ALBANIAN DEPOSIT INSURANCE AGENCY
Financial Statements as at and for the year ended
December 31, 2019 with the Independent Auditor's Report

CONTENTS

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INDEPENDENT AUDITOR’S REPORT

To the Supervisory Board of Albanian Deposit Insurance Agency

Opinion

We have audited the financial statements of Albanian Insurance Deposit Agency (the “Agency”), which comprise statement of financial position As at December 31, 2019, statement income and expenses and other comprehensive income, statement of changes in deposit insurance fund and statement of cash flows for the year ended on this date, 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 December 31 2019, and its financial performance and its cash flows for the year ended on this date in accordance with International Financial Reporting Standards (IFRSs).

Basis for 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.

Other information

Management is responsible for other information. Other information includes the information provided in the Annual Report prepared by the Management of Albanian Insurance Deposit Agency in accordance with Law no.53/2014, dated 22 May 2014 "On Deposit Insurance", as amended. The Annual Report is expected to be available after the date of our audit report. Our opinion on the financial statements does not cover other information and we do not express any conclusions that provide assurance regarding this information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.
- 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 Agency'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 Agency to cease to continue as a going concern.

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

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

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

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Engagement Partner
Statutory Auditor
Enida Cara

Tirana, Albania
February 27, 2020

(All amounts are in ALL unless otherwise stated)

	Note	As at December 31, 2019	As at December 31, 2018
ASSETS			
Cash and cash equivalents	8	3,035,714,526	5,350,390,547
Investments held to collect contractual cash flows	9	40,212,956,768	33,597,058,369
Property and equipment, net	10	60,096,842	64,146,294
Intangible assets, net	11	6,201,241	9,327,649
Other assets, net	12	4,335,660	3,864,405
TOTAL ASSETS		**43,319,305,037**	**39,024,787,264**
LIABILITIES			
Other liabilities	13	6,354,320	10,598,211
TOTAL LIABILITIES		**6,354,320**	**10,598,211**
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		42,788,356,194	38,506,676,717
Accumulated fund for SCA deposit insurance		48,594,523	31,512,336
TOTAL DEPOSIT INSURANCE FUND		**43,312,950,717**	**39,014,189,053**
TOTAL LIABILITIES AND DEPOSITS INSURANCE FUND		**43,319,305,037**	**39,024,787,264**

The accompanying notes on pages 8 to 47 are an integral part of these financial statements.

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Operating income:			
Income from insurance premiums	15	3,392,642,125	3,286,733,568
Income from initial contributions	16	-	474,892
Interest income	17	1,082,420,273	1,001,121,175
Other operating income	18	1,044,996	632,425
		4,476,107,394	**4,288,962,060**
Finance expenses:			
Loss on translation of foreign currency		(39,878,999)	(230,324,215)
Other financial expenses	19	(12,620,913)	(23,945,556)
		(52,499,912)	**(254,269,771)**
Operating expenses:			
Personnel expenses	20	(81,706,506)	(81,708,632)
Administrative expenses	21	(35,768,425)	(29,929,770)
Depreciation and amortisation	10,11	(8,698,863)	(8,949,419)
		(126,173,794)	**(120,587,821)**
Impairment of cash balances and financial assets	8,9	1,327,975	(1,889,388)
NET SURPLUS FOR THE YEAR		**4,298,761,663**	**3,912,215,080**
Other comprehensive income, net		**-**	**-**
TOTAL SURPLUS INCOME		**4,298,761,663**	**3,912,215,080**

The accompanying notes on pages 8 to 47 are an integral part of these financial statements.

(All amounts are in ALL unless otherwise stated)

	Note	Year ended December 31, 2019	Year ended December 31, 2018
NET SURPLUS FOR THE YEAR		**4,298,761,663**	**3,912,215,080**
Adjustment for:			
Interest income	17	(1,082,420,273)	(1,001,121,175)
Depreciation and amortization	10,11	8,698,863	8,949,419
Impairment of financial assets	9	(2,855,979)	4,576,697
Additional impairment of financial assets recognized on January 1, 2018	9	-	(7,336,348)
Change in:			
Other assets		(471,255)	(1,398,820)
Other liabilities		(4,243,891)	182,031
Interest received		872,079,353	880,259,310
Cash flows generated from operating activities		**4,089,548,481**	**3,796,326,194**
INVESTING ACTIVITIES			
Purchases of equipment	11	(1,523,002)	(9,589,958)
Purchases of investment securities, Net		(6,402,701,500)	(2,293,584,000)
Cash flows used for investing activities		**(6,404,224,502)**	**(2,303,173,958)**
Increase in cash during the year		**(2,314,676,021)**	**1,493,152,236**
Cash and cash equivalents at the beginning of the year	8	5,350,390,547	3,857,238,311
Cash and cash equivalents at the end of the year	8	**3,035,714,526**	**5,350,390,547**

The accompanying notes on pages 8 to 47 are an integral part of these financial statements.

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
At January 1, 2018	**400,000,000**	**76,000,000**	**34,617,089,962**	**16,220,361**	**35,109,310,323**
Adjustment for the implementation of IFRS 9 for financial assets	-	-	(7,336,349)	-	(7,336,349)
Net surplus for the year	-	-	3,896,923,104	15,291,976	3,912,215,080
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	**3,896,923,104**	**15,291,976**	**3,912,215,080**
At December 31, 2018	**400,000,000**	**76,000,000**	**38,506,676,717**	**31,512,337**	**39,014,189,054**
Net surplus for the year	-	-	4,281,679,477	17,082,186	4,298,761,663
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	**4,281,679,477**	**17,082,186**	**4,298,761,663**
At December 31, 2019	**400,000,000**	**76,000,000**	**42,788,356,194**	**48,594,523**	**43,312,950,717**

The accompanying notes on pages 8 to 47 are an integral part of these financial statements.

These financial statements are approved by the Supervisory Board of the Agency with decision No. 5 on February 21, 2020 and signed on its behalf by:

Genci Mamani
General Director

Eneida Ruçi
Chief Finance Officer

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 all eligible deposits held by individuals, entrepreneurs and companies in the banks that are members of the insurance scheme. As of December 31, 2019 and 2018 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 all eligible deposits held by individuals, entrepreneurs and companies in each savings and credit association that is a member of the insurance scheme. Actually, seven savings and credit associations were members of ADIA’s insurance scheme (2018: six 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, 2019, the Agency had 29 employees (December 31, 2018: 29).

2. REGULATORY FRAMEWORK OF ADIA OPERATIONS

The Agency’s operations are regulated by the Law on deposit insurance and relevant regulations issued by the Agency and the Supervising Authority. According to the aforementioned laws and regulations, the collected income from member institutions must be invested in debt securities issued by the Government of Albania, the Bank of Albania, foreign governments or central banks that are highly rated by reputable credit rating agencies.

2. REGULATORY FRAMEWORK OF ADIA OPERATIONS (CONTINUED)

As of December 31 2019, 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

As at December 31, 2019 and 2018 the Supervisory Board of the Agency is composed of:

Mr. Donald Duro	Chairman
Mr. Genci Mamani	Member
Mr. Ervin Mete	Member
Mr. Erjon Luçi	Member
Mrs. Nexhmije Cela	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 recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Notes 6 and 7.

(e) Going concern principle

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.

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

4.1 Standards and Interpretations effective in the current period

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments" -** Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits" -** Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" -** Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Agency's financial statements.

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

4.2 Standards and Interpretations in issue, not yet adopted

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

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations" -** Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" -** Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" -** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" -** Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Agency has elected not to adopt these new standards, amendments to existing standards and new interpretation in advance of their effective dates.

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, 2019	**December 31, 2018**
EURO	121.77	123.42
United States Dollar (USD)	108.64	107.82
Swiss Franc (CHF)	112.3	109.60

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 amount 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 recognised in the profit or loss statement by using the effective interest method. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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 amortised 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 commission

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(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.

Debt instruments that meet the following conditions are measured subsequently at amortised 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 and;
- 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 (FVTPL).

(i) Amortized cost and effective interest rate

The amortised 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 amortisation 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 amortised 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 amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item;

As of December 31, 2019 and December 31, 2018 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, 2019 and December 31, 2018. See Notes 5.6, 5.7 and 5.8.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

Financial liabilities

The Agency classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss. As of December 31, 2019 and December 31, 2018 the Agency's financial liabilities consist only of payables to suppliers and other liabilities measured at amortised cost.

(iii) Impairment of financial assets

The Agency recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised 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 recognises 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 organisations, 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:

- 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;

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Impairment of financial assets (continued)

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 is 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.

(ii) Definition of default

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 (ECL) is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). 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 recognises 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 recognised 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 derecognises 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 recognised 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 recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

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

(iv) Offsetting

Financial assets and liabilities are offset and 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 realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from similar transactions.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (continued)

(iii) Impairment of financial assets (continued)

(v) Amortised cost measurement

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

(vi) Fair value measurement

Fair value is the price that would be received when selling an asset or paying a liability in an orderly transaction between market participants at the measurement date of the principal.

When applicable, the Agency measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Agency uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

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

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

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

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial assets and financial liabilities (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 amortised cost in the statement of financial position, which approximates fair value due to their short term nature.

5.7 Insurance premiums receivable

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

5.8 Investments held to collect

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 recognised within other income in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

- Buildings 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 amortisation and any accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. A subsequent expenditure is capitalised only when it is probable that the future economic benefits from the expenditure will flow to the Agency. Ongoing repairs and maintenance are expensed as incurred. 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 recognised if, as a result of a past event, the Agency has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 recognised in the period when notified in writing by Bank of Albania on the intervention on an insured institution.

As of December 31, 2019 and December 31, 2018 no such event has occurred (see Note 6.3), hence no provision is recognised in the statement of financial position.

5.12 Taxation

In accordance to 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 ore 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 minimising the potential negative effects arising from such risks.

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

The management of ADIA 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 define 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).

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 assets investment strategy. Financial assets in foreign currency part of the bank deposit insurance fund should not be less than 5 % of the total financial assets of this fund. 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 sales 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). Additionally, the Agency has signed a loan agreement with the European Bank for Reconstruction and Development, related to a guarantee of the Albanian Government, for a credit line of up to EUR 100,000,000 which can be used in case of an insurance event. The loan agreement became effective on December 29, 2014 and it was valid for a period of five years.

The credit line was closed on July 16, 2019 as per five year maturity since the initial date of agreement (December 31, 2018: EUR 35,000,000).

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, 2019		
Neither past due nor impaired	39,548,000,538	39,548,000,538
Not past due but impaired as per requirements of IFRS 9	664,956,230	664,956,230
Total	**40,212,956,768**	**40,212,956,768**
As of December 31, 2018		
Neither past due nor impaired	32,115,998,288	32,115,998,288
Not past due but impaired as per requirements of IFRS 9	1,481,060,081	1,481,060,081
Total	**33,597,058,369**	**33,597,058,369**

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, 2019			
Neither past due nor impaired	768,912,446	2,767,675	771,680,121
Not past due but impaired as per requirements of IFRS 9	1,999,098,881	264,935,524	2,264,034,405
Total	**2,768,011,327**	**267,703,199**	**3,035,714,526**
As of December 31, 2018			
Neither past due nor impaired	3,855,289,425	2,727,554	3,858,016,979
Not past due but impaired as per requirements of IFRS 9	1,492,373,568	-	1,492,373,568
Total	**5,347,662,993**	**2,727,554**	**5,350,390,547**

	2019				**2018**
	Stages according to Expected Loss on Financial Assets				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Investments	40,214,677,486	-	-	40,214,677,486	33,601,635,067
Cash and cash equivalents	3,041,891,569	-	-	3,041,891,569	5,355,039,586
Gross amount	**43,256,569,055**	**-**	-	**43,256,569,055**	**38,956,674,653**
Impairment	(7,897,761)	-	-	(7,897,761)	(9,225,737)
Net amount	**43,248,671,294**	**-**	**-**	**43,248,671,294**	**38,947,448,916**

The Agency had no outstanding contingent financial commitments as of December 31, 2019 and as of December 31, 2018.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

Agency use credit ratings published from international ratings agencies for assesment of propabilities of default of financial assets and liabilities as detailed below:

Rating according to S&P for 2019	Institution	Probability of default
B+	Government of Albania	0.64%
B+	Bank of Albania	0.64%
BBB+	Raiffeisen Bank International AG	0.28%
BBB+	Raiffeisen Bank Albania	0.28%
No rating published	Credins Bank	-
No rating published	National Commercial Bank	-
BBB	Intesa San Paolo	0.28%

Rating according to S&P for 2018	Institution	Probability of default
B+	Government of Albania	0.69%
B+	Bank of Albania	0.69%
BBB+	Raiffeisen Bank International AG	0.29%
BBB+	Raiffeisen Bank Albania	0.29%
No rating published	Credins Bank	-
No rating published	National Commercial Bank	-
BBB	Intesa San Paolo	0.29%

6.2 Market risks

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.

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, 2019	Carrying amount In ALL	up to 1 month In ALL	1 - 3 months In ALL	3 - 6 months In ALL	6 - 12 months In ALL	12 – 24 months In ALL	2 – 5 years In ALL	5 – 10 years In ALL
Cash and cash equivalents	3,035,714,526	3,035,714,526	-	-	-	-	-	-
Investments held to collect	40,212,956,768	1,505,696,714	4,019,177,359	4,587,888,813	8,810,722,735	11,235,085,290	4,562,900,232	5,491,485,625
TOTAL	**43,248,671,294**	**4,541,411,240**	**4,019,177,359**	**4,587,888,813**	**8,810,722,735**	**11,235,085,290**	**4,562,900,232**	**5,491,485,625**

As of December 31, 2018	Carrying amount In ALL	up to 1 month In ALL	1 - 3 months In ALL	3 - 6 months In ALL	6 - 12 months In ALL	12 – 24 months In ALL	2 – 5 years In ALL	5 – 10 years In ALL
Cash and cash equivalents	5,350,390,547	5,350,390,547	-	-	-	-	-	-
Investments held to collect	33,597,058,369	1,549,206,781	1,824,652,819	4,561,521,021	7,697,612,275	10,029,733,864	2,800,000,000	5,134,331,609
TOTAL	**38,947,448,916**	**6,899,597,328**	**1,824,652,819**	**4,561,521,021**	**7,697,612,275**	**10,029,733,864**	**2,800,000,000**	**5,134,331,609**

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, 2019	As of December 31, 2018
+100bp	432,486,713	389,474,489
-100bp	(432,486,713)	(389,474,489)

(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, 2019	ALL	USD	EUR
ASSETS			
Cash and cash equivalents	771,680,122	188,892	2,263,845,512
Investments held to maturity	39,548,000,539	-	664,956,229
Other assets	4,335,661	-	-
TOTAL	**40,324,016,322**	**188,892**	**2,928,801,741**
LIABILITIES			
Other liabilities	(6,354,320)	-	-
TOTAL LIABILITIES	**(6,354,320)**	**-**	**-**
CURRENCY EXPOSURE	**40,317,662,002**	**188,892**	**2,928,801,741**

As of December 31, 2018	ALL	USD	EUR
ASSETS			
Cash and cash equivalents	3,857,517,424	234,475	1,492,638,647
Investments held to maturity	32,115,998,289	-	1,481,060,081
TOTAL	**35,973,515,713**	**234,475**	**2,973,698,728**
LIABILITIES			
Other liabilities	(10,598,211)	-	-
TOTAL LIABILITIES	**(10,598,211)**	**-**	**-**
CURRENCY EXPOSURE	**35,962,917,502**	**234,475**	**2,973,698,728**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risks (continued)

(ii) Exposure to currency risk (continued)

Foreign currency sensitivity analysis

The table below demonstrates the sensitivity to a 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, 2019	28,334	(28,334)	439,320,261	(439,320,261)
As of December 31, 2018	35,171	(35,171)	446,054,809	(446,054,809)

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.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

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, 2019	**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
ASSETS									
Cash and cash equivalents	3,035,714,526	3,035,714,526	-	-	-	-	-	-	3,035,714,526
Investments held to maturity	40,212,956,768	1,505,696,714	4,019,177,359	4,587,888,813	8,810,722,735	11,235,085,290	4,562,900,232	5,491,485,625	40,212,956,768
TOTAL	**43,248,671,294**	**4,541,411,240**	**4,019,177,359**	**4,587,888,813**	**8,810,722,735**	**11,235,085,290**	**4,562,900,232**	**5,491,485,625**	**43,248,671,294**
LIABILITIES									
Other liabilities	(6,354,320)	(6,296,735)	-	-	-	(57,585)	-	-	(6,354,320)
TOTAL	**(6,354,320)**	**(6,296,735)**	**-**	**-**	**-**	**(57,585)**	**-**	**-**	**(6,354,320)**
CUMULATIVE LIQUIDITY GAP	**43,242,316,974**	**4,535,114,505**	**4,019,177,359**	**4,587,888,813**	**8,810,722,735**	**11,235,027,705**	**4,562,900,232**	**5,491,485,625**	**43,242,316,974**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

As of December 31, 2018	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
ASSETS									
Cash and cash equivalents	5,350,390,547	5,350,390,547	-	-	-	-	-	-	5,350,390,547
Investments held to maturity	33,597,058,369	1,549,206,781	1,824,652,819	4,561,521,021	7,697,612,275	10,029,733,864	2,800,000,000	5,134,331,609	33,597,058,369
TOTAL	**38,947,448,916**	**6,899,597,328**	**1,824,652,819**	**4,561,521,021**	**7,697,612,275**	**10,029,733,864**	**2,800,000,000**	**5,134,331,609**	**38,947,448,916**
LIABILITIES									
Other liabilities	(10,598,211)	(10,581,461)	-	-	-	(16,750)	-	-	(10,598,211)
TOTAL	(10,598,211)	(10,581,461)	-	-	-	(16,750)	-	-	(10,598,211)
CUMULATIVE LIQUIDITY GAP	**38,936,850,705**	**6,889,015,867**	**1,824,652,819**	**4,561,521,021**	**7,697,612,275**	**10,029,717,114**	**2,800,000,000**	**5,134,331,609**	**38,936,850,705**

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.

According to the latest report on financial stability, the Bank of Albania estimates that after significant structural changes, the banking sector continued to operate steadily. The indicators of business development, risk exposure and financial resistance remain at good levels. As a result, the banking sector's ability to handle risks is assessed as strong. The economic developments and the performance of the financial markets fully supported the activity of the financial system.

The banking sector's ability to handle risks is assessed by analysing its capitalization and profitability position. At the close of the first half of 2019, the banking sector's capital adequacy ratio stood at 18.5%, dropping by 0.2 percentage points versus end-2018, and remaining well above the minimum required level for this indicator of 12%. Banking liquidity risk remains low. The ratios of liquid assets, both in ALL and foreign currency, to short-term liabilities are substantially above the minimum levels required by the regulatory framework. The banking sector's exposure to market risks, although declining during the period, remains significant.

Exposures to direct and indirect exchange rate risk recorded a relative decline, while the sector continued to be exposed to interest rate fluctuations. The map of financial stability, the indexes of materialization and accumulation of systemic risk, and the index of financial stress generally indicate controlled risks to financial stability.

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 recognised 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, that have a significant risk of resulting in a material adjustment within the next financial year, and information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

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 analyse of Agency’ possible losses as a result of increase or decrease of credit loss indicators is presented in the table below:

7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

	PD and ECL	
	+10%	***-10%***
Impairment As at December 31, 2019 for cash and cash equivalents	617,708	(617,708)
Impairment As at December 31, 2019 for financial assets	172,072	(172,072)

	PD and ECL	
	+10%	***-10%***
Impairment As at December 31, 2018 for cash and cash equivalents	464,904	(464,904)
Impairment As at December 31, 2018 for financial assets	457,670	(457,670)

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

7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

7.1 Valuation of financial instruments

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

As of December 31, 2019	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income (FVOCI)	Financial assets at fair value through profit and loss (FVPL)	Other held at amortised cost	Carrying amount	Fair value
ASSETS						
Cash and cash equivalents	3,035,714,526	-	-	-	3,035,714,526	3,035,714,526
Investments held to maturity	40,212,956,768		-	-	40,212,956,768	40,910,079,404
TOTAL	**43,248,671,294**	**-**	**-**	**-**	**43,248,671,294**	**43,945,793,930**
LIABILITIES						
Other liabilities	-	-	-	(6,354,320)	(6,354,320)	(6,354,320)
TOTAL	**-**	**-**	**-**	**(6,354,320)**	**(6,354,320)**	**(6,354,320)**

7. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

7.1 Valuation of financial instruments (continued)

As of December 31, 2018	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income (FVOCI)	Financial assets at fair value through profit and loss (FVPL)	Other held at amortised cost	Carrying amount	Fair value
ASSETS						
Cash and cash equivalents	5,350,390,547	-	-	-	5,350,390,547	5,350,390,547
Investments held to maturity	33,597,058,369		-	-	33,597,058,369	34,150,277,140
TOTAL	**38,947,448,916**	**-**	**-**	**-**	**38,947,448,916**	**39,500,667,687**
LIABILITIES						
Other liabilities	-	-	-	(10,598,211)	(10,598,211)	(10,598,211)
TOTAL	**-**	**-**	**-**	**(10,598,211)**	**(10,598,211)**	**(10,598,211)**

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, 2019 and 2018. 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, 2019 and 2018.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances as of December 31, 2019 and December 31, 2018 are detailed as follows:

	December 31, 2019	December 31, 2018
Balances with banks		
Current accounts at Bank of Albania	2,099,104,362	1,497,365,032
Short-term deposits at Bank of Albania (7 days)	674,681,000	3,854,947,000
Current accounts at Raiffeisen Bank International	262,944,237	-
Current accounts at Raiffeisen Bank	3,911,942	628,197
Current accounts at Intesa San Paolo Bank	920,093	1,076,859
Current accounts at Credins Bank		
Minus impairment of banks accounts in foreign currency	(6,177,043)	(4,649,039)
Total	**3,035,714,526**	**5,350,390,547**

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 at December 31, 2019 and 2018, movement of provision expense recognised for bank accounts held in foreign currency at Bank of Albania is detailed as below:

	2019	2018
Opening Balances	4,649,039	15,982
Provision expenses recognised during the year	1,528,004	4,633,057
Reversal of provision during the year	-	-
Total provision expenses, net	**1,528,004**	**4,633,057**
Closing balance as at December 31	**6,177,043**	**4,649,039**

9. INVESTMENT SECURITIES – HELD TO COLLECT CONTRACTUAL CASH FLOWS

	December 31, 2019	**December 31, 2018**
Investments in Albanian Government securities in nominal value	39,777,041,501	33,374,340,000
Accrued interest for Albanian Government bonds	308,432,936	235,644,260
Discount of Treasury Bills of Albanian Government	(62,919,639)	(69,649,891)
Premium of Albanian Government bonds	192,122,688	61,300,697
Provision for Albanian Government Bonds held in Euro	(1,720,718)	(4,576,697)
Total	**40,212,956,768**	**33,597,058,369**

9.1 Albanian Government Treasury Securities

Investment in Albanian Government securities are detailed as follows:

	December 31, 2019	**December 31, 2018**
Treasury Securities in ALL	39,548,000,538	32,115,998,289
Treasury Securities in EUR	664,956,230	1,481,060,080
Total	**40,212,956,768**	**33,597,058,369**

Moody's Ratings or equivalents	**December 31, 2019**	**December 31, 2018**
Albanian Government Rated B+	40,212,956,768	33,597,058,369
Total	**40,212,956,768**	**33,597,058,369**

Albanian Government securities by contractual maturity are presented as follows:

	December 31, 2019	Weighted average yield	**December 31, 2018**	Weighted average yield
Treasuries in ALL				
12 months	8,908,849,976	1.583%	8,541,697,591	2.012%
24 months	18,856,873,697	2.111%	14,816,900,000	2.580%
3 years	1,195,267,674	2.403%	996,100,000	3.575%
5 years	4,287,345,268	3.525%	3,142,242,787	4.846%
7 years	3,784,453,182	4.040%	2,312,402,816	5.528%
10 years	2,515,210,741	5.443%	2,306,655,095	6.917%
Total	**39,548,000,538**		**32,115,998,289**	
Treasuries in EURO				
24 months	-		1,481,060,080	0.8%
7 years	664,956,230	3.5%	-	-
Total	**664,956,230**		**1,481,060,080**	

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

9.1 Albanian Government Treasury Securities

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 at December 31, 2019 and 2018, 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 recognised for these securities.

Agency has recognised 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.

	2019	**2018**
Opening Balances	4,576,697	7,320,367
Provision expenses recognised during the year	-	-
Reversal of provision during the year	(2,855,979)	(2,743,670)
Closing balance As at December 31, 2019	**1,720,718**	**4,576,697**

10. PROPERTY AND EQUIPMENT, NET

	Building	Technical installations	Computer equipment	Vehicles	Office Supplies	Total
Cost						
At January 1, 2018	**75,227,589**	**12,830,598**	**15,750,860**	**9,568,000**	**11,808,930**	**125,185,977**
Additions	-	219,600	8,338,728	-	1,031,629	9,589,957
At December 31, 2018	**75,227,589**	**13,050,198**	**24,089,588**	**9,568,000**	**12,840,559**	**134,775,934**
Disposals		(46,800)	(7,349,112)	(3,328,000)	(681,536)	(11,405,448)
Additions	-	158,220	728,782	-	636,000	1,523,002
At December 31, 2019	**75,227,589**	**13,161,618**	**17,469,258**	**6,240,000**	**12,795,023**	**124,893,488**
Accumulated depreciation						
At January 1, 2018	**(25,626,489)**	**(4,689,723)**	**(14,913,240)**	**(8,549,085)**	**(11,028,092)**	**(64,806,629)**
Charge for the period	(1,930,338)	(1,011,665)	(1,443,589)	(1,018,915)	(418,504)	(5,823,011)
At December 31, 2018	**(27,556,827)**	**(5,701,388)**	**(16,356,829)**	**(9,568,000)**	**(11,446,596)**	**(70,629,640)**
Disposal	-	46,800	7,349,112	3,328,000	681,536	11,405,448
Charge for the period	(1,930,338)	(970,449)	(2,355,450)	-	(316,218)	(5,572,455)
At December 31, 2019	**(29,487,165)**	**(6,625,037)**	**(11,363,166)**	**(6,240,000)**	**(11,081,278)**	**(64,796,646)**
Net carrying amount						
At December 31, 2018	**47,670,762**	**7,348,810**	**7,732,759**	**-**	**1,393,963**	**64,146,294**
At December 31, 2019	**45,740,424**	**6,536,581**	**6,106,092**	**-**	**1,713,745**	**60,096,842**

As at December 31, 2019, Agency has no tangible asset set as collateral.

11. INTANGIBLE ASSETS, NET

	Software	Total
Cost		
At January 1, 2018	**80,176,802**	**80,176,802**
Additions	-	-
At December 31, 2018	**80,176,802**	**80,176,802**
Additions	-	-
At December 31, 2019	**80,176,802**	**80,176,802**
Accumulated amortisation		
At January 1, 2018	**(67,722,745)**	**(67,722,745)**
Amortisation for the year	(3,126,408)	(3,126,408)
At December 31, 2018	**(70,849,153)**	**(70,849,153)**
Amortisation for the year	(3,126,408)	(3,126,408)
At December 31, 2019	**(73,975,561)**	**(73,975,561)**
Net Carrying amount		
At January 1, 2018	**12,454,057**	**12,454,057**
At December 31, 2018	**9,327,649**	**9,327,649**
At December 31, 2019	**6,201,241**	**6,201,241**

12. OTHER ASSETS, NET

	December 31, 2019	December 31,2018
Inventory	1,197,746	1,949,145
Prepaid expenses	1,155,026	789,577
Other assets	1,982,888	1,125,684
Total	**4,335,660**	**3,864,406**

Other assets include the amount of 1,976,996 LEK related to the reimbursement of indirect costs from the administration of Resolution Fund (note 18), and amount of 5,893 LEK receivable from Agency' employees.

13. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Accrued expenses	3,433,568	6,025,437
Personal income tax	1,736,490	1,847,761
Social and health insurance	877,487	909,354
Other liabilities	306,775	1,815,659
Total	**6,354,320**	**10,598,211**

Accrued expenses related to invoices not yet received for the year 2019 of contracted services such as external and internal auditing, and of other liabilities (monthly operational liabilities). Other liabilities related to received but unpaid invoices till December 31, 2019 for IT maintenance, etc., which are paid during the beginning of the year 2020.

14. INITIAL ESTABLISHMENT FUNDS

The contributions of the State Budget for the bank deposit insurance fund and for the saving and credit association deposit insurance fund as of December 31 2019 include the Initial Establishment Fund for the bank deposit insurance of ALL 400,000,000 (December 31, 2018: ALL 400,000,000) and the Initial Establishment Fund for the saving and credit association deposit insurance of ALL 76,000,000 (December 31, 2018: 76,000,000 ALL). According to the Law on deposit insurance, the Initial Establishment Funds can be used in preparing to pay-out and/or paying out insured bank depositors. The Initial Establishment Funds can be increased by additional contributions of the State Budget at the request of the Agency and with the approval of the Government of Albania.

15. INCOME FROM INSURANCE PREMIUMS

For the year ended December 31, 2019, the Agency has received insurance premium income from 14 banks and 6 savings and credit associations, in the amount of ALL 3,392,642,125 (2018: ALL 3,286,733,568). During 2019 the International Commercial Bank was absorbed by Union Bank and the Credit Bank of Albania was excluded from the insurance scheme. Also the new savings and credit association accepted in 2019 in the scheme, has not paid premium for the first year according to legal requirements. As of the end of 2019, 12 banks and 7 credit saving companies are members of the deposit insurance scheme.

In accordance with the Law on deposit insurance, the insurance premium is calculated by member institutions on a quarterly basis. The quarterly insurance premium for banking institutions is calculated as 0.125% of the arithmetic average balance of the insured deposits on the last day of each month of the previous quarter. For SCAs, the quarterly insurance premium is 0.075 % of the arithmetic average of the sums of insured deposits that are registered in the SCA 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.

As of December 31, 2019, there are 7 savings and credit associations that are members of ADIA's insurance scheme (2018: 6). During 2019, the Agency has approved the membership of a savings and credit association in the deposit insurance scheme. This company paid the initial contribution in December 2018, as part of the regulatory requirements for acceptance into the scheme, amounting to ALL 25,330. During the year 2019, there is no initial capital paid from credit and savings associations.

17. INTEREST INCOME

Interest income for the year ended on December 31, 2019 and 2018 are generated from the following activities:

	Year ended December 31, 2019	Year ended December 31, 2018
Albanian Treasury Securities in ALL	1,063,304,668	942,483,690
Short term deposits at Bank of Albania	13,871,557	36,526,741
Albanian Treasury Securities in EURO	5,243,959	22,110,213
Other interest income	89	531
Total	**1,082,420,273**	**1,001,121,175**

18. OTHER OPERATING INCOME

	Year ended December 31, 2019	Year ended December 31, 2018
Income from administration of Resolution Fund	1,044,996	632,425
Total	**1,044,996**	**632,425**

Other income includes the amount receivable for the administration of the Resolution Fund. In compliance with the article 16, of the Regulation “For the Resolution Fund and the Procedures for its Administration”, approved by Supervisory Board of Bank of Albania with decision no.56 dated 03.10.2017, the Agency receives an annual fee for the reimbursement of costs related to the administration of Resolution Fund. Supervisory Authority decide on the amount of reimbursable costs based on the detailed report prepared by the Agency on costs related to the Fund administration.

19. FINANCE EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Commitment fee on Line of Credit	11,077,688	23,142,963
Other financial expenses	1,543,225	802,593
Total	**12,620,913**	**23,945,556**

On July 16, 2014, the Agency signed a loan agreement with the European Bank for Reconstruction and Development, guaranteed by the Government of Albania, for a line of credit up to EUR 100,000,000. The loan agreement is effective starting on December 29, 2014. The guarantee agreement, signed by the Government of Albania and the European Bank for Reconstruction and Development on July 16, 2014, was ratified by the Parliament of Albania with Law no. 144/2014, dated October 23, 2014. The Agency paid in 2014 the front-end fee of EUR 500,000 or 0.5% of the maximum available amount of line of credit.

For the year 2019, the commitment fee as per the agreement is calculated as 0.5% of the maximum available amount of line of credit for the period. For the period from January 1, 2019 until June 30, 2019 the amount of available credit line is EUR 35,000,000 and from July 1, 2019 until July 16, 2019 the amount of available credit line is EUR 12,000,000, after the reduction requested by the Agency and accepted by the EBRD (2018: EUR 35,000,000).
The credit line was fully closed on July 16, 2019 after the end of the 5 year term from the date of its signing.

20. PERSONNEL EXPENSES

Personnel expenses for the year ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Expenses for salaries and bonuses	74,059,977	74,052,542
Social security and health insurance	6,313,425	6,151,948
Other	1,333,104	1,504,142
Total	**81,706,506**	**81,708,632**

Other personnel expenses include economic aids given to Agency’s employees, travel and perdiems expenses within the country and expenses for private health and life insurance of employees.

	Year ended December 31, 2019	Year ended December 31, 2018
High management	1	1
Low management –group II.1	1	1
Low management –group II.2	8	8
Professional services -group III	7	7
Professional services -group IV	9	9
General services	3	3
Total	**29**	**29**

Average number of employees for the year 2019 is 29 (2018: 29).

21. ADMINISTRATIVE EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Maintenance and repairs	10,326,139	9,299,497
Supervisory Board fees	5,239,080	5,239,080
Training and continuous education	6,493,224	4,262,398
Professional services	2,733,600	2,801,600
Membership fees	2,440,175	2,259,000
Utilities	2,025,231	1,788,245
Other operating expenses	2,229,643	1,636,482
Seminars and Conferences	1,497,061	216,338
Publications and subscriptions	1,202,272	1,080,297
Communication and post	731,791	690,356
Office supplies	402,965	370,973
Fees and local taxes	15,000	15,000
Provision for other creditors	-	270,504
Previous years expenses	432,244	-
	35,768,425	**29,929,770**

Other operating expenses are related to expenses for different activities performed from the Agency, assets insurance and physical security of Agency premises, fuel and other utilities expenses.

Professional services relate to external audit fees of 828,000 LEK and internal audit fees of 1,905,600 LEK.

Provision for other creditors is related to the amount of 270,504 LEK receivable from Pacific Petroleum Albanian Company since the year 2012. During 2019 there is no change in the provision amount as the Agency has failed to recover the amount of the liability (note 25).

Past period expenses relate to the disposal of some warehouse items that were no longer utilised by the Agency due to being in the warehouse for more than 10 years.

(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, 2019		
	Bank deposit insurance fund	**Saving and credit association deposit insurance fund**	**Total**
Operating income:			
Income from insurance premiums	3,376,146,942	16,495,183	3,392,642,125
Initial contributions	-	-	-
Interest income	1,080,701,368	1,718,905	1,082,420,273
Other income	1,044,996	-	1,044,996
	4,457,893,306	**18,214,088**	**4,476,107,394**
Financial expenses:			
Loss from foreign currency translation	(39,878,999)	-	(39,878,999)
Other financial expenses	(12,370,913)	(250,000)	(12,620,913)
	(52,249,912)	**(250,000)**	**(52,499,912)**
Operating expenses:			
Personnel expenses	(81,650,866)	(55,640)	(81,706,506)
Administrative expenses	(34,968,041)	(800,384)	(35,768,425)
Depreciation expense	(8,672,985)	(25,878)	(8,698,863)
Impairment for financial assets	(1,528,004)	-	(1,528,004)
	(126,819,896)	**(881,902)**	**(127,701,798)**
Reversal Provision	2,855,979	-	2,855,979
NET SURPLUS FOR THE YEAR	**4,281,679,77**	**17,082,186**	**4,298,761,663**
Other comprehensive income	-	-	-
TOTAL OF COMPREHENSIVE INCOME	**4,281,679,477**	**17,082,186**	**4,298,761,663**

22. COMPREHENSIVE INCOME OF DEPOSITS INSURANCE FUNDS (CONTINUED)

	Year ended December 31, 2018		
	Bank deposit insurance fund	**Saving and credit association deposit insurance fund**	**Total**
Operating income:			
Income from insurance premiums	3,272,833,587	13,899,980	3,286,733,567
Initial income from contributions	-	474,892	474,892
Interest income	999,441,434	1,679,742	1,001,121,176
Other income	632,425	-	632,425
	4,272,907,446	**16,054,614**	**4,288,962,060**
Financial expenses:			
Loss from foreign currency translation	(230,324,215)	-	(230,324,215)
Other financial expenses	(23,695,556)	(250,000)	(23,945,556)
	(254,019,771)	**(250,000)**	**(254,269,771)**
Operating expenses:			
Personnel expenses	(81,660,220)	(48,412)	(81,708,632)
Administrative expenses	(29,465,544)	(464,226)	(29,929,770)
Depreciation expense	(8,949,419)	-	(8,949,419)
Provision	(1,889,388)	-	(1,889,388)
	(121,964,571)	**(512,638)**	**(122,477,209)**
NET SURPLUS FOR THE YEAR			
	3,896,923,104	**15,291,976**	**3,912,215,080**
Other comprehensive income			
TOTAL OF COMPREHENSIVE INCOME	**3,896,923,104**	**15,291,976**	**3,912,215,080**

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

The Agency considers transactions with related parties in accordance with International Accounting Standard 24 (IAS 24), 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 though participation in auctions and the secondary market.

A summary of related parties' transactions is presented below:

Statement of Financial Position	**31 December 2019**	**31 December 2018**
Assets		
Albanian Government securities (note 9.1)	40,212,956,768	33,597,058,369
Current accounts at Bank of Albania (note 8)	2,092,927,319	1,492,715,993
Short term deposits at Bank of Albania (note 8)	674,681,000	3,854,947,000
Other assets	1,976,996	1,064,425
Total	**42,982,542,083**	**38,945,785,787**

Statement of Income and Expenditures	**Year ended December 31, 2019**	**Year ended December 31, 2018**
Interest income from Albanian Government securities (note 18)	1,068,548,627	964,593,903
Interest income from short term deposits with Bank of Albania (note 18)	13,871,557	36,526,741
Other income from Resolution Funds (note 18)	1,044,996	632,425
Supervisory Board honorarium	(4,241,160)	(4,241,160)
Fees for the securities accounts at Bank of Albania	(750,000)	(750,000)
Total	**1,078,474,020**	**996,761,909**

24. LITIGATIONS AND CLAIMS

During its normal operating activity, Agency might be involved in legal claims or third parties 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-Petrolium 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. CONTIGENT LIABILITIES

During the normal course of business, the Agency has no contigent liabilities made or established.

26. 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.