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Profile of the Agency

The Albanian Deposit Insurance Agency (the "Agency" or "ADIA") is an independent institution established in 2002 under Law No. 8873, dated 29 March 2002, "On Deposit Insurance", amended by Law No. 10106, dated 30 March 2009 and Law No. 78/2012, dated 26 July 2012. From July 2014, the activity of the Agency is regulated by Law No. 53/2014, dated 22 May 2014, "On Deposit Insurance", amended by Law No. 39/2016 and Law No. 132/2016 ("Law" or "Law on Deposit Insurance"). According to the Law on Deposit Insurance, the Agency reports to the Bank of Albania ("Supervisory Authority"), the Assembly 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 with the purpose of insuring and compensating deposits in banks and savings and credit associations ("SCAs") operating in Albania. Membership to the deposit insurance scheme is mandatory for all institutions that collect deposits, licensed by the Bank of Albania.

Based on the Law "On Deposit Insurance", the Agency insures and compensates up to 2,500,000 ALL to depositors in each bank member of the insurance scheme. At the same time, the Agency insures and compensates up to 2,000,000 Lekë to depositors members in each savings and credit association member of the insurance scheme.

The Agency exercises its functions with a purpose of meeting the objectives of the Law "On Deposit Insurance". In particular, but not only, the Agency approves the membership of banks and SCAs in the scheme, as well as their exclusion; verifies data reported periodically by members of the scheme; conducts full and partial verifications of deposit insurance and compensation in members of the scheme; conducts public awareness and education activities related to the deposit insurance scheme; compensates deposits according to the provisions of this law; receives initial

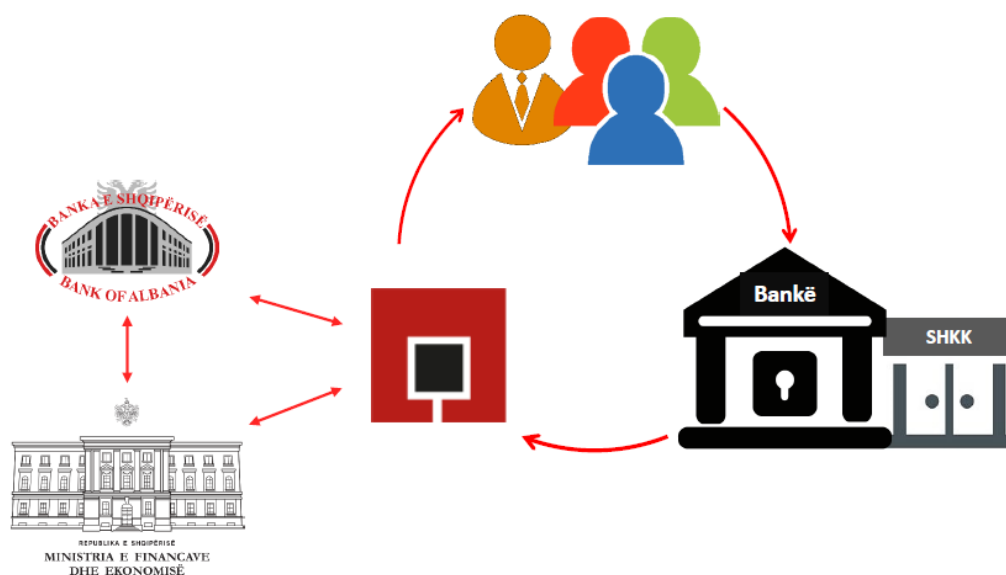


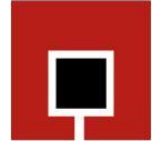
contributions, insurance premiums and special contributions; and invests financial means according to the provisions of this law.

By Law No. 133/2016, dated 22/12/2016, "On the Recovery and Resolution of Banks in the Republic of Albania", approved within the framework of the recovery and resolution legal package in Albania, with the Bank of Albania as the responsible authority in the quality of the Resolution Authority, the Agency has been assigned other additional tasks. In this law, the Deposit Insurance Agency has been assigned powers to administer the Resolution Fund, consisting of bank contributions and used in accordance with legal provisions in the events of resolution.

The Agency started its activity on 12 October 2002. Currently, the Agency's address and headquarters are in Tirana ("Rruga e Elbasanit", Tirana, Albania).

Graphic display of the insurance and deposit compensation scheme





Mission, Vision and Values of the Deposit Insurance Agency

VISION OF THE AGENCY

To be a deposit insurer **that deserves public trust.**

MISSION OF THE AGENCY

Proper administration of the deposit insurance scheme.

VALUES OF THE AGENCY

Integrity - Acting with integrity to complete our mission.

Teamwork – Working as a team to strengthen communication and effective collaboration.

Commitment - Committed to meeting legal objectives.

Transparency - Transparent approach in our work culture.

Accountability - Accountability in administering all institutional capacities.



Strategic Priorities 2018-2020

In drafting the Strategic Plan 2018-2020, three strategic priorities have been defined for the Agency, which guide the key objectives and initiatives of the activity of the Agency throughout the planning period.

I. Efficiency of the Deposit Insurance Scheme

Develop a more efficient deposit insurance scheme through a more realistic planning in accordance with the initiatives of the Agency and those co-ordinated with the institutions of the financial safety network, thus contributing to public confidence and financial system stability.

II. Management of Human Capital

Create an enabling work environment for employees to promote high professional standards and effectiveness, focusing on human capital management and constant learning.

III. Strategic Development of Partnership

Engage in a strategic approach with key partners for the activity of the Agency, aiming for a more efficient coordination at all levels of co-operation, in order to guarantee the success of the initiatives envisaged in this Strategic Plan.



Risks in meeting the Strategic Priorities

Identification, assessment, addressing and constant monitoring of risks is a key process for the successful implementation of the Strategic Plan. Ineffective risk administration can affect the fulfilment of one or more strategic directions of the Agency. Risks that could hinder the Agency in achieving its strategic objectives are grouped into financial risks, compensation risks, operational risks and external environment risks.

The most important group - financial risks – includes the group of risks that cause fluctuations in the values of the Agency's actives and financial obligations. This category includes: market, liquidity and loan risks. Constant administration of these risks provides a sound financial scheme.

Insurance and compensation risks relate to the readiness to conduct an effective compensation process, in accordance with the mandate of the Agency. Some of the identified risks are controlled through the agreement signed with the agent bank and the development of the IT System for reporting and compensation, while others are expected to be controlled through strategic initiatives (such as simulation exercises, improved quality of data or further automation of the IT system) part of this strategic plan.

In order to meet the goals and strategic initiatives in due time and with quality, the operational risks that arise in the course of the internal processes of the institution and which mainly relate to human and information technology risks, etc., must also be administered. It is important that these risks are correctly identified and detailed.

The administration of external environment risks, including the media risk, the image perception risk or even uncontrollable events, will help to implement the strategic objective of raising the level of public awareness and confidence.



Strategic Plan 2018-2020

Strategic Priority I

Efficiency of the Deposit Insurance Scheme

The Agency, as a member institution of the financial safety network responsible for maintaining the country's financial stability, has the direct responsibility to work in order to establish an effective deposit insurance regime in the country. In our work we are guided by the core international deposit insurance principles to ensure a more effective deposit compensation regime, tailored to our environment, aiming to effectively enable the regulation and administration of the deposit compensation process in the country. In this context, the Agency will continue to work in order to provide the operational readiness to fulfil its mandate.

Fulfilling our role as a deposit insurer means being ready and alert about events that may require the intervention of the Agency, possessing the capacities and capabilities to predict, and carefully assessing and managing risks that the deposit insurance funds may face. Over the three-year period included in this Strategic Plan, the Agency will continue to focus its efforts on increasing the expertise to meet its legal obligation in case of an insurance event, through compensation or other methods in accordance with the legal provisions and regulatory framework in force. Our work will aim at achieving and maintaining an optimal level of readiness, according to internationally accepted standards, giving to depositors the fastest possible access to their savings in case of an insurance event. To this end, special attention will be paid to the preparation, organization and conduct of simulation exercises, aiming to involve the institutions of the financial safety network, outsourcing contractors and members of the deposit insurance scheme of various sizes as regards the number of insured deposits. The following are the main initiatives in view of the objectives of this strategic priority.



Objective	Key Initiatives
Operational readiness for compensation	Improve and increase the readiness of the technological infrastructure related to the reporting system
	Improve data quality for depositors and insured deposits.
	Develop the IT system for the compensation process module.
	Develop working plans of co-operation with the Agent Banks in case of an insurance event.
	Identification and preliminary selection of supporting partners for the compensation process.
	Determine the methodology for the preliminary calculation of the cost of the compensation process in case of an insurance event.
	Review and improve the legal and regulatory framework necessary to carry out the compensation process.
Contribution to an effective resolution regime	Establish the proper infrastructure within the Agency to prepare and evaluate opinions on resolution plans.
	Design a method for the preliminary assessment of the exposure of the compensation fund in case of participation in the resolution plan.
Healthy administration of deposit compensation funds and resolution, providing adequate funding resources.	Preserve financial performance indicators against approved budget (variance 5%).
	Ongoing assessment of the level of deposit compensation funds and timely fulfilment of the needs for liquidity in case of a compensation event through an early warning system.
	Draft an assessment methodology for the administration of deposit compensation funds and exceptional intervention costs.
	Improve the risk administration method related to investments and portfolio of invested securities.
Increase the level of public awareness and confidence to the deposit insurance scheme	Continue to foster public financial education in the country through the participation of the Agency to cross-institutional financial education programs.
	Continue to enhance communication with target groups in order to raise public awareness on the Agency and its role, in particular in case of an insurance event.



	Increase transparency and accountability in informing the public and other stakeholder groups on the role, activities and decision-making of the Deposit Insurance Agency, in particular in case of an insurance event.
	Constantly assess the effectiveness of the communication strategy.
Assess the effectiveness of the deposit insurance scheme	Assess the adequacy of financial indicators of the deposit insurance scheme according to the relevant IADI / EFDI standards
	Assess the compliance of the scheme with the Core Principles for an Effective Deposit Insurance System.

Strategic Objective: Operational readiness of the Agency for compensation

Strategic initiatives

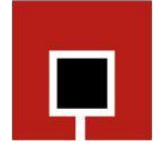
- Improve and increase the readiness of the technological infrastructure related to the reporting system.

The plan continues to have the key strategic objective of fulfilling the Agency's mandate, improving and enhancing the readiness of the technological infrastructure. Over this three-year period, the Agency aims to increase and strengthen its operational readiness as well as find ways to increase the expertise and skills of the staff. The effectiveness of operations and processes is essential to fulfil the tasks of the institution's mandate.

Over the three upcoming years, the Agency will strengthen its readiness level through system simulations which will enable it to identify opportunities to strengthen and improve its processes and infrastructure.

- Develop the IT system for the compensation process module.

Conducting the compensation process within legal deadlines requires the establishment and testing of the necessary infrastructure to support this process and coordinate the work with external actors that are part of it. The rapid development of technology enables the Agency to develop effective IT solutions that support the Agency in fulfilling its mandate.



Currently, the development of the IT system for reporting and compensation, for the compensation process module is part of the objectives of the Agency's Strategic Plan for the next three years. This system will enable the automation of the relationship with the Agent Bank for the payout of depositors and relevant complaints. The system will enable the real-time tracking of depositors' payments and relevant reporting in order to have an accurate and swift compensation process.

- Improve data quality for depositors and insured deposits.

The Agency has consistently deemed that the indicator of depositors' data quality is essential to meeting its legal mandate in case of an insurance event. Considering the importance of this issue, the Agency, over the next three years will continue to work intensively with members of the scheme which have the legal obligation to maintain and preserve depositors and deposits' data in accordance with the requirements of the legal and regulatory framework in force.

Despite improvements in some categories of depositors' data, addressing the problem of the lack of personal numbers in this data and its resolution by the members of the scheme continues to remain a challenge for the Agency.

In order to further improve these data, the Agency aims to develop and implement over the next three years the "New Strategic Platform on Improving the Quality of Data for Deposits and Depositors".

This strategic platform aims, through consultations with members of the scheme, to determine measurable indicators for each bank or savings and credit association to improve the quality of data associated with timeframes set out to be met by them, as well as to enable monitoring of the improvement of these indicators by the Agency.

- Develop working plans of co-operation with Agent Banks in case of an insurance event



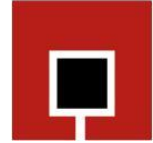
The Deposit Insurance Agency has the legal objective to perform accurately and swiftly the compensation of deposits in case of an insurance event. To realize this process, the Agency cooperates with Agent Banks selected from the preliminary list in its day-to-day operations. Over this three-year period, the Agency will develop working plans in co-operation with Agent Banks, whereby preparatory activities will be foreseen to train and test their operational capacities, in order to ensure the readiness of deposits' payout service in case of an insurance event.

These plans are considered important because through them will be carried out the evidencing of the responsible persons, as well as the appointment of contact persons who will cooperate with the Agency in case of a compensation event. Part of the working plan will be their professional training from the Agency, joint simulation and obtaining valuable feedback on how to further improve this process.

This co-operation is also important in adapting the infrastructure of the Agent Banks, as regards both updating their IT systems in order to be able to offer the possibility of processing payments at the time the depositor appears at the bank counter, and ongoing professional development and growth of their employees to effectively and promptly respond to the requirements of the Agency in case of a compensation event.

- Identification and preliminary selection of supporting partners for the compensation process.

In case of an insurance event, the Deposit Insurance Agency may cooperate with other supporting partners for the timely and effectively execution of the compensation process. These entities assist the activity of the Agency for the execution of the compensation process, providing supporting services in various fields such as services and maintenance of the electronic platform, audit and accounting services, legal services, call centre, etc. The Agency will identify, throughout its daily operations, the outsourcing contractors that provide the necessary services and meet the needs of the Agency in case of a compensation event.



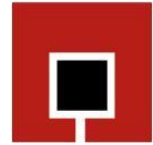
Over this three-year period, the Agency intends to organize simulations of a compensation event, which will serve to identify the supporting subjects needed to undertake a swift and timely compensation process. In addition, the Agency will assess the categories of the outsourcing contractors that play a significant role in the successful realization of the compensation process, which should be selected in the course of its day-to-day operations.

In addition to the above, following the identification and selection of the necessary outsourcing contractors, their respective staff will be prepared by the Agency, in continuity, in relation to their specific role in conducting the compensation process. This would avoid unnecessary delays in case of a compensation process and would also guarantee the professional qualification of these outsourcing contractors according to the instructions of the Agency and specifics of the deposit insurance scheme.

- Determine the methodology for the preliminary calculation of the cost of the compensation process in case of an insurance event.

In fulfilling the strategic objective to provide and strengthen its operational readiness, the Agency has drafted and approved a Manual on the Action Plan for the compensation process that describes the actions each sector should pursue to carry out the functions under its responsibility. This operating Manual, which is constantly improving, will be tested during various technical and generic simulations to be carried out by the Agency. In addition to the Action Plan for each organizational unit within the Agency, it is estimated that this Manual will also contain a methodology to calculate the estimated cost to carry out these actions leading to the successful completion of the compensation process.

The methodology in question, which is intended to be drafted and implemented over the planned period, is intended to interlink the list of all actions needed to accomplish this process with the cost elements evidenced for each action as well as to calculate their respective analytical cost, including the calculation of the total cost of the Agency for the compensation process.



- Review and improve the legal and regulatory framework necessary to carry out the compensation process.

In the context of constant changing of the banking and financial system, there is a need to adjust the regulatory requirements of the deposit insurance scheme to the new developments. Requirements to review and improve the legal and by-legal framework with the purpose of carrying out the compensation process are identified through processes that assess the compliance of the Agency's activity with the core principles of the deposit insurance schemes, simulations, issues arising from the practice of implementation of the legal framework in the course of verifications in members of the scheme, as well as exchanged experience with counterpart schemes.

The main objective of the work for the identification of amendments to the acts in force will be, *inter alia*, to ensure legal clarity on coverage or exclusion from insurance, avoiding obstacles to the swift and accurate calculation of compensation amounts, as well as support through proper acts for the ongoing coordination with the members of the scheme, agent banks and institutions of the financial safety network.

In addition to reviewing the acts in force, the aim is to develop new draft acts, which will ensure the operational readiness of the sectors of the Agency in case of an insurance event. The need to identify legal and by-legal amendments will take into account the recommendations that may result from the work and analysis of the sectors of the Agency in co-operation with stakeholders.

Strategic Objective: Contribution to an effective resolution regime

Strategic initiatives

- Establish the proper infrastructure within the Agency to prepare and evaluate opinions on resolution plans.

In December 2016, under the co-ordination of the Bank of Albania and international financial institutions, a new legal package was approved on the recovery and resolution of banks in the Republic of Albania. The Agency is charged with one more task: to be the administrator of the



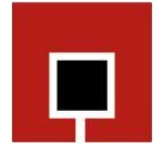
Resolution Fund and contribute through the deposit compensation fund to the recovery and resolution activities. Based on Law No. 133/2016, "On the Recovery and Resolution of Banks in the Republic of Albania", the Resolution Authority receives the opinion of the Agency on resolution plans in case the Agency's involvement is required.

The Agency will establish the necessary infrastructure, which will enable it to pursue the process of preparation of such opinion, including cost calculations, as appropriate, until its approval from and referral to the Resolution Authority. With infrastructure we also understand the designation of responsible organizational structures that will deal with each of the actions to be followed for the preparation of opinions to be referred to the Resolution Authority.

- Design a method for the preliminary assessment of the exposure of the compensation fund in case of participation to the resolution plan.

Pursuant to Article 78, paragraph 1, of the Resolution Law, the Resolution Authority may decide to use the deposit compensation fund in banks while conducting the resolution intervention. The amount required by the Authority shall be: a) less than the amount that would have been used by the Agency in case of compensation; and b) not greater than 50% of the deposit compensation fund in banks

In order to prepare for an effective resolution regime, the Agency will establish a methodology to calculate the maximum amount under the legal conditions in case of using the compensation fund in banks. This methodology will be built on quantitative data regarding the state of the deposit compensation fund and the amount of insured deposits as well as other qualitative data that will aim at the protection of depositors even in cases following the use of the compensation fund by the resolution Authority.



Strategic objective: Healthy administration of the deposit compensation funds and resolution, providing adequate funding resources.

Strategic initiatives

- Preserve financial performance indicators against the approved budget.

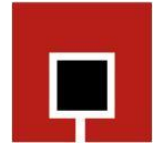
The effective management of the financial means of the Agency is one of the main directions of the good administration of the deposit insurance scheme. The engagement and co-operation of structures directly involved, such as the Finance and Investment Sector, Risk Analyze Sector and decision-making structures such as the Investment Committee for the most effective identification, assessment and management of potential financial risks of the Agency's portfolio, will be one of the priorities in achieving its strategic objectives. In this regard, the moderate observance of the Investment Policy for each of the funds of the deposit insurance scheme members, according to tranches and currency invested, takes a particular importance

One of the factors identified that will enable the Agency to successfully fulfil its mandate is the budget execution indicator, which is intended to fluctuate in the variance of $\pm 5\%$. Achieving this indicator requires the professional engagement of all the structures of the Agency to enable:

- a. A more realistic planning of projects in support of strategic objectives.
- b. Coordination and co-operation among them for the implementation of strategic projects.
- c. Monitoring fund administration and other resources.

In order to achieve this objective, the Agency will continue to plan the financial indicators of performance and constantly review the budget planning process which enables an active involvement of all structures.

- Ongoing assessment of the level of deposit compensation funds and timely fulfilment of needs for liquidity in case of a compensation event through an early warning system.



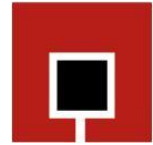
Currently, the Risk Analyze Sector (RAS) implements a methodology that consists in the elaboration of financial indicators provided for each bank by the Supervisory Authority. Indicators are processed quarterly with the aim of identifying banks with poorer relative financial performance. The purpose of applying this methodology, in addition to the timely recognition of the risk distribution in the banking system, is also to minimize the liquidity risk by adapting financial asset investments to the portfolios of the Agency.

To improve and complement this method, warning processes will be applied to those banks that result in poorer relative performance in order to predict a potential insurance event as early as possible. The decision-making on whether to invest funds in the portfolio of the Agency will adapt to the outcomes generated by this improved method.

- Draft an estimation methodology for the administration of deposit compensation funds and resolution cost.

According to the Regulation "On the resolution fund and the procedures for its management", approved by the Bank of Albania, the fund annual expenses include the value of direct and indirect costs. Separate costs, directly related to the administration of the resolution fund are such as bank commissions, etc., while indirect costs include the time, work and costs incurred by the Agency to invest and maintain these funds. These Agency's costs will be allocated proportionally to the number of transactions executed for the investment of the assets of each fund.

Within 2018, the Agency will draft a methodology to establish the elements of fund administration costs, calculate, add and further distribute / reallocate them for each fund by the beginning of 2019, in accordance with the Regulation "On the resolution fund and the procedures for its management".



- Improve the risk administration method related to investments and the portfolio of invested securities.

The Risk Analyze Sector within the Agency monitors the invested portfolio in order to observe the criteria and limitations of the financial assets administration policy. Monitoring is also carried out to assess the fulfilment of the Investment Committee decisions. In this way the Agency assesses whether investments have been carried out in view of the legal mandate of the Agency.

In this Strategic Plan, the Agency plans to draft a full-fledged risk monitoring methodology prior to the investment fact, aiming for monitoring information resources to be separate from implementing structures, based on the "four eyes" check principle. In this way, monitoring will ensure that investments have been carried out in accordance with the decisions of the Investment Committee and the financial assets administration policy.

Strategic objective: Increase the level of public awareness and confidence to the deposit insurance scheme

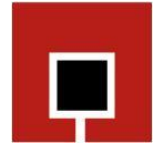
The Agency will continue to work in order to increase public confidence in line with its mandate to protect depositors and ensure preservation of the country's financial stability, through the use of public awareness mechanisms for the deposit insurance scheme and support for financial education policies in the country.

Strategic initiatives

- Continue to enhance communication with target groups in order to raise public awareness on the role of the Agency.

Recent ADIA's surveys on the level of public awareness demonstrated an increased level of public knowledge regarding the deposit insurance scheme in Albania.

From results obtained over the years, the Agency estimates that more work needs to be done to align with the best international experiences in this area. To further improve initiatives undertaken



in the recent years, in view of the implementation of the Public Awareness Strategy, the methodology will be aligned with the characteristics of the target groups that have resulted less aware of the insurance scheme, its benefits and limitations.

- Increase transparency and accountability in informing the public and other stakeholder groups on the role, activities and decision-making of the Deposit Insurance Agency, in particular in case of an insurance event.

Assessments and review of the existing education and information programs will aim to provide ongoing and transparent public information on the deposit insurance scheme and, in particular, the role and functions of the Agency in case of an insurance event.

The Deposit Insurance Agency will continue to commit, in a responsible and transparent way, to the accountability process before the Assembly of the Republic of Albania and the Supervisory Authority. Such commitment will also be achieved through publication of decision-making and regulatory acts concerning the members of the scheme and the activity of the Agency, as well as informative materials and reporting documents in the website of the Agency.

- Continue to foster public financial education in the country through the participation of the Agency to cross-institutional financial education programs at national level.

Public financial education and promotion of the scheme to raise public awareness on the role and functions of the Agency will be priorities that will guide its work and define strategic initiatives over the years to come. Given this, ADIA is committed to increase its participation in cross-institutional financial education programs over the planned period. For this purpose, it will be aimed at strengthening the co-operation with institutions that make up the financial safety network in the country, in order to ensure the consistency of information forwarded to the public.

- Constantly assess the effectiveness of the communication strategy.



In order to constantly assess and improve the effectiveness of the communication strategy, the Agency will continue to (i) conduct periodic survey studies with a view to measuring the level of public awareness regarding the insurance scheme and the Agency, (ii) review concrete projects to convey the necessary messages and information, accurately, intelligibly and timely through its communication channels, both in day-to-day operations and in case of an insurance event.

Strategic objective: Assess the effectiveness of the deposit insurance scheme.

Strategic initiatives

- Assess the adequacy of the deposit insurance scheme indicators according to the relevant IADI / EFDI standards

The Deposit Insurance Agency in its quality as member of the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI) needs to conduct an assessment of the compliance of its activity with the core principles, guidelines and international standards both as regards the general management and financial analysis.

The Agency will continue to observe the obligation to assess every five years, the compliance of the maximum levels of coverage with the economic and social conditions of the Republic of Albania and the international standards of deposit insurance. In particular, the Agency will continue to follow the dynamics of the coverage ratio of deposits insured with its own funds as well as the compliance of the target level of these funds with standards set by the International Association of Deposit Insurers (IADI), aiming to maintain and strengthen the solvency of the scheme.

- Assess the compliance of the scheme with the core principles for an effective deposit insurance system.

The Deposit Insurance Agency, in its quality as member of the International Association of Deposit Insurers, has conducted two assessments of the compliance of the scheme with the core principles for effective deposit insurance systems. Considering that the core principles have been revised, one



of the objectives for the period 2018-2020 remains the re-assessment of the Agency's effectiveness in particular and of the scheme in general. The revised core principles continue to play the role of a comprehensive standard to establish and improve deposit insurance systems.

The compliance assessment process is considered as a necessary tool to identify the priorities and challenges of the Agency. The results of this process form the basis of measures to be implemented by our institution, by members of the financial safety network and members of the scheme for a structural, institutional and legal improvement of the deposit insurance scheme.

Co-operation and involvement of internal and external experts guarantees the exchange of experience and knowledge gained in recent conferences, forums and researches conducted in this field.

The assessment of compliance with the core principles takes an added value in a context when the Agency is involved in the resolution process in banks. For this purpose, this comprehensive assessment process will aim, among others, to include as an objective the new legal function of the Agency and its interaction with the Bank of Albania.

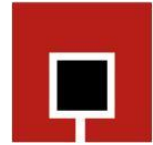


Strategic Priority II

Management of Human Capital

The strategic priority for the management of human capital is a new important strategic direction to fulfil the objectives and initiatives of the Strategic Plan of the Agency for the period 2018-2020. This priority will remain a challenge for the Agency in the coming years and a shared responsibility between the Human Resource Unit and leaders of all levels within the Agency. The Agency is a unique institution in the country in view of its function, therefore it will continue to invest in its human resource capital and draft a human resource development strategy aiming to attract, maintain, stimulate and engage talent, in order to provide an effective management and successful administration with a view to create a professional education and training institution.

Objective	Key Initiatives
Set up of the proper environment for the professional development of employees in accordance with the vision and mission of the Agency.	Draft the human resource development strategy document.
	Identify the needs for constant professional development and growth of the employees.
	Develop training programs and apply educational methods that ensure the most effective acquisition and transferring of new knowledge among employees.
Motivate and maintain the existing staff as well as attract new talents.	Promotion of employees based on the performance system.
	Attract new talents through the promotion of the student internship system in ADIA and co-operation with local universities.



Strategic objective: Set up the proper environment for the professional development of employees in accordance with the vision and mission of the Agency.

Strategic initiatives

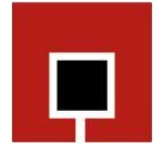
- Draft the human resource development strategy.

The Agency considers human resources as one of the most important factors in its daily activity and achievement of its goal. For this reason, over the next three years, the Agency will aim at building a human resource development strategy that will help to optimize the management of staff capacities and make the most effective orientation of its development policies.

The Human Resource Strategy will aim at providing the vision, mission, principles and key concepts for policies, planning and procedures to support the human resource lifecycle in the Deposit Insurance Agency. This strategy will aim at developing and maintaining a working environment that boosts employees' confidence, motivation and job satisfaction, as well as improves and preserves the social welfare of employees.

- Identify the needs for constant professional development and growth of employees.

Considering the professional qualification of human resources as a priority, the Agency will draft a program to identify the needs for ongoing training and develop staff incentive policies aimed at enhancing the professional qualifications in line with the mission and strategic objectives of the Agency. These trainings will aim at developing the skills needed to exercise each one's functions, as well as exchanging knowledge and experience with counterpart deposit insurance agencies. In the framework of co-operation, exchanging of and benefiting from the best practices, the employees of the Agency will continue to participate in conferences and annual trainings organized by international institutions such as IADI and EFDI, as well as trainings organized by other institutions.



- Develop training programs and apply educational methods that ensure the most effective acquisition and transferring of new knowledge among employees.

The Agency will focus on the management of activities related to the identification of staff needs, improving professional skills through organization of trainings in accordance with job-identified professional needs. Over the next 3 years and beyond, the Agency is expected to develop staff surveys which will aim at measuring the level of staff satisfaction and identifying their professional objectives.

It is also estimated that transferring of knowledge among the staff of the Agency is an added value in terms of capacity building. For this purpose, over the next 3 years, a mechanism will be set up under the "*training of trainers*" model, which will identify and prepare staff members with high-level operational knowledge and pedagogical skills to serve as trainers for topics of operational character identified by the structures of the Agency. In order to exchange gained experience with other staff members of the Agency, the aim for the employees at the end of each training course over the three-year period covered by the Strategic Plan 2018-2020 will be to make available the knowledge gained and materials used.

Strategic objective: Motivate and maintain the existing staff as well as attract new talents.

Strategic initiatives

- Promotion of employees based on the performance system.

The Agency applies the job performance system for its employees on the basis of criteria set out in the by-law acts in force. Starting from 2018, the Agency expects to implement a performance assessment method based on quantitative indicators. The quantitative indicators will serve as focal points for the expectations of the Agency in view of its employees, while making the performance assessment process more effective and fair by aligning employees' personal objectives with the



objectives of the Agency. In this way, the achievement of the expected objectives will be more easily measured.

- Attract new talents

The Agency will aim to attract new talents through co-operation with local universities, drafting joint programs aimed at (i) involving students in the Agency's works of scientific and research character, (ii) promoting student internship practices in the Agency. The Agency will continue to implement policies to attract new talents and ongoing trainings of the existing staff, in order to always have a skilled staff prepared to cope with potential challenges.



Strategic Priority III

Strategic Development of Partnership

In drafting this Strategic Plan, it was considered that establishing and developing relations with the Agency's partner institutions, both local and international, would be a key factor in fulfilling the mandate and successfully accomplish the mission of the Agency. The Agency deems that the institutional and transparent co-operation with supervisory and regulatory institutions, with institutions in charge of drafting and developing financial and economic policies, members of the deposit insurance scheme, counterpart agencies, etc., is a source that should be maximally used to create a more efficient environment from the operational standpoint and a safer one from the standpoint of depositors and public confidence to the financial system in the country.

For this purpose, over the three-year period we intend to increase our efforts to strengthen the engagement with strategic partners by promoting the best practices of institutional co-operation.

Objective	Key Initiatives
Strengthen relations with the institutions of the Financial Stability Advisory Group (FSAG).	Strengthen co-operation and review the co-operation agreement with the BoA, including the implementation of the legal obligations of the resolution.
Develop relationships with members of the deposit insurance scheme and other institutions of the sector.	Intensify relations with the members of the scheme.
	Signing a co-operation agreement with the Albanian Association of Banks
Intensification of international co-operation with counterpart institutions and international organizations in which ADIA adheres.	International co-operation with counterpart institutions.
	International co-operation within EFDI and IADI membership.



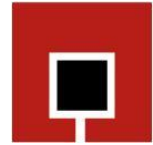
Strategic objective: Strengthen relations with the FSAG institutions

The Deposit Insurance Agency is a *de facto* member of the Financial Stability Advisory Group (FSAG), composed of the Ministry of Finance, the Bank of Albania and the Financial Supervisory Authority. The co-operation among FSAG members is institutionalized through a Memorandum of Understanding signed in March 2014. The purpose of this Memorandum is the co-operation in view of the development of the financial system and prevention and management of exceptional situations related to the activity of markets and financial institutions operating in the Republic of Albania, which could threaten the stability of the country's financial system. In this context, the Agency deems that co-operation and coordination with the institutions of the financial safety network in the country should be at the core of its three-year strategy in order to successfully fulfil its mandate and public objectives.

Strategic initiatives

- Strengthen co-operation and review the co-operation agreement with the Bank of Albania, including the implementation of the legal obligations of the resolution.

Over the three-year period, as part of this strategic plan, we will continue to cooperate closely with the Bank of Albania, taking into account the key role of this institution as the responsible regulatory and supervisory authority of the banking and financial sector. In the context of the amendments to the legal mandate of the Agency, following the inclusion to the scheme of savings and credit associations and the added function of administration of the Resolution Fund, the institutional co-operation with the Bank of Albania has expanded and received new dimensions. The Agency considers as necessary to review the existing co-operation agreement and plans to propose the signing of a new comprehensive agreement with the Bank of Albania to cover the whole spectrum of institutional relations in view of fulfilling the respective legal obligations. The agreement will aim at defining ways of co-operation and coordination of relevant activities, in particular in the event of compensation or in case of resolution. The Agency intends to make this cross-institutional relationship more concrete with the development of the relevant operational procedures. The



agreement will have an impact on increasing the effectiveness of both institutions in meeting their legal functions.

Strategic objective: Develop relationships with members of the deposit insurance scheme and other institutions of the sector.

Strategic initiatives

- Intensify relations with members of the scheme.

The Agency believes that the effective management of the members of the scheme is important to achieving / fulfilling its strategic objectives. For this reason, the Agency's activity is based on co-operation with members of the scheme both in terms of the regulatory activity for the well-functioning of the scheme and coordination of activities and efforts to create a more educated and well-informed environment. While highly appreciating that the co-operation with members of the scheme will result in bilateral benefits, over the three-year period 2018-2020, the Agency will aim at further strengthening this institutional relationship by prioritizing (1) co-operation to improve the quality of depositors' data, as a determining element to achieve a swift and accurate compensation process; (2) education and timely provision of information to the employees of the members of the scheme concerning all legal and by-legal regulation acts adopted and implemented by the Agency; (3) education of customers (depositors) of the members of the scheme, in co-operation and coordination with the latter, regarding the benefits and limitations depositors face as a consequence of the insurance provided by the scheme.

In addition to the above, and taking into account the recent membership of the Savings and Credit Associations to the deposit insurance scheme, the Agency will pay special attention to intensifying relations with these microfinance institutions in order to raise the level of awareness among their employees and depositors. As part of this engagement is also envisaged the revision of informative materials, as well as tests on scheme knowledge and ongoing training for employees.



- Signing a co-operation agreement with the Albanian Association of Banks

Co-operation with the Albanian Association of Banks is one of the key elements of co-operation with a view to raising awareness on the scheme. It is estimated that the relationship established over the last three years has been fruitful and has brought concrete innovations, such as open lectures in auditoriums, organization of debates with students from different universities and participation in the Global Money Week in coordination with the Bank of Albania.

The Agency's co-operation with the Albanian Association of Banks takes on a role of fundamental importance when it comes to organizing activities aimed at gathering comments and opinions on reviewing the legal and by-legal framework of the scheme, coordinating joint actions for a better implementation of recommendations taken out of verifications and promotion of the overall improvement of the quality of depositors' data maintenance.

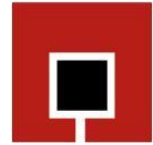
For this purpose a co-operation agreement is expected to be signed over the next three years. This agreement will serve to set up the framework within which the Albanian Association of Banks will play an important role not only in the daily activities of the deposit insurance scheme, but also in simulations that will be carried out with agent banks, for interaction within the sector in case of an insurance event.

Strategic objective: Intensification of international co-operation with counterpart institutions and international organizations in which the Agency adheres.

Strategic initiatives

- International co-operation with counterpart institutions.

During the period of the Strategic Plan 2015-2017, the Agency has been very committed to establishing and institutionalizing co-operation protocols with counterpart agencies, particularly with regional deposit insurers. This co-operation has proved fruitful in terms of exchanging



information and knowledge in joint regional forums, taking into consideration the institutional and operational similarity of the counterpart agencies of the region.

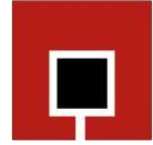
In addition to the ongoing contribution to regional forums, the Strategic Plan 2018-2020 will also aim at extending this co-operation to a wider European plan. Throughout this period, the Agency will consider signing co-operation agreements with deposit insurance authorities of those European countries whose banking industry is present through subsidiaries in the Albanian banking system. These agreements will aim to provide an added value both in terms of exchanging information in case of insurance events in bank institutions, parent of the deposit insurance scheme members in Albania, but also in terms of consultation and co-operation on the approximation of the Albanian legislation with the *acquis communautaire* as regards the deposit insurance discipline, among others.

- International co-operation within EFDI and IADI membership.

The Agency is one of the earliest members of international deposit insurance organizations such as IADI¹ and EFDI². Membership in these organizations is estimated as a factor of strategic importance in terms of benefiting from the implementation of the Core Principles for Effective Deposit Insurance Schemes (IADI Core Principles), as well as the expertise and experience of member institutions. As in the last three years, even during the period of the Strategic Plan 2018-2020, the Agency will continue to participate in international forums organized in the framework of these organizations and provide its contribution through participation in relevant committees, working teams as well as through organization and hosting of co-ordinated activities. Also, considering that this Strategic Plan foresees to conduct an assessment of the adequacy of the financial indicators of the deposit insurance scheme as well as an assessment of the effectiveness of the scheme according to the Core Principles, co-operation through the involvement of internal experts and provision of

¹ International Association of Deposit Insurers.

² European Forum of Deposit Insurers.



technical assistance from IADI and EFDI experts is considered of particular importance for the successful realization of these strategic initiatives.



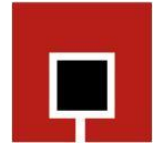
Financial Plan 2018 - 2020

The financial plan is based on analysing financial indicators in accordance with international accounting and auditing standards, the investment of financial means in accordance with the principles of liquidity and security, as well as execution of annual expenses and incomes with a maximum fluctuation of $\pm 5\%$. These principles will continue to be applied in relation to the financial planning in the framework of this strategy.

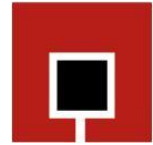
Based on the results of periods included in the previous strategic plan as well as strategic projects proposed by the structures of the Agency, over the next three years, the following is foreseen:

- Incomes from the insurance premium to increase annually at 1%.
- Incomes from the administration of the financial means of the Agency to increase annually at 2%.
- Current expenses to change annually at about 5%.
- Capital expenses to change annually at about 5%.

The table below shows the Agency's financial plan for 2018, financial resources needed to ensure the continuity of the strategic plan over this year, as well as financial projections for 2019 and 2020, which are mainly based on strategic initiatives of the Agency throughout the planned period, according to a careful planning based on (i) previous income and expense trend indicators (ii) priority strategic initiatives in view of fulfilling its mandate.



	Budget 2018	Budget 2019	Annual change	Budget 2020	Annual change
Income	4,085,949,000.00	4,135,462,980.00		4,185,645,189.60	
From Premiums	3,220,500,000.00	3,252,705,000.00		3,285,232,050.00	
a) Bank Fund	3,210,000,000.00	3,242,100,000.00	1%	3,274,521,000.00	1%
b) SCAs Fund	10,500,000.00	10,605,000.00	1%	10,711,050.00	1%
From invested financial assets	865,449,000.00	882,757,980.00		900,413,139.60	
a) Bank Fund	863,900,000.00	881,178,000.00	2%	898,801,560.00	2%
b) SCAs Fund	1,549,000.00	1,579,980.00	2%	1,611,579.60	2%
Total Expenses	192,388,260.00	197,746,423.00		217,685,119.15	
Current Expenses	180,213,260.00	189,223,923.00	5%	198,685,119.15	5%
Capital Expenses	12,175,000.00	8,522,500.00		19,000,000.00	
Long-Term Material Actives	12,175,000.00	8,522,500.00		2,000,000.00	
Long-Term Non-Material Actives	-			17,000,000.00	



Explanatory notes:

- Planning of the income growth from premiums is based on the moderate growth trend of deposits insured in members of the insurance scheme over previous periods.
- Planning of the income growth from invested financial means is based on the historical variance method and results of the standard deviation of budget execution data in relation to the previous years' plan.
- Planning of the current expenses follows the line of the strategic priority of human capital management, consisting in increasing costs for employees' benefits and compensation, welfare and social activities, education and professional development, and other strategic initiatives aimed at developing the human capital. The predicted growth in this group of expenses also reflects the strategic initiatives to ensure the operational readiness for the compensation process, in particular conducting simulations for this purpose throughout the planned period.
- Planning of the capital expenses line is done in accordance with the strategic objectives of this plan. The highest cost is from technological infrastructure development projects, which are also associated with corresponding costs in material actives at their service. Likewise, during these years, consideration will be given to meeting the institutional needs in other material actives that will be at the service of the activities of the institution.
- In planning the expenses for the three years of the strategic plan, the Agency has taken into consideration:
 1. Maintaining the specific weight indicator of total expenses planned against incomes planned from invested financial means at a level of 20-25%, and
 2. Maintaining the specific weight of total expenses against total incomes at a level of 3-6%.



Over the next three years, the Agency will conduct a periodical review and effective implementation and monitoring of the agreed performance financial indicators, in order to promote the efficient use of financial assets and the minimization of variances, while reducing delays in their implementation.

Key Planning Assumptions

Assumptions on which this planning is based are considered to have a substantial impact on the implementation of strategies envisaged in this plan as well as the respective budgets.

Assumptions are as follows:

1. Statutory Mandate

Will not undergo changes over the planned period.

2. Stable banking and financial system

The banking and financial system is expected to continue to be stable over the planned period.

3. Insurance event

Based on current available data and indicators, the Agency predicts no incurrence of insurance events with an impact on the entire activity of the Agency throughout the period of this strategic plan.



Performance of the Strategic Plan 2015-2017

The Agency estimates that overall the progress is substantial and based on three strategic directions of the Strategic Plan 2015-2017: *Readiness to compensate; Effective management of financial assets; and Public Awareness*. The progress was also evidenced with the international award "Deposit Insurance System Improvements" conferred to the Agency in 2016 by the International Association of Deposit Insurers (IADI), as the deposit insurance institution with the most crucial developments. The table below represents the dynamics of projects envisaged under the Strategic Plan 2015-2017.

Strategies	Strategic objectives	Projects	Status	Comments
Readiness of the Agency for compensation	Close co-operation with FSAG to receive timely information on institutions with problems and timely provision of liquid financial assets.	Review the co-operation agreement with the Bank of Albania	Postponed	This project was postponed following the adoption of the amendments to Law No. 53/2014, dated 22/05/2014, "On Deposit Insurance", as amended, on the inclusion to the deposit insurance scheme of traders and companies and savings and credit associations; adoption of Law 133/2016 "On the Recovery and Resolution of Banks in the Republic of Albania", as well as by-laws deriving from the aforementioned laws. This objective is planned to be included in the Strategic Plan 2018-2020.
		Plan on Agency's periodical reports to FSAG	Achieved	
	Improvement and testing of the Agency's legal, IT and operational infrastructure in view of fulfilling the	Contingency plan on liquidities for each subject member of the scheme in case of an insurance event.	Under process	



	compensation process within the target deadlines.	Review and complement the regulatory framework on compensation	Achieved	
		Staff testing on conducting a compensation process	Not achieved	Over the past three years, the Agency has complemented its by-legal framework on compensation (Regulation on Compensation, Action Plan and Simulation Manual). Over the next three years the Agency will conduct these tests through the simulation process.
		Carry out annual simulations	Achieved	
		Automation of data transmission from the Agency to the BoA	Not achieved	Over this three-year period, the reporting system underwent changes following legal amendments. Therefore, this project has been delayed and included under the Agency's Strategic Plan for the period 2018-2020.
		Establish a back-up server for data storage to the Agency's IT system on reporting and compensation	Under process	This project was completed in early 2018 and is still under implementation.
		Co-operation agreements with public/private subjects for mediation in carrying out the pay-outs and communication with depositors in event of compensation.	Achieved	Agreement with the BoA and the outsourcing contractors - IT System for reporting and compensation
	Members of the scheme to improve the quality of depositors' data storage.	Raising awareness among public institutions to enable insured subjects to complete/correct identification data (personal number, residence address).	Under process	The Agency has co-operated with the Albanian Association of Banks, which influenced to raise awareness among public institutions and members of the scheme to improve the quality of depositors' data.



		Periodical verifications to members of the scheme regarding the accuracy of data storage.	Achieved	
Effective management of financial means	Improvement of the risk administration method related to the investment portfolio, liquidity, crediting and risk distribution in the banking system	Risk administration procedure for the Agency's investment portfolio.	Achieved	
		Methodology of administration of the liquidity risk to ensure the fulfilment of the Agency's obligations in the event of compensation.	Under process	Ongoing work for the preparation of stress tests as the final stage.
		Methodology to monitor risk distribution for the banks member of the insurance scheme.	Achieved	
		Methodology of administration of the counterparty risk related to operations conducted by the Agency with banks in the system.	Not achieved	The Agency considers the development of a methodology for this risk as ineffective.
	Realistic planning and constant monitoring of the annual budget	Review procedures and policies on budget drafting and implementation.	Under process	
		Building standard reporting models to enable the responsible units to realize budget projects.	Under process	



	Identification and agreement on standard financial performance indicators.	Study on the identification of financial performance indicators based on the best international practices appropriate to the nature of the institution.	Not achieved	
		Periodical review of agreed performance financial indicators.	Not achieved	
Public awareness	Measuring the level of public awareness	Annual survey to measure the level of public awareness	Achieved	
	Constant and effective communication with stakeholder groups	Public communication strategy	Achieved	
Extension of the deposit insurance scheme	Including SCAs to the deposit insurance scheme	Verify that SCAs meet the criteria for membership to the scheme	Achieved	
		Automation of the reporting system for savings and credit associations (reporting system, data exchange, compensation).	Achieved	



	Process of SMEs inclusion to the deposit insurance scheme	Study to assess SMEs inclusion to the deposit insurance scheme	Achieved	SMEs inclusion to the deposit insurance scheme started on 1 January 2017.
Identification of new directions for a better administration of the Institution	Administration of the institution in accordance with the international standards of good governance, transparency and communication.	Self-assessment of the level of compliance of the deposit insurance scheme with the core principles for effective deposit insurance schemes.	Postponed	In view of the implementation of the Law on Deposit Insurance, this project will be carried out once every five years.
		Strategy on human resource development	Postponed	The Human Resource Development Strategy is one of the strategic objectives of the Agency foreseen for the next three years.
	Increase the social responsibility of the institution through engagement in projects with an impact on the community	Identification of social projects to which the Agency will participate	Achieved	



Conclusion

The Strategic Plan 2018-2020, which sets out the strategic objectives of the Deposit Insurance Agency, is a joint product of the Board of Directors, management team and staff of the Agency. This Plan aims to achieve the commitment of all the structures of the Agency in order to improve and strengthen the organizational skills and capacities in function of the legal mandate and mission of the institution. While significant progress has been done following the Strategic Plan 2015-2017, we are aware that continued efforts are needed to achieve the objectives of the Strategic Plan 2018-2020. This Plan sets out a number of challenges that are intended to be overcome by focusing on results and careful monitoring of the performance in all the operational and organizational aspects. The achievement of the objectives of the Strategic Plan 2018-2020 will get us closer to the vision of the Agency to be a deposit insurer that deserves public trust.