset expire, or when 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 recognized as a separate asset or liability.

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 recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

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

(iv) Offsetting

Financial assets and liabilities are offset and presented with their net balance in the statement of financial position only when the agency has the legal right to do so. The agency intends to either settle them on a net basis or to realize 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.

(v) Amortized cost measurement

The amortized 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 amortization using the effective interest method for any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(All amounts are in ALL unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Impairment of financial assets (continued)

(vi) Fair value measurement

Fair value is the price at which an asset would be exchanged, or a liability settled, for a voluntary transaction between willing parties, well informed and unrelated, on the date of measurement.

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 maximize the use of relevant observable inputs and minimize 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 benchmark 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. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Impairment of financial assets (continued)

(vi) Fair value measurement (continued)

- **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 the net present value and discounted cash flow models, using similar instruments for which market observable prices exist.

The objective of valuation techniques is to obtain a fair value measurement that reflects the price that would be received when selling the asset or paid when transferring the liability through orderly transactions 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 determining fair values. The 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 financial markets.

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 in the Bank of Albania, with original maturities of three months or less, subject to insignificant risk of changes in their fair value and are used by the Agency in the management of its activity. Cash equivalents are carried at amortized cost in the statement of financial position, which approximates fair value due to their short-term nature.

5.7 Insurance premiums receivable

Insurance premiums receivables are carried at amortized cost in the statement of financial position, which approximates fair value due to their short-term nature.

5.8 Financial instruments held to collect contractual flows

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, adding incremental direct transaction costs. Agency' financial assets are classified as held to collect because considering their business model they are hold in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 recognized within "Other income" in the statement of profit or loss.

(ii) Subsequent costs

A subsequent expenditure is capitalized 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 recognized 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 and improvements	25-40 years
• Computer equipment	3-5 years
• Vehicles	5 years
• Office furniture and supplies	3-20 years
• Technical installations	4-20 years

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

5.10 Intangible assets

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. A subsequent expenditure is capitalized 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. Intangible assets are amortized on a straight-line basis over a period of three to four years.

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

5.11 Provisions

A provision is recognized 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.11 Provisions (continued)

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. Such provision is recognized in the period when notified in writing by Bank of Albania on the intervention on an insured institution.

As of December 31, 2021 and December 31, 2020 no such event has occurred (see Note 6.3), hence no provision is recognized in the statement of financial position.

5.12 Taxation

In accordance with the Law on “Deposit insurance”, the Agency is exempted from value added tax and tax on profit. The Agency is subject to local taxes and fees.

5.13 Employees’ contributions and benefits

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.

5.14 Comparative balances

Some comparative figures in the statement of cash flows and statement of changes in deposit insurance fund are reclassified or restated as a result of changes in classification or to present a better result.

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 minimizing 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 continuously tries 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. The administration of funds of the Agency are governed by the law for Deposit Insurance and Regulation "On the administration of financial resources of the Deposit Insurance Agency" ("Investment Policy"), approved by the Supervisory Board.

Investment Policy defines the structure of the portfolios according to funds administered by the Deposit Insurance Agency, the criteria for minimizing the risks in the administration, and the conditions for decision-making procedures and implementation of financial management tools. The management of funds of the Agency are carried out by following these principles: a) the principle of liquidity, according to the titles in which funds are invested must be returned in ALL quickly and with less cost; b) the principle of security, according to which the Agency diversifies its portfolios by investing in different titles depending on the type and / or maturity and, while keeping credit risk as low as possible; and c) the principle of the return rate, according to which the actual return rate of the financial instruments in which the tools are invested should be as high as possible.

For management purposes, the funds are organized in two tranches. The liquidity tranche covers the needs in case of a possible insurance event and the expenses for the annual activities of the Agency. This tranche has been changed in December 2018 and includes balances held in current accounts, deposits, and securities with a remaining maturity of 0-3 months. Before this tranche included the balances held in current accounts, deposits, and securities with a remaining maturity at the time of purchase by the Agency 0-3 months. The size of this tranche can never be less than 10 % of the total financial assets for each of the funds managed by the Agency. The tranche of investment represents the financial assets after the liquidity tranche is deducted. This tranche includes securities with remaining maturities of up to 10 years. Titles with remaining maturity over 2 years cannot have a value greater than 30% of total financial assets for each of the funds. In order to minimize the risks of investment, the tranche should target a scalable distribution of maturities. The transition of this tranche to the liquidity tranche is carried out accordingly to the Agency's need for liquidity. The sizes of the tranches of liquidity and investment are determined based on a periodic analysis of the banking system and savings and credit association financial situation.

The law on deposit insurance and investment policy defines which financial instruments the Agency is allowed to trade. According to these acts, financial assets must be invested in securities issued by governments or foreign central banks rated as safe by recognized credit rating agencies (rating no lower than AA- / Aa3), or securities issued by the Government of Albania or the Bank of Albania. Financial assets can also be placed in short term deposit / current account at the Bank of Albania or international financial institutions rated as safe by recognized credit rating agencies (rating no lower than AA- / Aa3).

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the year ended December 31, 2021***(All amounts are in ALL unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)**

To manage currency and exchange rate risk, financial assets are held in ALL and foreign currency. Allowed foreign currencies are USD and Euro. The amount of each currency held is determined at the annual financial asset's investment strategy. Financial assets in foreign currency part of the bank deposit insurance fund should not be less than 5 % of the total financial means of this fund based on Regulation no. 17, dated 28.07.2016 "On the policy of administration of financial assets of ASD", as amended. In the longer term, considering market conditions, the Agency aims at structuring portfolios in a similar manner to the distribution of the insured deposits according to the different currencies held.

Furthermore, in order to guarantee the ability to meet obligations to insured depositors, the Agency has entered into an agreement with the Ministry of Finance and the Bank of Albania that in the case of an assurance event, the Agency can easily enter a sale and repurchase transaction regarding the financial assets the Agency owns. In accordance with the law on deposit insurance, in case of a funds' insufficiency, the Agency has the right to require premature payment of annual insurance premiums from institutions, increase annual premiums, collect a special contribution from insured institution and debt guarantee from the state budget (Article 61 of the law "On deposit insurance").

6.1 Credit risk

Credit risk is the risk of a financial loss to the Agency if the counterparty to a financial instrument fails to meet its contractual obligations, and the risk arises mainly 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, as well as ensuring compliance with established boundaries on the amount of exposure to counterparties/countries and other relevant policies set in the regulatory framework.

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

Investment securities	Government of Albania	Total
As of December 31, 2021		
Neither past due nor impaired	45,313,032,418	45,313,032,418
Not past due but impaired as per requirements of IFRS 9	5,083,484,669	5,083,484,669
TOTAL	50,396,517,087	50,396,517,087
As of December 31, 2020		
Neither past due nor impaired	41,593,415,119	41,593,415,119
Not past due but impaired as per requirements of IFRS 9	4,005,674,026	4,005,674,026
TOTAL	45,599,089,145	45,599,089,145

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Cash and Cash equivalents	Bank of Albania	Second Tier Banks	Total
As of December 31, 2021			
Neither past due nor impaired	1,717,917,181	3,132,089	1,721,049,270
Not past due but impaired as per requirements of IFRS 9	726,917,776	3,150,748	730,068,524
TOTAL	2,444,834,957	6,282,837	2,451,117,794
As of December 31, 2020			
Neither past due nor impaired	2,259,575,758	2,573,319	2,262,149,077
Not past due but impaired as per requirements of IFRS 9	123,384,183	1,904,686	125,288,869
TOTAL	2,382,959,941	4,478,005	2,387,437,946

The table below presents the financial instruments for 2021 and 2020 according to IFRS 9 scales

Stages according to Expected Loss on Financial Assets December 31, 2021

	Degree 1	Degree 2	Degree 3	TOTAL
Financial instruments held to collect contractual flows	50,414,239,944	-	-	50,414,239,944
Cash and cash equivalents	2,453,818,270	-	-	2,453,818,270
Gross value	52,868,058,214	-	-	52,868,058,214
Provisions	(20,423,333)	-	-	(20,423,333)
Accounting value, net	52,847,634,881	-	-	52,847,634,881

Stages according to Expected Loss on Financial Assets December 31, 2020

	Degree 1	Degree 2	Degree 3	TOTAL
Financial instruments held to collect contractual flows	45,612,040,798	-	-	45,612,040,798
Cash and cash equivalents	2,388,282,103	-	-	2,388,282,103
Gross value	48,000,322,901	-	-	48,000,322,901
Provisions	(13,795,810)	-	-	(13,795,810)
Accounting value, net	47,986,527,091	-	-	47,986,527,091

There is not any contractual liability for Agency as of December 31, 2021 and December 31, 2020.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the year ended December 31, 2021***(All amounts are in ALL unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)**

Agency use credit ratings published from international ratings agencies for assessment S&P of probabilities of default of financial assets and liabilities as detailed below:

Rating according to S&P for 2021	Institution	Probability of default
B+	Government of Albania	0.70%
B+	Bank of Albania	0.70%
BBB+	Raiffeisen Bank International AG	0.08%
BBB+	Raiffeisen Bank Albania	0.23%
No rating published	Credins Bank	-
No rating published	National Commercial Bank	0.23%
No rating published	Intesa San Paolo	-

Rating according to S&P for 2020	Institution	Probability of default
B+	Government of Albania	0.72%
B+	Bank of Albania	0.72%
BBB+	Raiffeisen Bank International AG	31.2%
BBB+	Raiffeisen Bank Albania	31.2%
No rating published	Credins Bank	-
No rating published	National Commercial Bank	-
BBB	Intesa San Paolo	-

6.2 Market risk

Market risk is the risk arising from 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) which 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 maximizing the return on risk.

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

The main risk to which non-trading portfolios are exposed to, is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments as a result 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 within these limits.

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risks (continued)

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

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

As of December 31, 2021	Carrying amount	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	2 - 5 years	5 - 10 years
Cash and cash equivalents	2,451,117,794	2,451,117,794	-	-	-	-	-	-
Investments held to collect contractual cash flows	50,396,517,087	2,749,785,460	2,979,357,285	4,538,118,646	10,223,675,277	13,662,854,413	2,814,507,192	13,428,218,814
TOTAL	52,847,634,881	5,200,903,254	2,979,357,285	4,538,118,646	10,223,675,277	13,662,854,413	2,814,507,192	13,428,218,814
As of December 31, 2020	Carrying amount	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	2 - 5 years	5 - 10 years
Cash and cash equivalents	2,387,437,946	2,387,437,946	-	-	-	-	-	-
Investments held to collect contractual cash flows	45,599,089,145	699,359,886	2,165,135,273	2,150,875,694	4,253,896,191	19,691,282,861	699,553,307	15,938,985,933
TOTAL	47,986,527,091	3,086,797,832	2,165,135,273	2,150,875,694	4,253,896,191	19,691,282,861	699,553,307	15,938,985,933

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the year ended December 31, 2021***(All amounts are in ALL 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, 2021	As of December 31, 2020
+100bp	528,476,348,850	479,865,271
-100bp	(528,476,348,850)	(479,865,271)

(ii) Exposure to currency risk

Currency risk is defined as the risk related to movements in exchange rates which 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 ALL. The existing exposures 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 ALL):

As of December 31, 2021	ALL	USD	EUR
ASSETS			
Cash and cash equivalents	1,721,049,270	178,983	729,889,541
Investments held to maturity to collect contractual cash flows	45,313,032,418	-	5,083,484,669
Other assets	2,317,636	-	-
TOTAL ASSETS	47,036,399,324	178,983	5,813,374,210
LIABILITIES			
Other liabilities	1,836,836	-	-
TOTAL LIABILITIES	1,836,836	-	-
CURRENCY EXPOSURE	47,038,236,160	178,983	5,813,374,210

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the year ended December 31, 2021***(All amounts are in ALL unless otherwise stated)***6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2 Market risks (continued)***(iii) Exposure to currency risk (continued)*

As of December 31, 2020	ALL	USD	EUR
ASSETS			
Cash and cash equivalents	2,262,149,080	172,305	125,116,561
Investments held to maturity to collect contractual cash flows	41,593,415,119	-	4,005,674,026
Other assets	2,367,877	-	-
TOTAL ASSETS	43,857,932,076	172,305	4,130,790,587
LIABILITIES			
Other liabilities	1,355,743	-	-
TOTAL LIABILITIES	1,355,743	-	-
CURRENCY EXPOSURE	43,859,287,819	172,305	4,130,790,587

Foreign currency sensitivity analysis

The table below demonstrates the sensitivity to a 1,500 basis points increase/decrease in the spot rates of ALL 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, holding everything else constant.

	USD		EUR	
	+15%	-15%	+15%	-15%
As of December 31, 2021	26,847	(26,847)	872,006,132	(872,006,132)
As of December 31, 2020	25,846	(25,846)	619,618,588	(619,618,588)

On a 15 per cent increase in the spot rate of USD and EUR against ALL, the overall impact on the financial result and net assets of the Agency would be an increase as per table above.

On a 15 per cent decrease in the spot rate of USD and EUR against ALL, 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 year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its obligations associated with financial liabilities that are settled by delivering cash or another liquid 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. For more information on the policy of the additional financial recourses and assets refer to the beginning of Note 6.

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, 2021	Carrying amount	up to 1 month	1 - 3 months		3 - 6 months		6 - 12 months		12 - 24 months		2 - 5 years		5 - 10 years		Total contractual cash flows
	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL
ASSETS															
Cash and cash equivalents	2,451,117,794	2,451,117,794	-	-	-	-	-	-	-	-	-	-	-	-	2,451,117,794
Financial instruments held to collect contractual flows	50,396,517,087	2,749,785,460	2,979,357,285	4,538,118,646	10,223,675,277	13,662,854,413	2,814,507,192	13,428,218,814	50,396,517,087						
TOTAL	52,847,634,881	5,200,903,254	2,979,357,285	4,538,118,646	10,223,675,277	13,662,854,413	2,814,507,192	13,428,218,814	52,847,634,881						
LIABILITIES															
Other liabilities	1,836,836	1,782,964	-	-	-	53,872	-	-	-	-	-	-	-	-	1,836,836
TOTAL	1,836,836	1,782,964	-	-	-	53,872	-	-	-	-	-	-	-	-	1,836,836
CUMULATIVE LIQUIDITY GAP	52,845,798,045	5,199,120,290	2,979,357,285	4,538,118,646	10,223,675,277	13,662,800,541	2,814,507,192	13,428,218,814	52,845,798,045						

As of 31 December 2021 the liquidity tranche is 17.32%, the tranche for financial instruments with a term of 3-24 months is 54% and the investment tranche 28.32%.

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

As of December 31, 2020	Carrying amount	up to 1 month		1 - 3 months		3 - 6 months		6 - 12 months		12 - 24 months		2 - 5 years		5 - 10 years		Total contractual cash flows in ALL
		in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	
ASSETS																
Cash and cash equivalents	2,387,437,946		2,387,437,946													2,387,437,946
Financial instruments held to collect contractual flows	45,599,089,145		699,359,886	2,165,135,273	2,150,875,694	4,253,896,191	19,691,282,861	699,553,307	15,938,985,933	45,599,088,528						
TOTAL	47,986,527,091		3,086,797,832	2,165,135,273	2,150,875,694	4,253,896,191	19,691,282,861	699,553,307	15,938,985,933	47,986,526,474						
LIABILITIES																
Other liabilities	1,355,743		1,355,743													1,355,743
TOTAL	1,355,743		1,355,743													1,355,743
CUMULATIVE LIQUIDITY GAP	47,985,171,348		3,085,442,089	2,165,135,273	2,150,875,694	4,253,896,191	19,691,282,861	699,553,307	15,938,985,933	47,985,170,731						

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, through the information received from the Bank of Albania, continuously monitors 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 the latest report on financial stability, the Bank of Albania estimates that the banking sector has expanded its activity during the period. On the liabilities side, the increase was observed in banks' liabilities in the form of deposits, while on the asset side, the increase was mainly oriented towards securities investments and lending. The share of assets and liabilities in foreign currency to the total balance sheet is about 50% and has remained balanced over the period. Banking sector assets expanded by about 4% during the period and by 8% compared to a year earlier. The banking sector has normally developed the main functions of the activity and has supported the economy with financing.

At the end of the period, the capital adequacy ratio for the entire sector stood at around 18%, being 0.7 percentage points lower than the end of 2020 and 0.1 percentage points lower than the same period a year earlier. European capital banks and systemic banks report the highest level of capital adequacy ratio.

The liquidity situation of the banking sector is quite good, despite a slight decline in liquidity ratios during the period. At market risks, the banking sector remains sensitive to exchange rate risk through the unsecured foreign currency credit segment. Interest rate risk exposure remains present and has increased over the period but is estimated to be limited.

7. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance 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 recognized in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Agency's Supervisory Board the development, selection, and disclosure of critical accounting policies and their application, and assumptions made related to major estimation uncertainties. Information about assumptions and estimation uncertainties, which 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 recognized in the financial statements is disclosed below.

ALBANIAN DEPOSIT INSURANCE AGENCY**Notes to the Financial Statements for the year ended December 31, 2021***(All amounts are in ALL unless otherwise stated)***7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)**

Management has considered a standard scenario that include increase or decrease of 10% in the probability of default (PD) and expected credit loss (ECL). The sensitivity analyses of Agency' possible losses as a result of increase or decrease of credit loss indicators is presented in the table below:

	PD and ECL	
	+10%	+10%
Impairment As of December 31, 2021 for cash and cash equivalents	2,700,469	(2,700,469)
Provision for financial assets	17,722,865	(17,722,865)
	PD and ECL	
	+10%	+10%
Impairment As of December 31, 2020 for cash and cash equivalents	844,416	(844,416)
Provision for financial assets	12,951,653	12,951,653

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

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

7.1 Fair Value of financial instruments

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

As of December 31, 2021	Financial assets at amortized cost	Investments held at fair value through other comprehensive income (FVOCI)	Investments held at fair value through profit or loss (FVPL)	Other held at amortized cost	Carrying amount	Fair value
ASSETS						
Cash and cash equivalents	2,451,117,794	-	-	-	2,451,117,798	2,451,117,798
Investments held to maturity to collect contractual cash flows	50,396,517,087	-	-	-	50,396,517,087	50,842,784,868
TOTAL	52,847,634,881	-	-	-	52,847,634,885	53,293,902,666
LIABILITIES						
Other liabilities	-	-	-	1,836,836	1,836,836	1,836,836
TOTAL	-	-	-	1,836,836	1,836,836	1,836,836

ALBANIAN DEPOSIT INSURANCE AGENCY

Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

7.1 Fair Value of financial instruments (continued)

As of December 31, 2020	Financial assets at amortized cost	Investments held at fair value through other comprehensive income (FVOCI)	Investments held at fair value through profit or loss (FVPL)	Other held at amortized cost	Carrying amount	Fair value
ASSETS						
Cash and cash equivalents	2,387,437,946	-	-	-	2,387,437,946	2,387,437,946
Investments held to maturity to collect contractual cash flows	45,599,089,145	-	-	-	45,599,089,145	46,552,388,973
TOTAL	47,986,527,091	-	-	-	47,986,527,091	48,939,826,919
LIABILITIES						
Other liabilities	-	-	-	1,355,743	1,355,743	1,355,743
TOTAL	-	-	-	1,355,743	1,355,743	1,355,743

Due to their short-term maturity, Management estimates the fair values of the cash and cash equivalents and other similar liabilities to be equal to their carrying amounts at the end of December 31, 2021, and 2020. 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, 2021 and 2020.

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances as of December 31, 2021 and December 31, 2020 are detailed as follows:

Bank balances	December 31, 2021	December 31, 2020
Short-term deposits with the Bank of Albania (7 days)	1,717,500,000	2,258,859,000
Current accounts with the Bank of Albania	727,334,958	124,528,839
Current accounts with Raiffeisen Bank	2,611,298	3,217,806
Current accounts at Intesa San Paolo	996,569	610,054
Current accounts with Raiffeisen Bank International	4,510,615	434,877
Current accounts in BKT	424,850	426,312
Current accounts in Credins	439,972	205,215
Discounted provision for foreign currency bank accounts	(2,700,468)	(844,157)
TOTAL	2,451,117,794	2,387,437,946

The regulation "On the administration of financial assets of the Agency of Insurance Deposit", approved on July 28, 2016, requires that liquidity tranche should not be less than 10% of the total financial assets for each of the funds managed by the Agency. This tranche includes the situation in current accounts, deposits, and securities with a remaining maturity of 0-3 months. (Note 9). Short-term deposits at Bank of Albania are invested in compliance with Bank of Albania's Supervisory Board decision no. 39 dated 18.07.2007 with a maturity of 7-days deposits with an interest rate of 10 basis point less than base interest rate.

Agency has assessed the credit risk related to bank accounts held in foreign currency and has calculated expected credit loss in accordance with the model raised for the implementation of IFRS 9, using the probability of default, exposure at default, and probability of loss. The ratings of the institutions in which the Agency holds bank accounts in currency and in foreign currency are given in note 6.1.

As of December 31, 2021 and 2020, movement of provision expense recognized for bank accounts held in foreign currency at Bank of Albania is detailed as below:

	2021	2020
Opening balances as of January 1	844,157	6,177,043
Provision expenses recognized during the year	1,856,311	-
Reversal of provision during the year	-	(5,332,886)
Total provision expenses, net	2,700,468	(5,332,886)
Closing balance as of December 31	2,700,468	844,157

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

9. INVESTMENT HELD TO COLLECT CONTRACTUAL CASH FLOWS

The securities according to their contractual value are presented as follows:

	December 31, 2021	December 31, 2020
Investments in Albanian Government securities in nominal value	49,675,924,000	45,023,620,000
Accrued interest for Albanian Government bonds	468,900,975	390,273,375
Discount of Treasury Bills of Albanian Government	(58,984,035)	(63,983,584)
Premium of Albanian Government bonds	328,399,011	262,131,007
Provision for Albanian Government Bonds held in Euro	(17,722,865)	(12,951,653)
TOTAL	50,396,517,087	45,599,089,145

9.1 Albanian Government Treasury Securities

Investments in Albanian Government securities are detailed as follows:

Classification based on currency	December 31, 2021	December 31, 2020
Treasury Securities in ALL	45,313,032,418	41,593,415,119
Treasury Securities in EUR	5,083,484,669	4,005,674,026
TOTAL	50,396,517,087	45,599,089,145

S&P Rating	December 31, 2021	December 31, 2020
Albanian Government Rated B+	50,396,517,087	45,599,089,145
TOTAL	50,396,517,087	45,599,089,145

Albanian Government securities by contractual maturity are presented as follows:

	December 31, 2021	Weighted average yield	December 31, 2020	Weighted average yield
<i>Treasuries in ALL</i>				
12 months	9,524,665,333	1.49%	8,869,267,043	1.61%
24 months	21,817,919,454	2.28%	19,691,283,480	2.16%
3 years	199,938,941	2.94%	1,099,553,307	3.58%
5 years	3,323,183,371	4.89%	4,150,338,987	5.25%
7 years	5,190,378,862	4.76%	4,072,019,505	5.07%
10 years	5,256,946,457	6.07%	3,710,952,797	6.45%
TOTAL	45,313,032,418		41,593,415,119	
<i>Treasuries in EUR</i>				
24 months	803,054,000	1.96%	-	
7 years	5,082,681,615	3.50%	4,005,674,026	3.50%
TOTAL	5,885,735,615		4,005,674,026	

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

9. INVESTMENT SECURITIES – HELD TO COLLECT CONTRACTUAL CASH FLOWS (CONTINUED)

9.1 Albanian Government Treasury Securities (continued)

Agency has assessed the credit risk using the probability of default, exposure at default, and probability of loss. Management of the Agency considers historical analyses and other information related to the future to assess any possible expected loss. As of December 31, 2021 and 2020, the investment portfolio of the Agency include only Albanian Government securities. Management of the Agency assess that Albanian Government securities held in LEK, have a credit risk almost zero, thus there is no impairment recognized for these securities.

Agency has recognized impairment only for financial assets held in EUR, considering the currency risk, even though it considers that there is no indication that the Albanian Government has an increased credit risk related to these securities.

	2021	2020
Opening balance as of January 1	12,951,653	1,720,718
Provision expenses recognized during the year	4,771,212	11,230,935
Reversal of provision during the year	-	-
Closing balance as of December 31	17,722,865	12,951,653

ALBANIAN DEPOSIT INSURANCE AGENCY

Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

10. PROPERTY AND EQUIPMENT, NET

	Building	Technical installations	Computer equipment	Vehicles	Office Supplies	Total
As of December 31, 2019	75,227,589	12,191,175	17,469,258	6,240,000	12,795,023	123,923,045
Additions	736,800	1,542,000	748,375	-	301,030	3,328,205
As of December 31, 2020	75,964,389	13,733,175	18,217,633	6,240,000	13,096,053	127,251,250
Additions	-	924,000	375,480	3,647,136	-	4,946,616
As of December 31, 2021	75,964,389	14,657,175	18,593,113	9,887,136	13,096,053	132,197,866
<i>Accumulated depreciation</i>						
As of December 31, 2019	(29,487,165)	(5,654,588)	(11,363,166)	(6,240,000)	(11,081,278)	(63,826,197)
Charge for the period	(1,935,250)	(1,031,554)	(2,408,164)	-	(294,287)	(5,669,255)
As of December 31, 2020	(31,422,415)	(6,686,142)	(13,771,330)	(6,240,000)	(11,375,565)	(69,495,452)
Charge for the period	(1,959,810)	(1,153,529)	(2,532,250)	(455,892)	(323,503)	(6,424,984)
As of December 31, 2021	(33,382,225)	(7,839,671)	(16,303,580)	(6,695,892)	(11,699,068)	(75,920,436)
<i>Net carrying amount</i>						
As of December 31, 2020	44,541,974	7,047,033	4,446,303	-	1,720,488	57,755,798
As of December 31, 2021	42,582,164	6,817,504	2,289,533	3,191,244	1,396,985	56,277,430

As of December 31, 2021 and 2020, Agency has no tangible asset set as collateral.

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

11. INTANGIBLE ASSETS, NET

	Software	Total
<i>Cost</i>		
As of January 1, 2020	80,176,802	80,176,802
Additions	-	-
As of December 31, 2020	80,176,802	80,176,802
Additions	-	-
As of December 31, 2021	80,176,802	80,176,802
<i>Accumulated depreciation</i>		
As of January 1, 2020	(73,975,561)	(73,975,561)
Amortization for the year	(3,126,408)	(3,126,408)
As of December 31, 2020	(77,101,969)	(77,101,969)
Amortization for the year	(3,074,733)	(3,074,732)
As of December 31, 2021	(80,176,702)	(80,176,701)
<i>Net carrying amount</i>		
As of January 1, 2020	6,201,241	6,201,241
As of December 31, 2020	3,074,833	3,074,833
As of December 31, 2021	100	100

12. OTHER ASSETS, NET

	December 31, 2021	December 31, 2020
Inventory	2,065,597	1,269,734
Prepaid expenses	50,908,676	876,990
Other assets	2,317,636	2,367,876
TOTAL	55,291,909	4,514,600

Other assets include the amount of ALL 2,315,381 related to the reimbursement of indirect costs from the administration of Resolution Fund (note 18), and amount of ALL 2,252 receivable from Agency' employees. Also, in 2021, the Agency has paid the commitment commission for the EBRD-related loan, for which 4 months are recognized in the accounting, and the remaining prepayment is included in the item prepaid expenses to be distributed throughout the duration of the agreement. of credit (note 19).

13. OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Accrued expenses	3,309,434	3,149,500
Social and health insurance	928,275	800,004
Other liabilities	1,836,836	1,355,743
Personal income tax	5,526,030	1,625,086
TOTAL	11,600,575	6,930,333

Accrued expenses are related to outstanding invoices for 2021 for liabilities related to the external audit service and internal audit, as well as liabilities for outstanding invoices (monthly operating liabilities). Other liabilities relate to invoices received but unpaid by 31 December 2021 for the maintenance of infrastructure, information equipment, etc., which were paid in early 2022.

(All amounts are in ALL unless otherwise stated)

14 INITIAL ESTABLISHMENT FUNDS

As of 31 December 2021, the Initial Establishment Fund for the insurance of deposits of ALL 400,000,000 (31 December 2020: ALL 400,000,000) and the Initial Establishment Fund for the insurance of deposits of the SCA of ALL 76,000,000 (31 December 2020: ALL 76,000,000) represent the contributions of the State Budget for the insurance funds for deposits in banks and SCA. According to the law on "Deposit insurance", as amended, the Initial Establishment Funds can be used to prepare and finance deposit compensation. At the request of the Agency and with the approval of the Albanian Government, the Initial Establishment Funds may be increased by additional contributions to the State Budget.

15. INCOME FROM INSURANCE PREMIUMS

For the year ended December 31, 2021, the Agency has received insurance premium income from 12 banks and 7 savings and credit associations, in the amount of ALL 3,787,716,881 (2020: ALL 3,590,102,779). At the end of 2021, 12 banks and 9 credit savings companies are members of the deposit insurance scheme.

In accordance with the law on deposit insurance, the deposit insurance premium is calculated by member entities on a quarterly basis. For banks, the quarterly insurance premium is calculated as 0.125% of the arithmetic average of the number of insured deposits, which are registered in the bank on the last day of each month of the previous quarter. For savings and loan associations, the quarterly insurance premium is calculated as 0.075% of the arithmetic average of the number of insured deposits registered with these companies on the last day of each month of the previous quarter.

16. INITIAL INCOME CONTRIBUTION

Each entity which wants to join the deposit insurance scheme, pays an initial contribution rate of 0.5% of its initial capital converted to ALL, through which it obtains certification for meeting the legal requirements and regulations regarding security deposit. This entity pays at the end of the first year of membership an extension of the initial contribution scheme, calculated at the rate of 0.5 per cent of the capital increase that year. For the year ended 31 December 2021, the income from the initial contribution is ALL 25.520 (2020: ALL 80,164).

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

17. INTEREST INCOME

Interest income for the year ended on December 31, 2021, and 2020 are generated from the following activities:

	December 31, 2021	December 31, 2020
Albanian Treasury Securities in ALL	1,291,859,551	1,170,304,665
Short term deposits at Bank of Albania	96,628,367	49,487,015
Albanian Treasury Securities in EURO	8,338,542	8,199,091
TOTAL	1,396,826,460	1,227,990,771

18. OTHER OPERATING INCOME

	December 31, 2021	December 31, 2020
Income from other administration	1,739,381	1,504,175
TOTAL	1,739,381	1,504,175

Other revenues include the amount that the Agency will compensate from the Extraordinary Intervention Fund for its administration in the amount of ALL 1,739,381.

Pursuant to Article 16, of the Regulation "On the Extraordinary Intervention Fund and Procedures for its Administration" approved by DCM no. 56 dated 03.10.2017, the Agency receives an annual payment for the reimbursement of costs for the administration of financial assets of the FNJ. The Emergency Intervention Authority decides on the cost reimbursement measure based on the detailed report that the Agency sends on the annual expenses incurred for the administration of the FNJ.

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

19. FINANCE EXPENSES

	December 31, 2021	December 31, 2020
Commitment fee on Line of Credit	28,848,222	-
Other financial expenses	4,532,057	4,493,905
TOTAL	33,380,279	4,493,905

On June 11, 2021, the Agency signed a loan agreement with the European Bank for Reconstruction and Development, accompanied by a guarantee from the Albanian Government, for a credit line available in EUR 100,000,000. This agreement was enforced and became effective on August 16, 2021. The Agency paid in August 2021 the advance commission payment of EUR 500,000 or 0.5% of the maximum amount available from the line of credit. Also, in November 2021 the Agency paid the engagement commission according to the agreement which is calculated as 0.5% of the amount available from the line of credit for the period. For the period August 10, 2021 – November 30, 2021, it is calculated and paid in the amount of EUR 155,555.56. For 2020, the Agency has not had any loan expenses. Credit disbursements cannot be less than EUR 5,000,000. The interest rate for the part of the loan used will be variable and will be determined based on market rates at the time of disbursements according to the standard terms of the contract. The loan will be repayable in two annual installments, every 6 months. In case of use, the first installment must be paid on May 30, 2022, and the last installment no later than November 30, 2028.

20. PERSONNEL EXPENSES

Personnel expenses for the year ended December 31, 2021, and 2020 are as follows:

	December 31, 2021	December 31, 2020
Expenses for salaries and bonuses	71,305,475	73,333,489
Social security and health insurance	6,641,553	6,293,035
Other	558,854	265,980
TOTAL	78,505,882	79,892,504

Other personnel expenses include economic aids given to Agency's employees, travel and per-diem expenses within the country and expenses for private health and life insurance of employees. The categories of employees of the Agency for 2021 and 2020 are given in the following table:

	December 31, 2021	December 31, 2020
High management	1	1
Low management –group II.1	2	1
Low management –group II.2	7	8
Professional services –group III	6	6
Professional services –group IV	8	9
General services	2	2
TOTAL	26	27

Average number of employees for the year 2021 is 26 (2020: 27).

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

21. ADMINISTRATIVE EXPENSES

	December 31, 2021	December 31, 2020
Maintenance and repairs	10,069,097	9,325,584
Supervisory Board fees	4,740,120	4,906,440
Other operating expenses	3,733,484	3,687,810
Membership fees (EFDI, IADI)	2,578,195	2,670,490
Professional services	2,724,000	2,590,000
Utilities services	1,438,494	1,479,512
Postal and communication expenses	676,094	644,695
Expenses for office equipment	386,645	413,666
Continuous training and education	292,221	98,169
Publications and subscriptions	2,571,217	84,244
Seminars and conferences	84,090	29,189
Local fees and taxes	15,000	15,000
TOTAL	29,308,657	25,944,801

Other operating expenses relate to expenses for waiting escorts and arrangements, expenses for securing the assets of the Agency and maintaining physical security, expenses for fuel for the Agency vehicle and cleaning expenses.

Professional services include costs for financial consulting services.

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

22. COMPREHENSIVE INCOME OF DEPOSITS INSURANCE FUNDS

Based on the law on deposit insurance, the Agency maintains separate accounting records for the bank deposit insurance fund and the saving and credit association deposit insurance fund. The accumulated funds are surplus/deficit by profits/losses from the activity of the Agency.

	Year ended December 31, 2021		
	Deposits insurance fund in		
	Banks	SCA	Total
Operating income:			
Income from insurance premiums	3,768,233,726	19,483,155	3,787,716,881
Income from initial contributions	-	25,520	25,520
Interest income from investing activity	1,393,656,852	3,169,608	1,396,826,460
Other operating income	1,739,381	-	1,739,381
	5,163,629,959	22,678,283	5,186,308,242
Financial expenses:			
Loss from foreign currency translation	(126,324,429)	-	(126,324,429)
Other financial expenses	(33,130,279)	(250,000)	(33,380,279)
	(159,454,708)	(250,000)	(159,704,708)
Operating expenses:			
Personnel expenses	(78,505,882)	-	(78,505,882)
Administrative expenses	(28,834,570)	(474,077)	(29,308,657)
Depreciation expense	(9,499,717)	-	(9,499,717)
Impairment for financial assets	(6,627,523)	-	(6,627,523)
	(123,467,692)	(474,077)	(123,941,779)
Reversal of provision for financial assets	-	-	-
SURPLUS OF INCOME OVER EXPENDITURES FOR THE YEAR	4,880,707,550	21,954,205	4,902,661,755
Other comprehensive income	-	-	-
TOTAL OF COMPREHENSIVE INCOME	4,880,707,550	21,954,205	4,902,661,755

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021
(All amounts are in ALL unless otherwise stated)

22. COMPREHENSIVE INCOME OF DEPOSITS INSURANCE FUNDS (CONTINUED)

	Year ended December 31, 2020		
	Deposits insurance fund in		
	Banks	SCA	Total
Operating income:			
Income from insurance premiums	3,571,555,225	18,547,554	3,590,102,779
Income from initial contributions	-	80,164	80,164
Interest income from investing activity	1,226,015,468	1,975,303	1,227,990,771
Other operating income	1,504,175	-	1,504,175
	4,799,074,868	20,603,021	4,819,677,889
Financial expenses:			
Loss from foreign currency translation	37,338,299	-	37,338,299
Other financial expenses	(4,243,905)	(250,000)	(4,493,905)
	33,094,394	(250,000)	32,844,394
Operating expenses:			
Personnel expenses	(79,892,504)	-	(79,892,504)
Administrative expenses	(25,707,135)	(237,666)	(25,944,801)
Depreciation expense	(8,795,656)	-	(8,795,656)
Impairment for financial assets	(5,898,049)	-	(5,898,049)
	(120,293,344)	(237,666)	(120,531,010)
SURPLUS OF INCOME OVER EXPENDITURES FOR THE YEAR	4,711,875,918	20,115,355	4,731,991,273
Other comprehensive income	-	-	-
TOTAL OF COMPREHENSIVE INCOME	4,711,875,918	20,115,355	4,731,991,273

ALBANIAN DEPOSIT INSURANCE AGENCY
Notes to the Financial Statements for the year ended December 31, 2021

(All amounts are in ALL unless otherwise stated)

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

The Agency considers related parties in accordance, detailed as follows:

- *State institutions with which the Agency has relationships based on its legal status and functions.*

- *Members of the Supervisory Council and other key executives* designated as persons having authority and responsibility for planning, directing, and controlling the activity of the Agency, directly or indirectly, including any director (whether executive or otherwise) of the Agency.

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 (Note 6).

The Agency is governed by the Supervisory Board. The members of the board are appointed in accordance with the Law on deposits insurance, amended (Note 2).

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 9). Investment securities are acquired both in the primary market through participation in auctions and the secondary market.

Related party transaction transactions are as follows:

Statement of Financial Position	December 31, 2021	December 31, 2020
Assets		
Albanian Government securities (note 9.1)	50,396,517,087	45,599,089,145
Current accounts at Bank of Albania (note 8)	727,334,958	124,528,839
Short term deposits at Bank of Albania (note 8)	1,717,500,000	2,258,859,000
Other assets	2,315,383	2,365,624
TOTAL	52,843,667,428	47,984,842,608

Statement of Income and Expenditures	December 31, 2021	December 31, 2020
Interest income from Albanian Government securities (note 18)	1,388,487,918	1,219,791,680
Interest income from short term deposits with Bank of Albania (note 18)	8,338,542	8,199,092
Other income from Resolution Funds (note 18)	1,739,383	1,504,175
Supervisory Board honorarium	(4,740,120)	(3,726,087)
Fees for the securities accounts at Bank of Albania	(750,000)	(750,000)
TOTAL	1,393,075,723	1,225,018,860

24. LITIGATIONS AND CLAIMS

During its normal operating activity, Agency might be involved in legal claims or third-party actions. Agency with decision no. 3803, dated 06 October 2017 of the Administrative Court of First Instance, enjoys the right of compensation by the Pacific-Petroleum Albania Ltd for an amount of ALL 270,504, a liability that has not been settled during these years. The Agency has provisioned the expected amount in 2018 as it estimates that the opportunity for enforcement by the respondent Agency is low. Based on the judgement of the Management, final result of these claims or actions will not have any impact on the financial position of the Agency or neither will impact changes in total assets.

25. EVENTS AFTER THE REPORTING DATE

There are no significant subsequent events after the reporting date which require either adjustment or disclosure to these financial statements.