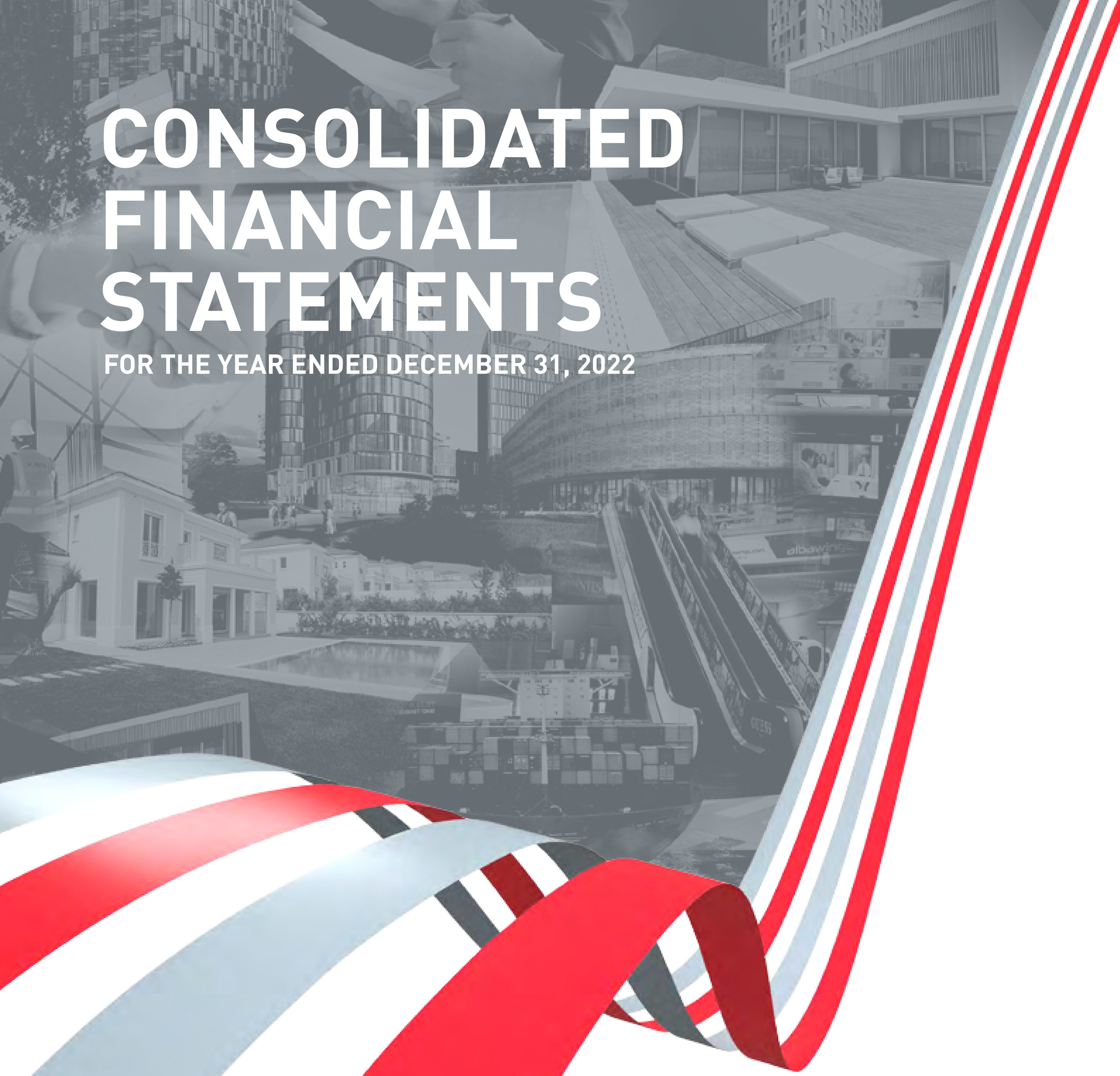
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022



BALFIN

Balfin Group

Consolidated Financial Statements

as at and for the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Balkan Finance Investment Group shpk

Opinion

We have audited the consolidated financial statements of Balfin - Balkan Finance Investment Group shpk (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and with Institute of Authorizes Chartered Auditors of Albania Code of Ethics ("IEKA Code"), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended, 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 and the IESBA Code and IEKA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the 2022 Management Report

Other information includes information in the Group's Management Report for 2022, prepared in accordance with article 17, 18, 19, 20 of Law no.25/2018 "For accounting and Financial Statements" in addition to the consolidated financial statements and this auditor's report. Management is responsible for other information. The Group's 2022 Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover any other information, and we do not express any conclusions that give assurance about this information. In relation to the audit of the financial statements, we have the responsibility to read the other information and assess whether this information has material inconsistencies with the financial statements or the knowledge we obtained during the audit or otherwise whether they appear to be materially misstated.

If, based on the work done, we conclude that there is a material anomaly in this information, then we should report this fact.

Responsibilities of management for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so. Management and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management and those charged with governance of **Balfin-Balkan Finance Investment Group shpk** 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.

Ernst & Young Ekspert Kontabël të Autorizuar
Albania Branch

Ernst & Young Albania

ERNST & YOUNG EKSPERT KONTABEL TE AUTORIZUAR
NIPT K61911012I
Tirane

23 October 2023
Tirana, Albania

Mario Vangjeli
Certified Auditor

Consolidated statement of profit or loss
for the year ending December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

	Notes	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Revenue from contracts with customers	12	492,837	444,495
Rental income	13	21,832	12,986
Cost of sales	15	(363,234)	(330,904)
Gross Profit from Non-Financial Operations		**151,435**	**126,577**
Net interest income from financial operations	14	29,515	22,679
Gross profit		**180,950**	**149,256**
Other operating income	21	6,305	8,415
Selling and distribution expenses	16	(12,320)	(8,895)
Administrative and other operating expenses	17	(37,074)	(55,071)
Employee expenses	19	(44,172)	(36,955)
Depreciation and amortization expense	20	(21,670)	(29,741)
Expected credit losses	18	(2,177)	(1,223)
Operating profit		**69,842**	**25,786**
Finance costs	22	(10,495)	(8,545)
Finance income	23	2,943	567
Loss on sale of subsidiary, net	7	(26,414)	-
Share of profit of an associate and a JV	30	1,144	1,458
Profit before tax		**37,020**	**19,266**
Income tax expense	24	(10,706)	(8,681)
Deferred tax income / (expense)	32	(440)	558
Profit for the year		**25,874**	**11,143**
Profit / (Loss) from discontinued operations	7	(12,856)	13,124
Profit for the year		**13,018**	**24,267**
Profit of the year attributable to:			
Owners of the parent		6,598	18,752
Non-controlling interest		6,420	5,515
		13,018	**24,267**

The consolidated statement of profit or loss has to be read in conjunction with the notes which are an integral part of these consolidated financial statements set on pages 8 to 106.

Consolidated statement of other comprehensive income / (expenses) for the year ending December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

	Notes	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Profit of the year		**13,018**	**24,267**
Other comprehensive income / (expense)		-	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency transaltion differences		(2,891)	(2,886)
Fair value on available-for-sale financial assets	25	(20,804)	(162)
Deferred tax related to FV loss recorded directly in OCI		3,109	-
Total comprehensive income		**(7,568)**	**21,219**
Total Comprehensive income of the year attributable to:			
Owners of the parent		(13,723)	15,845
Non-controlling interest		6,155	5,374
		(7,568)	**21,219**

The consolidated statement other comprehensive income has to be read in conjunction with the notes which are an integral part of these consolidated financial statements set on pages 8 to 106.

Consolidated statement of financial position as at December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

	Notes	As at December 31, 2022	As at December 31, 2021
Assets			
Non-current assets			
Property, plant and equipment	26	67,219	187,447
Investment property	27	154,607	142,389
Right of use assets	28	37,794	39,351
Investments in associates and joint ventures	30	1,215	1,929
Intangible assets	29	5,732	13,783
Financial assets	34	212,710	220,371
Interest-bearing loans given	33	29,215	311
Loans to customers from finance operation long term	35	236,278	221,301
Inventory	31	44,430	64,283
Prepayments and deferred expenses	36	14,609	9,793
Other assets	39	5,012	-
Contract asset	12	2,574	682
Deferred tax assets	32	5,129	3,749
Total non-current assets		**816,524**	**905,389**
Current assets			
Inventory	31	110,929	90,615
Trade and other receivables	37	54,304	34,802
Contract assets	12	1,535	2,725
Interest-bearing loans given	33	17,415	2,438
Financial assets	34	221,221	83,613
Income tax receivable		781	933
Prepayments and deferred expenses	36	7,781	11,111
Loans to customers from finance operation short term	35	224,306	145,855
Cash and due from banks	38	120,237	134,009
Total current assets		**758,509**	**506,101**
Assets held for sale		838	102,335
Total assets		**1,575,871**	**1,513,825**

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BALKAN FINANCE INVESTMENT GROUP
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ABA Business Center, Kati 11, Tiranë
Nipt: K72220...K

The consolidated financial statements are approved on October 20th, 2023 and signed by:

Edlira Muka
Chief Executive Officer and Administrator

Blerina Daka
Chief Financial Officer

The consolidated statement of financial position has to be read in conjunction with the notes which are part of these consolidated financial statements set on pages 8 to 106.

Consolidated statement of financial position as at December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

	Notes	As at December 31, 2022	As at December 31, 2021
Capital and reserves			
Share capital		24,241	24,241
Other capital and legal reserves	40	17,003	13,287
Retained earnings		355,017	342,623
Reserves		28,028	24,105
Equity attributable to equity holders of the parent		**424,289**	**404,256**
Non-controlling interests		28,710	30,428
Total equity		**452,999**	**434,684**
Non-current liabilities			
Deferred tax liabilities	32	599	18,053
Trade and other payables	44	1,674	1,072
Lease liabilities	28	29,417	31,966
Contract liabilities	12	23,158	24,374
Due to customers in financial operations	42	172,381	119,230
Interest-bearing borrowings	41	89,337	88,529
Provisions	43	2,212	3,560
Subordinated debt	45	14,450	5,028
Total non-current liabilities		**333,228**	**291,812**
Current liabilities			
Provisions short-term	43	1,607	334
Contract liabilities	12	37,494	14,426
Interest-bearing borrowings	41	30,467	67,349
Lease liabilities	28	8,421	8,255
Income tax payable		1,167	1,641
Trade and other payables	44	93,947	105,603
Dividends payable		914	13,090
Total Current liabilities		**174,017**	**210,698**
Due to customers in finance operations	42	615,551	544,074
Liabilities directly associated with the assets held for sale		76	32,557
Total liabilities		**1,122,872**	**1,079,141**
Total equity and liabilities		**1,575,871**	**1,513,825**

The consolidated financial statements are approved on October 20th, 2023 and signed by:

BALFIN
BALKAN FINANCE INVESTMENT GROUP
BALFIN sh.p.k.
Rruga "Papa Gjon Pali II",
ABA Business Center, Kati 11, Tiranë
Nipt: K72223031K

Edlira Muka
Chief Executive Officer and Administrator

Blerina Daka
Chief Financial Officer

The consolidated statement of financial position has to be read in conjunction with the notes which are part of these consolidated financial statements set on pages 8 to 106.

Consolidated statement of changes in equity
for the year ending December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

	Note	Share capital	Legal and regulatory reserve	Other capital reserves	Foreign currency translation reserve	Reserve for items at Fair value through OCI	Retained earnings	Total	Non-Controlling Interest	Total equity
Total equity as at 1 January 2021		**24,241**	**11,297**	**2,698**	**19,425**	**(2,487)**	**323,848**	**379,022**	**28,278**	**407,300**
Profit for the year		-	-	-	-	-	18,893	**18,893**	5,374	**24,267**
Other comprehensive income		-	-	-	7,329	(162)	-	**7,167**	-	**7,167**
Total comprehensive income		**-**	**-**	**-**	**7,329**	**(162)**	**18,893**	**26,060**	**5,374**	**31,434**
Dividend distributed		-	-	-	-	-	-	**-**	(4,881)	**(4,881)**
Increase in share capital		-	-	-	-	-	-	**-**	1,049	**1,049**
Transfers to and from retained earnings	40	-	265	(972)	-	-	127	**(580)**	588	**8**
Adjustment to prior period		-	-	-	-	-	(245)	**(245)**	20	**(225)**
Balance at December 31, 2021		**24,241**	**11,562**	**1,726**	**26,754**	**(2,649)**	**342,623**	**404,256**	**30,428**	**434,684**
Profit for the year		-	-	-	-	-	6,863	**6,863**	6,155	**13,018**
Other comprehensive income		-	-	-	21,761	(17,695)	-	**3,924**	-	**3,924**
Total comprehensive income		**-**	**-**	**-**	**21,761**	**(17,695)**	**6,863**	**10,786**	**6,155**	**16,941**
Dividend distributed		-	-	-	-	-	-	**-**	(5,154)	**(5,154)**
Decrease in share capital		-	-	-	-	-	-	**-**	(2,719)	**(2,719)**
Transfers to and from retained earnings	40	-	-	3,715	-	-	6,229	**9,944**	-	**9,944**
Adjustment to prior period		-	-	-	-	-	(697)	**(697)**	-	**(697)**
Balance at December 31, 2022		**24,241**	**11,562**	**5,441**	**48,371**	**(20,344)**	**355,018**	**424,289**	**28,710**	**452,999**

The consolidated statement of changes in equity has to be read in conjunction with the notes which are an integral part of these financial statements set on pages 8 to 106.

Consolidated statement of cash flows
for the year ending December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

	Note	For the year ending December 31, 2022	For the year ending December 31, 2021
Profit before tax from continuing operations		**37,020**	**19,266**
Profit / (Loss) before tax from discontinued operations		(12,856)	13,124
Profit before tax		**24,165**	**32,390**
Adjustments to reconcile profit before tax to net cash flows:			
Loss on disposal of subsidiary		(26,414)	-
Depreciation and impairment of PPE and RoU	26,28	16,170	43,468
Depreciation and impairment of investment property	27	4,481	4,454
Amortization and impairment of intangible assets	29	1,019	2,623
Allowances, provisions and write-offs		(2,092)	1,365
Gain / (Loss) on disposal of asset	22	431	(261)
Finance income	14,23	(35,342)	(25,180)
Finance costs	14,22	3,454	9,623
Share of profit of associates and JVs	10	(1,144)	(1,458)
Working capital adjustments			
Change in trade and other receivables		185,733	(29,042)
Change in inventories		2,763	7,058
Change in trade and other payables		(19,455)	10,982
Change in compulsory reserves		(7,738)	(8,987)
Change in restricted cash		993	(53)
Change in loans to customers		(71,689)	(53,279)
Change in due to customers		87,526	72,461
Change in due to banks		-	-
Income tax paid		(11,468)	(6,818)
Interest from non-financial operation			
Interest received		2,374	233
Interest paid		(2,160)	(6,079)
Interest from financial operation		**-**	**-**
Interest received		33,290	24,836
Interest paid		(784)	(2,032)
Net cash flows from operating activities		**184,112**	**76,304**

The consolidated Cash flows statement has to be read in conjunction with the notes which are an integral part of these consolidated financial statements set on pages 8 to 106.

Consolidated statement of cash flows
for the year ending December 31, 2022
(All amounts in '000 Eur, unless otherwise stated)

	Note	For the year ending December 31, 2022	For the year ending December 31, 2021
Investing activities			
Proceeds from sale of PPE		1,805	23,817
Purchase of PPE	26	(29,941)	(12,362)
Acquisition of subsidiary, net of cash acquired	6	2,172	-
Purchase of intangible assets	29	(688)	(1,638)
Proceeds from sale of intangible assets		-	16
Purchase of investment property	27	(10,653)	(28,056)
Proceeds from sale of investment property		1,018	326
Decrease/(increase) of investment in associates		347	0
Purchase of financial assets at FVOCI	34	(63,679)	(218,894)
Proceeds from financial assets at FVOCI	34	91,819	162,984
Purchase of financial asset held at amortized cost		(159,788)	-
Increase of capital from NCI shareholders		-	1,049
Dividend received from JV and Associate	10	1,589	786
Net cash flows from/(used in) investing activities		**(166,000)**	**(71,972)**
Financing activities			
Proceeds from borrowings, net		(18,526)	914
Payment of principal portion of lease liabilities		(10,679)	(8,150)
Issuance of subordinated debt		8,755	4,959
Dividend paid		(17,569)	(8,861)
Net cash flows (used in)/from financing activities		**(38,018)**	**(11,138)**
Net increase/(decrease) in cash and cash equivalents		(27,567)	(6,794)
Net foreign exchange difference		(5,726)	1,846
Cash and cash equivalents at January 1	**38**	**79,483**	**84,443**
Cash and cash equivalents at December 31	**38**	**55,849**	**79,483**

The consolidated cash flow statement has to be read in conjunction with the notes which are part of these financial statements set on pages 8 to 106.

1. Corporate information

The consolidated financial statements of Balfin - Balkan Finance Investment Group SHPK and its subsidiaries (collectively, "Balfin Group") for the year ended December 31, 2022 were authorized for issue on October 20th, 2023. Balfin - Balkan Finance Investment Group SHPK ("the Group" or "the Parent") is a limited company incorporated on October 25, 2007 and it is registered in the National Business Centre and domiciled in Albania. The registered office is located at ABA Business Centre, 11th floor, Tirana, Albania. The sole shareholder of Balfin SHPK is Mr. Samir Mane while Ms. Edlira Muka is the CEO and administrator.

Balfin Group Management Board is part of the management structure and has a supervisory role for the Group. The Management Board comprises seven members: Ms. Edlira Muka is the Chief Executive Officer of Balfin Group, five Vice Presidents: Mr. Ervin Kajno (Corporate Project Officer), Mr. Steven Grunerud (Strategy Development), Mr. Juljan Mane (Retail sector), Ms. Ardiana Sokoli (Real Estate sector), Arsim Papraniku (Board Member) and Ms. Blerina Daka as Chief Finance Office and the leader of Corporate Finance Department.

The Group is a diversified investment group principally engaged in the provision of retail, wholesale, real estate and banking. Information on segments is provided in Note 11.

The Group number of employees as at December 31, 2022 is 4,370 exluding discontinued operations (December 31, 2021: 5,092 employees exluding discontinued operations).

2. Significant accounting policies

2.1. Basis of preparation

These consolidated financial statements of the Group are prepared in accordance with recognition, measurement, and presentation criteria of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements include the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow (compiled using the "indirect method") and the Notes to the consolidated accounts.

The consolidated financial statements have been prepared on a historical cost basis except for:

- FVOCI instruments in Banks;
- Items measured at Net Realizable Value ("NRV");
- Assets classified as held for sale which are measured at FV less cost to sell;

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are presented in Euro ("Eur") and all values are rounded to the nearest thousand (Eur '000), except when otherwise indicated.

Going concern assumption has been applied in the preparation of the consolidated financial statements. Management prepared these consolidated financial statements on a going concern basis, which assumes that the Group will continue to operate in the foreseeable future. Such, assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2. Significant accounting policies (continued)

2.1. Basis of preparation (continued)

The Group identifies no significant going concern regarding the ability of the Group and all its individual subsidiaries to meet its obligation as stated in the consolidated financial statements. The long-term strategy of the Group is to consolidate its presence in the current operating industries in national and international market going forward as well as potential new projects in real estate industry and retail expansion. The Group has discontinued its mining operations in Albania and Kosovo with the sale of subsidiary during May 2022 (see Note 7) and currently has no other plans as at 31 December 2022. The Group has sufficient cash and headroom in its credit facilities (overdraft utilization at 45% and loans at 71% with total approved but undrawn limit as at 31.12.2022 amounts at Eur 8,917 thousand) to support any downturn considering the current effect of the Ukraine war on raw material prices and the potential future uncertainties for which it may not be able to reasonably estimate the future impact.

For the year ended December 31, 2022 the Group has a Gearing Ratio of 0.12 (2021: 0.17) (Note 4), therefore the Group has a flexibility of tapping into external funding if needed. The Group's management believes that all liabilities will be settled as they fall due for the next 12 months.

The consolidated financial statements provide comparative information in respect of the previous period.

2.2. Basis of consolidation

2.2.1. Determination of control

The consolidated financial statements comprise the financial statements of the Group, its subsidiaries, joint ventures and associates as at December 31, 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group reassesses on each reporting date whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The Group has no subsidiaries or associates where significant judgement to determine whether control exists is required as there is generally a clear control relationship for all its subsidiaries.

2.2. Basis of consolidation (continued)

2.2.2. Consolidation procedure

The Group consolidates all the control subsidiaries combining items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized either using equity method or at fair value depending on the related remaining share.

If the Group acquires control over an associate or joint venture, it measures the identifiable assets and liabilities at their fair value on the date of acquisition and any non-controlling interest is measured at the proportionate share of net assets fair value. The difference between consideration paid and net assets acquired is recognized as goodwill or bargain gain accordingly.

Any equity interest previously held in the acquiree is treated as disposed of and reacquired at fair value on the acquisitiond date and any resulting gain or loss compared to its carrying amount is recognized in profit and loss.

Consolidation of banking operations

The Group has consolidated in full Tirana Bank following the same methodology as it all other subsidiaries. The Bank operates under a regulated environment and transactions with other group entities follow these regulations. These consolidated financial statements present banking activities in a more condensed nature. For more details on banking operations, the individual financial statements of the bank are available on its website (www.tiranabank.al).

2.3. Summary of significant accounting policies

a) Business combinations and goodwill

The cost of a business acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquires identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

2.3. Summary of significant accounting policies (continued)

a) Business combinations and goodwill (continued)

When the Group acquires a business from a non-related party, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combination under common control

The Group applies business combination under common control which are ultimately controlled by the same party before and after combination. The Group combines businesses which are under the common control, but no the same group for financial reporting purposes. The book values method is applied on combining business under common control, when assets and liabilities are received on book values of the transferred company. The method used is applied prospectively and no re-statement of pre-combination information is performed.

b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates and joint ventures are accounted for using the equity method. Under this method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture.

2.3. Summary of significant accounting policies (continued)

b) Investment in associates and joint ventures (continued)

Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting year as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired, including recurring operating losses or returns well below the Group's WACC.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting year ;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year;

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Revenue from contracts with customers

Balfin Group is a diversified group of companies operating in segments such as: retail, property development and management (Real Estate), energy, banking, services and other. The Group also generates significant rental income from the property management segments, however this income is not accounted under contract from customers but as rental income from assets which are accounted as investment properties. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3. The nature, timing, performance obligations and uncertainties of each main segments are as follows:

2.3. Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

Retail Operations

The retail segment accounts for approximately 73.05% of the Groups pre-consolidated revenues (2021: 61.57%). The most significant businesses include electronics and consumer goods\toys retail, both being the most geographically diversified segments in the Balkan region. The segment also includes significant food and consumer goods revenues as well as fashion retail revenues, primarily located in Albania. All retail operations of the Group conduct their sales primarily in cash with payments executed at the point of sale. Some of the group companies, mainly in the electronics business also have wholesale sales to third party vendors. Wholesale revenue accounts for 23% of total retail sales in 2022 (2021: 14%) however these sales are also largely paid at the point of sale or in rare cases with limited credit terms. The Group recognizes revenue as the control of the goods is transferred to the customer typically at the point of sale and is a principal in all sector’s sales. Certain retail companies have a right of return policy, mainly in the fashion segment, which typically gives the customer the right to exchange the goods purchased with other goods of equivalent amount. As result the risk of any revenue reversal in the retail segment is negligible.

Retail segment generates revenues from marketing services and franchise fees, typically recognized over time using time elapsed method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Franchise fees are measured as a percentage of sales volume of the franchisee, generally at each period end.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points).

Loyalty points programme

A number of companies within the group operate a loyalty program, either individually (those located in foreign countries) or in combination through the Group company established for this purpose (companies domiciled in Albania). The program provides material rights to customers which may be material to individual companies, however from the Group’s perspective, the program is not significant.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and Recognized as a contract liability until the points are redeemed. Revenue is recognized upon redemption of products by the customer. Reward points (not converted into vouchers) expire within 12 months and each voucher generated with these points expires within 2 months.

Warranties in retail sector

The Group provides extended warranties in its contracts with retail customers, mainly in electronics sector. These service-type warranties are sold typically separately of the related goods. Revenue is recognized over the period in which the service-type warranty is provided based on the time elapsed.

2.3. Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

Real Estate and Construction Operations

The Groups Real Estate and Construction activities consist of the following operations:

a) Development of properties for sale, which are reported as inventories in the statement of financial position. Revenue from sale of development properties is recognized when the property is delivered to the customer and the Group is a principal in all sales.

b) Development of properties to be operated by the Group mainly with the purpose of earning rental income, which are classified as investment properties from the Group's perspective in the consolidated statement of financial position. Rental income is reported separately from revenues from contracts with customers. The Group generates revenue from service charge to tenants which is recognized over time using time elapsed method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

c) Construction works is generally standard contract for development of assets. Revenue is recognized over time using input method. A significant portion of these construction works are generally provided within the Group and revenues are largely eliminated upon consolidation. The Group has determined to act as a principal in all construction works contracts.

d) The Group act as agent on transferring development rights from original landowner to the developer whereby recognize revenue on a net basis or the fair value of the real estate properties received, excluding those transferred by the third -party developer directly to the original landowner.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

i. Variable consideration

The Group does not have significant contracts in the real estate sector with variable consideration. However, if the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

ii. Significant financing component

The Group commonly enters into sale contracts for residential units significantly in advance of their completion. Generally, for these contracts the Group receives advance payments before the property is delivered to the customer. The Group has concluded that there is a significant financing component for those contracts where the customer prepaid entirely or in part for more than one year from the delivery date of the construction unit, thus applying the practical expedient of IFRS 15 without calculating the effect of the significant financing component for those contracts that are scheduled to be delivered within one year of the date of receipt of the advances.

The Group has determined that the significant financing component under IFRS 15 meets the recognition criteria of IAS 23 Borrowing Costs and has included these components in the carrying amount of the qualifying asset with the counterparty in contract liabilities. Capitalization of the component stops when the asset is ready for sale.

2.3. Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

In determining the interest rate to be applied, the Group uses the prevailing interest rates in the relevant market of the Group since the implicit rate in the contract cannot be reasonably estimated due to missing transactions of such nature in the market and the identification of the cash transaction stand-alone selling price of the land. In determining the prevailing interest rates the Group estimates that the incremental borrowing rate is appropriate because it is the rate at which this financing transaction would be reflected if it were separate.

i. Non-cash consideration

The Group is engaged in contracts with customers for the sale of construction units in exchange for non-cash consideration, namely the land where the project will be developed. The Group applies the requirements of IFRS 13 Fair Value Measurement when measuring the fair value of any non-cash consideration. If the Group cannot reasonably estimate the fair value of non-cash consideration, it measures the non-cash consideration indirectly by reference to the stand-alone selling price of the promised goods or services.

The stand-alone selling prices is the measure more commonly used by the Group, particularly in contracts of acquisition on land in exchange for properties. The Group has concluded that stand-alone selling prices are a reliable measurement basis because transactions of this nature in the market are typically exchange transactions rather than cash transaction. In addition, fair values of land are difficult to be estimated reliably due to limited publicly available information The Group measures the non-cash consideration at contract inception, therefore at the date of the exchange contract with the landowners land using average unit prices (villas and apartments separately) in the feasibility report for the project.

Warranty obligations in the real estate sector

The Group provides normal warranty provisions for general repairs for up to two years on all its products sold, in line with industry practice and construction guarantees for up to two years for the residential units sold under the applicable legislation. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets at the moment of the sale. Refer to the accounting policy on warranty provisions in section v) Provisions.

Mining and Energy Operations

The Group's mining and metal processing sector was composed of a facility mining of nickel ore and processing of ferronickel located in Kosovo. On May 2022 the Group sold the mining subsidiary in Kosovo. The chromium mining and processing operation in Albania, which in 31.12.2021 was classified as discontinued operation completed its disposal in 2022.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer. The Group usually realizes sales FOB (free on board) where the only performance obligation relates to loading the goods on the departure port.

The transaction price can be easily identified in sales contracts based on the reference used according to market price quotations, both for long-term and spot contracts.

2.3. Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

The Group generates revenue from energy trading, which from the Group's perspective is not significant. This revenue is recognized over time as because the customer simultaneously receives and consumes the benefits provided and uses input method to measure progress towards complete satisfaction of the performance obligation.

Banking Operations

The Group earns fee and commission income from a diverse range of services it provides to its customers. These fees or components of fees that are linked to a certain performance and are recognized as the related services are performed.

Services operations

The Group engages in maintenance and repairment services recognized at a point in time when the service is completed. Revenue from rendering of services is not a significant part of the group operations. A large portion of revenues generated by service entities is within the group and eliminated on consolidation.

Payment terms

Payment are generally received in advance, however credit terms between 5 to 30 days are applied in the business of providing retail products (electronics, apparel goods, supermarket goods and other unspecialized goods), minerals and ore, real estate, services (construction, maintenance, management and consulting). Detailed overview of payments terms per revenue stream are disclosed in note 12.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods, properties or services transferred to the customer. If the Group performs by transferring goods, properties or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section 2.3 q) Financial instruments – initial recognition and subsequent measurement.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 2.3 q) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods, properties or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, properties or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

2.3. Summary of significant accounting policies (continued)

e) Interest income

Interest income non-finance operations

Interest income relates to time deposits and interest-bearing loans given and is recognized as interest accrues using the effective interest rate method. Interest income is included in finance income in the statement of comprehensive income.

Interest income finance operations

Interest and similar income include coupons earned on fixed income investments, any discount and premium on zero coupon treasury bills recognized in profit or loss using the effective interest rate method and interest income on loans and advances.

Interest income on modified financial asset

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

f) Dividends

Revenue is recognized when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management each year evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3 Summary of significant accounting policies (continued)

g) Taxes (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement year or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(All amounts in '000 Eur, unless otherwise stated)

2.3 Summary of significant accounting policies (continued)

h) Foreign currencies

i) Transactions and balances

The Group's consolidated financial statements are presented in Albanian Lek, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The accompanying consolidated financial statements are presented in Eur ("Eur"), except as otherwise indicated, financial information presented in Eur has been rounded to the nearest thousand.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss**.** Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

ii) Group companies

On consolidation, the assets, liabilities and equity of foreign operations with functional currencies different from that of the Group, are translated into Albanian Lek at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at prevailing at the dates of the transaction. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Exchange rates of main currencies are presented below:

Currency	2022		2021	
	As at 31 December 2022	**Average**	**As at 31 December 2021**	**Average**
EUR	114.23	118.92	120.76	122.44
BAM	58.40	60.80	61.74	62.60
MKD	1.86	1.93	1.96	1.99
GBP	128.92	139.49	143.95	142.44
CHF	116.13	118.45	116.82	113.27

i) Assets held for sale and discontinued operations

The Group classifies assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group, or an individual non-current asset.

2.3 Summary of significant accounting policies (continued)

i) Assets held for sale and discontinued operations (continued)

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

j) Cash dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Group. As per the corporate laws of Albania, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

k) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost in addition to purchase or construction costs, includes the cost of replacing part of the plant and equipment, decommissioning costs and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Similarly, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

• Buildings	12.5 - 36 years	• Vehicles & other transportations	5-20 years
• Machinery and equipment	1-37.5 years	• IT Equipment	4 years
• Mining development costs up to	8.5 years	• Furniture & Fixtures	8 years
• Plant and equipment	8 to 15 years		

2.3 Summary of significant accounting policies (continued)

k) Property, plant and equipment (continued)

Property, plant and equipment are reviewed annually for indicators of impairment and if indicators are identified, and impairment test is performed. For more information on impairment of property, plant and equipment refer to note l) Impairment of non-financial asset.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

l) Impairment of non-financial asset

The carrying amounts on non-financial asset is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets of groups of assets. Where the carrying amount of an asset exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the 3-year budget and does not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 3.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued, where a revaluation surplus was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase through equity.

2.3 Summary of significant accounting policies (continued)

l) Impairment of non-financial asset (continued)

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued, where a revaluation surplus was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase through equity.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial amount of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. These costs are typically found in real estate and mining sector.

n) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 2 to 5 years
- Motor vehicles and other equipment 2 to 5 years
- Buildings 2 to 10 years

2.3 Summary of significant accounting policies (continued)

n) Leases (continued)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Please refer to note 2.3 (l) for more details of the impairment method.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is calculated at a group level as all the treasury function is centralized. This rate is calculated depending on the maturity and the denominated currency. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease incentives given to tenants are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The initial direct costs and tenant lease incentives are presented as current assets in the line item 'Deferred expenses' in the statement of financial position.

2.3 Summary of significant accounting policies (continued)

o) Investment properties

Investment properties of the group primarily consist of shopping malls and are mainly internally developed by the Group. Investment properties are measured initially at cost, which typically include the project design costs, construction costs, land, borrowing costs capitalized and other expense deemed that fulfill the capitalization requirements. After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a reducing balance method using a useful life of 30 to 40 years.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the year of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the net book value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Rental income from investment property is recognized as per accounting policy listed in o) Leases.

p) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortized on a straight-line basis over the useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization year and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization year or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Remaining estimated useful lives of the assets as at reporting period end, are as follows:

- License 3 - 10 years
- Software 3 - 10 years
- Other tangible assets 5 years
- Concession and mining rights 8.5 - 20 years

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial asset subsequent measurement

i) Financial assets from non-finance operations

The Group's non finance operations are composed only from financial assets held at amortized cost. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow;
- 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.
- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss model. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- The Group's financial assets at amortized cost includes trade and other receivables, interest bearing loans given, T-bills and bonds and other current and non-current financial assets.

ii) Financial assets from finance operations

The Group's finance operations, classifies the financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost (AC);
- Fair value through other comprehensive income (FVOCI).

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement (continued)

A financial asset (i.e. Due from Banks, Loans and advances to customers, and other financial investments) is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at fair value through OCI if both of the following conditions are met:

• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling;
• 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's finance operations financial assets measured at fair value through OCI includes investments in quoted debt instruments. All other financial assets are measured at amortized cost.

Business model assessment of Group finance operations

The Group finance operations has finalized its business model as well as the SPPI testing and has concluded as below stated:

- **Government bonds and treasury bills portfolio**

For the Finance operation's treasury products (bonds and T-bills), the identified business models are the "Hold to collect" and "Hold to collect and sell" that require measurement at fair value through other comprehensive income (FVTOCI) if also the conditions of SPPI test are met.

The bank management does not maintain securities portfolio for trading purposes therefore, with the objective of actively buying/selling depending on the assets' fair value.

- **Loans to customers from financial operations**

For the Group's Loans to customers from financial operations' portfolio the business model identified is the "Hold to collect" business model and therefore, loans classified in this business model will be measured at amortized cost if also the conditions of SPPI test are met. Any loans that will fail the SPPI test will be measured at fair value through PL.

The banks' management business model is to originate loans and to collect their contractual cash flows. Any sales of financial assets within this business model are carried out due to the loans' credit deterioration and in order to reduce NPE's and NPL's and does not in any case reflect the initial purpose of the lending activity.

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass -through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Write – off

Financial assets are derecognised, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write - off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include breach of contract terms such as delay in payments or events of default, insolvency and bankruptcy. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Trade receivables Note 37
- Contract assets Note 12
- Loan commitments Note 47
- Issued financial guarantees Note 47
- Loan to customer from financial operations Note 35

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets from non-finance operations

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. Forward-looking factors specific to the debtors and the economic environment are assessed from the Group and do not have any material effect on the consolidated financial statements.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of financial assets from finance operations

The Group has been recording the allowance for expected credit losses for all loans and other financial assets not held at FVLP, together with loan commitments and financial guarantee contracts. This requires estimate over changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

In addition to Financial Assets measured at Amortized Cost, the new impairment model had applied also to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs depending on the assessment of the risk of default in comparison to the moment of initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group will recognize loss allowances at an amount equal to lifetime ECLs from financial activity, except in the following cases, for which the amount recognized, will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- loans and debt investment securities for which credit risk has not increased significantly since initial recognition hence, they are classified Stage 1.

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement (continued)

The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Estimating the key inputs into ECL, being probability of default (PD), loss given default (LGD and exposure at default (EAD);
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the financial sector if the commitment is drawn down and the cash flows that the Subsidiary expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial liabilities initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of trade and other payables and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest bearing borrowings, financial guarantee contracts.

Financial liabilities subsequent measurement

Financial liabilities, other than loan commitments and financial guarantees, are all measured at amortized cost. Financial liabilities can be measured at FVPL when they are held for trading or the fair value designation is applied, however the Group does not have any such liabilities.

Financial liabilities from non-finance operations

Borrowings

This is the category most common to the Group's non-finance operations. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Financial liabilities from finance operations

Deposits and other financial liabilities

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Financial liability derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

r) Debt issued

Subordinated debt issued is recognized initially on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. The Group recognizes subordinated bond liabilities when funds are transferred to the Group. After initial measurement, subordinated debt issued is subsequently measured at amortised cost. Transaction costs are recognized in profit or loss when they occur. Interest expense is calculated at the nominal interest rate and recognized in profit or loss when calculated. Interest accrued but not due is transferred to the income account and is recognized as an asset or liability in the "accrued interest" account.

2.3 Summary of significant accounting policies (continued)

s) Determination of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

t) Inventories

Inventories comprise trading goods and they are stated at the lower of cost and net realizable value. The cost of inventories comprises all direct costs of purchase, costs of conversion and other costs incurred upon bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Retail

Inventories comprise of electronic goods, clothing, toys and food products carried at lower of cost and net realizable value. The cost of inventory comprises usually the cost of purchase, transport and any taxes associated with bringing the asset in the intended location of sale. The cost of goods sold is determined by using the weighted average method. Obsolete, redundant and slow-moving inventories are identified and written down to their net realizable value as required. Inventory is tested for impairment at each reporting date through physical count and identification of obsolete and redundant items and charged to profit and loss.

2.4 Summary of significant accounting policies (continued)

t) Inventories (continued)

Inventory properties

Property purchased or being constructed for sale in the ordinary course of business, other than investment property, is held as inventory and measured at the lower of historical cost and net realizable value. Cost of inventories is measured based on specific costs incurred.

Cost includes:

- Rights to the free property and land lease;
- Amounts paid to construction contractors;
- Borrowing cost in the form of significant financing component under IFRS 15 in the case of prepayments; and
- Borrowing costs, planning and design costs, infrastructure costs, professional fees for legal services, property transfer taxes, construction costs and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale, considering time value of money (if material). The cost of inventory property recognized in profit or loss is determined by reference to the specific costs incurred on the property sold and the allocation of any non-specific costs based on the size of the property sold.

Repossessed assets

Repossessed assets arising from foreclosure of loans and determined that will be resold subsequently are classified as inventory and are measured at the lowest of cost or net realizable value. In order to properly determine whether the net realizable value of these assets, the Group collects various valuation reports from several independent valuators and records the lowest of these valuations for each respective property.

Any write-down to net realizable value is recognized as an expense in the period in which write-down occurs. Any reversal is recognized in profit and loss statement in the period in which reversal occurs.

u) Cash and due from banks

Cash from non-finance operations

Cash and due from banks comprise cash balances and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Cash from finance operations

Cash and due from banks comprise cash balances and call deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement:

- cash and cash equivalents (finance operations) as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less;
- cash and cash equivalents (non - finance operations) consist of cash at bank and on hand, and short-term deposits, as defined above.

Cash equivalents and cash at banks are carried at amortized cost.

2.3 Summary of significant accounting policies (continued)

v) Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre -tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restoration and decommissioning costs provision

Management estimate, and provide for, obligations to incur restoration, rehabilitation and environmental costs when environmental disturbance is caused by the initial or ongoing development of primarily mining activities.

At the end of 2022 there is no restoration and decommissioning costs provision recognised due to divenstment of the whole mining industry.

Legal cases

The Group during the regular course of its activity has been involved in various legal cases. These cases are assessed periodically whether economic resource outflow is probable, if such is the case the Group recognizes a provision on the expected amount. The expense relating to a provision is presented in the statement of profit or loss.

w) Employee benefits

Compulsory social security and health insurance contribution

The Group, in the normal course of its business, makes payments on its own behalf and on behalf of its employees to contribute to the mandatory pension plans according to the local legislation. The costs incurred on behalf of the Group for such defined contribution plans are charged to profit or loss as incurred.

Defined benefit plan

The Group has provided post-employment benefits to employees in the Mining sector. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

During the year 2022 there are no more such obligations as operations that benefit plan related to has been discontinued.

2.4. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The standards, interpretation or amendment that has been issued but not yet effective have not been adapted in advance.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts within the scope of these amendments that arose during the period.

- **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2.4. Changes in accounting policies and disclosures (continued)

- **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

- **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

2.5. Standards issued but not yet effective and not early adopted

At the date of authorization of these financial statements, the following standards, revisions and interpretations were in issue but not yet effective: The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective. The following new and amended standards are not expected to have a significant impact on the Group's financial statements.

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023). The standard is not applicable to the Group's operations.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (Amendments to IAS 12). The amendments apply for annual reporting periods beginning on or after 1 January 2023. The Group is under assessment of the potential impact of the standard when it becomes effective.
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023). The Group is under assessment of the potential impact of the standard when it becomes effective.
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)** the amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Consideration of significant financing component in a contract

The Group sells real estate for which the delivery of the finished estate may be a few years after signing the contract and receiving the respective payments. The Group concluded that there is a significant financing component for those contracts, considering the length of time between the customer's payment and the transfer of real estate to the customer, as well as the prevailing interest rates in the market.

In determining the interest to be applied to the amount of consideration, the Group concluded that the incremental borrowing rate is appropriate measure for the market prevailing interest rates because this is commensurate with the rate that would be reflected in a separate financing transaction at contract inception.

ECL measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The Group analysed financial asset considering categories and instrument types.

The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR,") and probability of default ("PD"), The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Impairment losses on loans and advances

- The Bank's internal credit grading model, which assigns PDs to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

3. Significant accounting judgements, estimates and assumptions (continued)

Assets held for sale

On May 2023, the Board of Directors announced its decision for the sale of the shares in Balfintech AG. Balfin Group was the shareholder of 50% of the shares in Balfintech AG which was a joint venture.

The Board considered the joint venture to meet the criteria to be classified as held for sale as at 31 December 2022 because the actions to complete the sale were initiated and completed within May 2023.

On September 2023, the Board of Directors announced its decision for the sale of the shares in ITD shpk. Balfin Group was the shareholder of 49% of the shares in ITD which was an associate.

The Board considered the associate to meet the criteria to be classified as held for sale as at 31 December 2022 because the actions to complete the sale were initiated and completed within September 2023.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is determined at Group level as the treasury function is centralized. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, similar currency and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Classification of investment property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before, or on completion of, construction.
- Inventory property comprises of property that is leased to another entity under a finance lease.

Consolidation and joint arrangements

The Group has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The Group is a part owner of two investments in which it has a 50% ownership interest. The Group has determined that it has joint control over the investee and the ownership is shared with the other 50% owner. These investments are joint arrangements. The joint arrangements are separately incorporated. The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 Joint Arrangements. As a consequence, it accounts for its investments using the equity method. Please see note 2.3.

3. Significant accounting judgements, estimates and assumptions (continued)

Classification of Due to customers from financial operations

The Group classifies due to customers from financial operations that contractually fall within 12 months as a separate class in the financial statements (other than current liabilities) as these liabilities are classified using an order of liquidity. This classification is more relevant as even though contractually these accounts fall in due less than 12 months (affected by the current account balance of the customers), these are managed by the finance operations through weekly liquidity assessments and historic cash levels of these accounts. This presentation provides a clearer and relevant view of the current liquidity gap of the Group.

Discontinued operations – Fair value less Cost to sell

The Group in determining the fair value less cost to sell for the discontinued operations has determined the fair value using the shares purchase agreement signed between the parties since this information was available at the time of the classification.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur for which the Group assesses if these changes need adjustement or not.

Taxes

Deferred tax assets are utilized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdiction in which the Group operates could limit the ability of the Group to obtain tax deductions in future years. The carrying value of recognized tax losses at December 31, 2022 and 2021 are disclosed in Note 24.

Impairment of non-financial assets

The carrying amounts of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets of groups of assets. Where the carrying amount of an asset exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs.

3. Significant accounting judgements, estimates and assumptions (continued)

Discount rate (WACC)

The Company assesses the recoverable amount of its non-financial assets by measuring the value in use based on the estimated future cash flows are discounted to their present value using a pre-tax discount rate (WACC) that reflects current market assessment of the time value of money and the risks specific to the asset. WACC is determined according to the industry practices with the use of public available data.

Fair value

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

Discounted cash flow (DCF model)

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

Loss allowance for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance, see Note 46.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and incorporated when assessed to have a material impact.

Loss allowance for expected credit losses for loan to customers from financial operations

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group ECL calculations arising from financial activities are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include (for discloders of ECL refer to Note 35):

- The Groups financial activities internal credit grading model, which assigns PDs to the individual grades;
- The Groups financial activities criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

3. Significant accounting judgements, estimates and assumptions (continued)

Loss allowance for expected credit losses for loan to customers from financial operations (continued)

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The moratoria imposed in response to Covid-19, to the extent they were not borrower specific but rather addressed to broad ranges of product classes and customers, have not been automatically classified as forbearance measures, as for IFRS 9 and the definition of default.

The above has not removed the obligation of the Bank to assess the credit quality of the exposures and therefore identify situations of unlikeness to pay of the borrowers, which has been reflected in stage classification accordingly. The Group aimed to distinguish between obligors for which the credit standing would not be significantly affected by the current situation in the long term, from those that would be unlikely to restore their credit worthiness. In exercising this discrimination, the Group has mitigated any potential cliff effect of transfers between stages and avoided exaggerating the effects of the shock.

Measurement of fair values

The fair value of short-term assets and short-term liabilities with third parties approximates the carrying values mainly due to short-term maturity. For the Banking operation (bonds and T-bills), the identified business models are the "Hold to collect" and "Hold to collect and sell" that require measurement at fair value through other comprehensive income (FVTOCI) if also the conditions of SPPI test are met. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. Elements of the ECL models that are considered accounting judgements and estimates include:

- LGD of government securities is determine from specific LGD referring to defaults of sovereign debts belonging to governments having similar rating to the governments which the securities of the Group belong to;
- specific counterparty-related PDs reflects the risk of the counterparty.
- LGD of other non-sovereign papers represents LGD of the specific security.

3. Significant accounting judgements, estimates and assumptions (continued)

Assessment of normal operating cycle for current\non-current disctiction of inventory

The majority of Group’s products have a very short operating cycle, typically few months in the retail. The property development business in an exeptition where the time to develop and sell real estate properties may take several years. The time involved in completing the product varies significanly from one project to another and the Group typically uses a twelve-month period as a normal operating cycle, and retail properties expected to be completed in significanly longer than a twelve month period are classified as long term inventory.

Disaggregation of Revenue information

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product and service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments. For the purpose of presented revenue from contracts with customers the revenue generated from services and other sector have been aggregated as the revenue of these sectors is largely eliminated within the Group. Management has disclosed revenue from contract with customers by nature, product and industry, using information produced from the individual financial statements of the Group companies.

4. Capital management

For the purpose of the Group’s capital management, capital includes issued capital and all other equity reserves attributable to the equity holders.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s overall strategy as described below remains unchanged from 2021.

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder’s value. For the last decade, the Group’s aim was to reinvest the retained earnings in other potential projects.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Additionally, in order to achieve this overall objective, the Group’s capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. The Group is full compliance with all covenants and financial terms of the existing interest-bearing loans and borrowings. The financial covenants are monitored individually for each investment to adhere to agreed financial ratios. Key liquidity parameters of financial institutions relate to maximum ratio of 3.50x of Net Debt to EBITDA and Debt Service Coverage Ratio of net less than 1.20x.

For the year ended December 31, 2022 the EBITDA of the Group was Eur 63,564 thousand (December 31, 2021: Eur 56,605 thousand).

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021.

The Group managed its capital and liquidity separately from the banking operations, which is managed independently from the group. The bank applies Bank of Albania regulations on capital adequacy and the relevant use of such capital, which cannot be transferred to other group operations to manage liquidity.

(All amounts in '000 Eur, unless otherwise stated)

4. Capital management (continued)

The Group primarily monitors group-wide interest-bearing loans and borrowings net of cash and cash equivalents versus the equity of the group. Trade liabilities are typically managed at the subsidiary level. The leverage ratios monitored by the group are as follows:

	December 31, 2022	December 31, 2021
Interest-bearing loans	119,804	155,878
Less: cash and cash equivalents	54,657	58,021
Net debt	**65,147**	**97,857**
Net debt/ EBITDA	**0.98**	**1.71**
Equity	24,241	24,241
Total capital attributable to parent	400,048	379,872
Capital	**424,289**	**404,113**
Capital and debt	**544,093**	**559,991**
Gearing ratio	**12%**	**17%**

Gearing ratio is calculated as debt over debt plus capital.

(All amounts in '000 Eur, unless otherwise stated)

5. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Country of incorporation	Principal activities	% equity interest 2022	% equity interest 2021
ACREM Shpk	Albania	Real estate management	100%	100%
Alba Distribution	Albania	Electronics wholesale	100%	-
Alba-Trade Handels Ges.m.b.h.	Austria	Electronics wholesale	100%	-
Albania Energy Supplier Shpk	Albania	Energy trading	51%	100%
Albania Energy Supplier 2 Shpk	Albania	Energy trading	-	100%
Albchrome Shpk	Albania	FeCR Mining	-	100% (indirect)
Albchrome Holding Shpk	Albania	Holding company	-	100%
Alcred Shpk	Albania	Real estate development	100%	100%
Balfin Shpk	Albania	Parent company	100%	100%
Balfin Holding GMBH	Austria	Holding company	100%	100%
Balfin Real Estate	Albania	Real estate agent	100%	100%
Balfin Real Estate and Hospitality	Albania	Hospitality and accomodation	100%	100%
Balfin BV	Netherlands	Holding company	100%	100%
BFI Trade Shpk	Albania	Chrome ore trader	100%	100%
Elektro Service Shpk	Albania	Maintenance and repair for	90%	90%
Elektro Service Kosova	Kosovo	electronics equipments	60% (indirect)	60% (indirect)
Elite Urban Development	Albania	Real estate development	100% (indirect)	100% (indirect)
East Gate Living	North Macedonia	Real estate development	60% (indirect)	60% (indirect)
East Gate Mall	North Macedonia	Shopping mall	60% (indirect)	60% (indirect)
Green Coast Shpk	Albania	Real estate development	100%	100%
Go Green	Albania	Renewable energy	100%	-
Kid Zone Shpk	Albania	Retail consumer goods	90%	90%
Kid Zone Kosova	Kosovo	Retail consumer goods	55%	55%
Kid Zone Bosnia and	Bosnia &	Retail consumer goods	90%	90%
Kid Zone Montenegro	Montenegro	Retail consumer goods	90%	90%
Mane Development	Albania	Real estate development	100%	-
Mane TCI Shpk	Albania	Real estate	100%	100%
Nep Loyalty	North Macedonia	Loyalty programm	60% (indirect)	60% (indirect)
Neptun shpk	Albania	Electronics retailer	90%	90%
Neptun Kosova	Kosovo	Electronics retailer	60%	60%
Neptun Makedonija DOO	North Macedonia	Electronics retailer	60% (indirect)	60% (indirect)
NewCo Ferronikel	Kosovo	Ferronickel smelter	-	96.81% (indirect)
NewCo Ferronikel Shpk	Albania	Nickel mining	-	96.81% (indirect)
NKL Limited	United Kingdom	Holding compnay	96.81%	96.81%
On Solutions	Albania	Loyalty program and customer service	100%	100%
PJ 137 Living	Austria	Real estate development	100% (indirect)	100% (indirect)
QTU Shpk	Albania	Shopping mall	100%	100%
Retail Park	Albania	Real estate development	100%	100%
RH by Lake	Albania	Real estate development	100%	100%
SACCTA	North Macedonia	Real estate development	65% (indirect)	65% (indirect)
SCAN TV	Albania	Media	100%	-
SEG	North Macedonia	Holding company	60% (indirect)	60% (indirect)
Service Makedonija DOO	North Macedonia	Maintenance and repair for electronics equipments	60% (indirect)	60% (indirect)
Spar Albania Shpk	Albania	Food and grocery retailer	100%	100%
TH&B Immo	Austria	Real estate development	67% (indirect)	67% (indirect)
Tirana Bank Sha	Albania	Banking	100%	100%
Tirana East Gate Shpk	Albania	Shopping mall	88.09%	88.09%
Tirana Logistic Park Shpk	Albania	Logistics center	100%	100%
UrbAlb Construction	Albania	Real estate development	-	100%
Vala Mar 2	Albania	Real estate development	100%	-
Vllahen Mining	Albania	Chrome ore mining	-	100% (indirect)

(All amounts in '000 Eur, unless otherwise stated)

5. Group information (continued)

Information about Joint Ventures

Joint Ventures Name	Country of incorporation	Principal activities	% equity interest 2022	% equity interest 2021
Milsped Albania Shpk	Albania	Transportation and logistics services	50%	50%
Stella Mare Shpk	Albania	Transportation and logistics services	50%	50%
Balfintech AG	Switzerland	Medical technology	50%	-
Bellevedere Korce shpk	Albania	Real estate development	50%	50%

Information about Associates

Associates Name	Country of incorporation	Principal activities	% equity interest 2022	% equity interest 2021
ITD	Albania	Software services	49%	49%
TBU	Albania	Education	30%	30%
EKON Elektron	Macedonia	Electrical waste management	13.8%	13.8%
Plus Communications	Albania	Telecommunication	31.83%	-
Marina Residences	Albania	Real estate development	10%	-
Wind Stream	Albania	Renewable energy	33.33%	-

6. Business combinations and acquisition of non-controlling interests

Acquisitions in 2022

The Group acquired 100% of shares in SCAN sh.a on 9th of March 2022 for a total consideration of 700 thousand EUR.

As at acquisition date the company had the following financial information.

Assets acquired and liabilities assumed

Assets and liabilities of the company at the acquisition date February 28, 2022 are measured at fair value.

	February 28, 2022
Current assets excluding cash	19
Cash and cash equivalents	19
Non-current assets	1.446
	-
Total liabilities	803
Total identifiable net assets at fair value	**680**
Less: Fair value of consideration	(700)
(Remaining goodwill) / Bargain Gain	**(20)**

(All amounts in '000 Eur, unless otherwise stated)

6. Business combinations and acquisition of non-controlling interests (continued)

Reorganization of shareholding organizational chart

On 24th of January 2022 was decided the reorganization of shareholder structure. Alba Trade GMBH was an entity fully owned (100%) from Mr. Samir Mane and based on the restructuring performed the company was transferred under full ownership (100% of shares) of Balfin Group.

As at January 1, 2022 the value of net assets transferred before elimination of any related party balances with group companies is as follow:

	January 1, 2022
Total assets	20,422
Total liabilities	10,012
Total identifiable net assets	**10,410**

Acquisitions in 2021

The Group acquired 50% of shares in Bellevedere Korce shpk on 28th of December 2021 for a total consideration of 0.41 Eur and the condition of repayment of existing loans to the exiting shareholder. The Group has determined that the investment is classified as joint venture.

As at acquisition date the company had the following financial information.

Assets acquired and liabilities assumed

As the target company is relatively new the carrying amount of assets and liabilities are assumed to be a fair representation of the fair value at acquisition date.

	December 28, 2021
Current assets excluding cash	1.064
Cash and cash equivalents	50
Total liabilities	1,128
Total identifiable net assets at fair value	**(13.7)**
Less: Fair value of consideration	0.4
Bargain Gain	**(13.3)**

7. Discontinued operations

Discontinued operations in 2022

a) Sale of NewCo Ferronikel

On 31 May 2022, the Group entered into a sale agreement to dispose of NewCo Ferronikel in Kosovo and NewCo Ferronikel shpk in Albania (NFN), which carried out all of the remaining Group's mining operations. The disposal was according to Group Management Board for divestment strategy on mining industry which started to be implemented with sale of Albchrome on 2021. Group acquired NewCo Ferronikeli on 2018 and recognized the bargain purchase at acquisition date in the amount of Eur 92,023 thousand**.**

7. Discontinued operations (continued)

Discontinued operations in 2022 (continued)

(All amounts in '000 Eur, unless otherwise stated)

At the date of disposal, the Group derecognized the identifiable net assets of both subsidiaries NewCo Ferronikel Kosovo and NewCo Ferronikel shpk. On May 31st the Group had exposures on interest-bearing borrowings with NewCo Ferronikel in Kosovo in the amount of Eur 30,507 thousand. The borrowing exposures were restructured with the new buyer by changing the repayment terms up to September 19th, 2025, with interest rate of 6.0% according to local market terms.

The loss from sale of subsidiaries is presented as below:

	May 31, 2022
Total identifiable net assets	**89,017**
Less: Restructuring of interest-bearing borrowings	(30,507)
Less: Trade payables with related parties	(343)
Less: Cash considerations received	(20,603)
Less: Translation differences	(2,001)
Less: Profit or Loss of the period	(12,870)
Add: NKL Limited Retained Earnings carried forward	6,088
Loss from sale of subsidiary	**(28,781)**

The Group recognized a loss from sale of subsidiary is in the amount of EUR 28,781 thousand. The transfer of control was completed on 31 May 2022 and the full transition was finalized on September 2022.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	31-May-22		
Statement of profit and loss	**NewCo Ferronikel Kosovo**	**NewCo Ferronikel shpk**	**Total**
Revenue	1,081	-	1,081
Expenses	(11,065)	(38)	(11,103)
Operating loss	**(9,984)**	**(38)**	**(10,022)**
Finance costs, net	(1,269)	(6)	(1,275)
Loss before tax from discontinued operations	**(11,253)**	**(44)**	**(11,297)**
Tax benefit/(expense):			
Related to pre-tax profit/(loss) from the ordinary activities for the period	(1,652)	-	(1,652)
Profit/(loss) for the period from discontinued operations	**(12,905)**	**(44)**	**(12,949)**
Other comprehensive income	79	-	**79**
Total comprehensive loss	**(12,826)**	**(44)**	**(12,870)**

7. Discontinued operations (continued)

Discontinued operations in 2022 (continued)

b) Sale of share of Albania Energy Supplier Sh.p.k.

(All amounts in '000 Eur, unless otherwise stated)

On 2 August 2022, the Group entered into a sale agreement to dispose of 49% of shares of Albania Energy Supplier Shpk. The disposal of 49% of shares was effected in order to approach new potential investitors in the market.

The disposal was completed on August 2022, on which date control of Albania Energy Supplier Shpk remained to the Group.

	August 02, 2022
Total assets	177
Total liabilities	10
Total identifiable net assets	**167**

c) Discounted operations of BFI Trade shpk

The Group classified the entity BFI Trade shpk as discounted operation in 2022. It was recognized a loss from discounted operation in the amount of Eur 14 thousand.

Discontinued operations in 2021

On 15 October 2021, the Group approved the plan to sell 4 of its subsidiaries, namely Albchrome shpk, Albchrome Holding shpk, Vllahen Mining and AES 2 shpk. The sale was completed within the year 2022.

At 31 December 2021, the companies were classified as a disposal group held for sale and as a discontinued operation. The results of the disposal group for the year are presented below:

			31-Dec-21			
Statement of profit and loss	**Albchrome shpk**	**Albchrome Holding**	**Vllahen Mining**	**AES 2**	**BFI Trade**	**Total**
Revenue	111,860	-	-	-	8	111,868
Expenses	(83,133)	(8)	(303)	(2)	(74)	(83,520)
Operating income	**28,727**	**(8)**	**(303)**	**(2)**	**(66)**	**28,348**
Finance costs / income	(1,004)	(50)	1	3	44	(1,006)
Impairment loss recognised on the remeasurement to fair value less costs to sell	(9,872)	-	-	-	-	(9,872)
Profit/(loss) before tax from discontinued operations	**17,851**	**(58)**	**(302)**	**1**	**(22)**	**17,470**
Tax benefit/(expense):	**-**	-	-	-	-	-
Related to pre-tax profit/(loss) from the ordinary activities for the period	(4,059)	1	-	-	(289)	(4,346)
Profit/(loss) for the year from discontinued operations	**13,792**	**(57)**	**(302)**	**1**	**(310)**	**13,124**

(All amounts in '000 Eur, unless otherwise stated)

8. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:
Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2022	2021
Neptun Kosova	Kosovo	40%	40%
Kid Zone KS	Kosovo	45%	45%
TEG	Albania	11.91%	11.91%
Neptun MK	Macedonia	40%	40%
NKL	United Kingdom	3.19%	3.19%
NFN	Kosovo	0%	3.19%
SEG	Macedonia	40%	40%

	Net assets accumulated balances of material non-controlling interest:		Profit or loss allocated to material non-controlling interest:	
	2022	2021	2022	2021
Neptun Kosova	1,794	1,648	1,700	1,668
Neptun MK	2,722	2,499	458	973
Kid Zone KS	1,493	1,592	1,432	1,576
TEG	5,966	4,912	743	569
NKL	20	3,972	(188)	(0)
NFN	-	(821)	(1,329)	(1,092)
SEG	15,882	15,815	21	48

NKL is not itself a material subsidiary of the Group, however being a direct holding entity of NewCo Ferronikel in Kosovo and NewCo Ferronikel shpk in Albania (where the minority interest is located), the NKL accumulated balance of non controlling interest includes the NCI share of the bargain gain realized in 2018 during the acquisition of NewCo Ferronikeli for the total amount of Eur 3,027 thousand as at 31 December 2021.

Due to sale of NewCo Ferronikel in Kosovo and NewCo Ferronikel shpk in Albania on May 2022, for the year ended 31 December 2022 there are no net assets accumulated balances of material non-controlling interest.

Notes to the consolidated financial statements as at and for the year ending.
December 31, 2022
(All amounts in '000 Eur, unless otherwise stated)

8. Material partly owned subsidiaries (continued)

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized statement of profit or loss for 2022:

	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	NFN	NKL
Revenue from contracts with customers	63,059	14,676	2,839	62,296	684	-	30
Rental Income	131	-	9,222	10	12	-	-
Cost of sales	(51,341)	(6,392)	(5)	(50,698)	(6)	-	-
Administrative expenses	(6,197)	(4,380)	(5,045)	(9,511)	(384)	-	(412)
Finance (cost)/ income, net	(712)	(207)	329	(794)	(250)	-	627
Profit before tax	**4,940**	**3,697**	**7,340**	**1,303**	**56**	**-**	**245**
Tax charge	(515)	(385)	(1,105)	(116)	-	-	-
Other comprehensive income	(175)	(131)	(0)	(43)	(2)	-	484
Total comprehensive income	**4,250**	**3,181**	**6,235**	**1,144**	**54**	**-**	**729**
Attributable to non-controlling interests	**1,700**	**1,622**	**586**	**1,002**	**50**	**(1,329)**	**(0)**
Dividends paid to non-controlling interests	**1,714**	**1,620**	**-**	**437**	**-**	**-**	**-**

Summarized statement of profit or loss for 2021:

	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	NFN	NKL
Revenue from contracts with customers	57,536	15,228	2,209	66,244	146	69,340	80
Rental Income	131	-	7,990	27	30	-	-
Cost of sales	(46,902)	(6,899)	(9)	(54,380)	(4)	(61,238)	-
Administrative expenses	(5,218)	(4,126)	(4,447)	(8,493)	233	(37,065)	(106)
Finance (cost)/ income, net	(827)	(248)	(123)	(700)	(282)	(3,934)	(6)
Profit before tax	**4,720**	**3,955**	**5,620**	**2,698**	**123**	**(32,897)**	**(31)**
Income tax	(491)	(405)	(844)	(229)	-	912	27
Other comprehensive income	(58)	(48)	-	(37)	(2)	(2,214)	-
Total comprehensive income	**4,171**	**3,502**	**4,776**	**2,432**	**121**	**(34,199)**	**(4)**
Attributable to non-controlling interests	**1,668**	**1,247**	**388**	**1,149**	**(225)**	**(93)**	**(5)**
Dividends paid to non-controlling interests	**1,298**	**1,247**	**-**	**1,281**	**-**	-	**-**

8. Material partly owned subsidiaries (continued)

(All amounts in '000 Eur, unless otherwise stated)

Summarized statement of financial position as at December 31, 2022

	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	NFN	NKL
Property plant and equipment	1,511	245	10,194	3,783	8,058	-	-
Other non-current assets	5,421	3,202	48,477	4,058	38,869	-	-
Inventory	9,862	3,082	14	14,125	38	-	-
Trade receivables	1,559	106	2,067	2,855	267	-	-
Cash and short-term deposits	1,681	1,158	4,372	624	16	-	1,304
Other current assets	34	15	1,003	137	1	-	-
Trade and other payables	(9,792)	(954)	(1,649)	(7,472)	(303)	-	(670)
Interest-bearing borrowings	(1,228)	(577)	(13,627)	(6,344)	(7,204)	-	(3)
Other liabilities	(4,572)	(2,965)	(756)	(5,170)	-	-	-
Total equity	**4,475**	**3,313**	**50,094**	**6,595**	**39,742**	**-**	**632**
Equity holders of parent	2,613	1,814	44,128	3,813	22,983	-	632
Non-controlling interest	1,862	1,499	5,966	2,781	16,759	-	-

(All amounts in '000 Eur, unless otherwise stated)

9. Material partly owned subsidiaries (continued)

Summarized statement of financial position as at December 31, 2021:	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	NFN	NKL
Property plant and equipment	1,531	328	13,626	3,840	7,935	130,602	-
Other non-current assets	6,044	3,781	34,652	5,180	38,751	11,037	28,658
Inventory	9,230	2,903	1	17,015	38	14,812	-
Trade receivables	1,261	94	596	3,207	229	1,142	48
Cash and short-term deposits	490	2,172	3,574	461	726	1,381	-
Other current assets	38	13	1,471	63	127	3,023	-
Trade and other payables	(9,020)	(1,354)	(1,658)	(10,872)	(464)	(14,264)	(97)
Interest-bearing borrowings	(1,787)	(1,713)	(10,347)	(6,071)	(7,784)	(60,959)	(3)
Other liabilities	(3,508)	(2,673)	(668)	(6,436)	-	(19,927)	-
Total equity	**4,279**	**3,551**	**41,246**	**6,388**	**39,559**	**66,845**	**28,606**
Equity holders of parent	2,503	1,947	36,333	3,777	23,727	67,666	28,602
Non-controlling interest	1,775	1,604	4,912	2,611	15,832	(821)	4

Summarized cash flow information for year ended 31 December 2022:	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	NFN	NKL
Operating	5,005	3,498	5,116	989	15	-	(176)
Investing	(291)	(23)	(6,960)	(111)	(122)	-	1,428
Financing	(3,570)	(4,449)	2,303	(723)	(603)	-	-
Net increase/ (decrease) in cash and cash equivalents	**1,144**	**(974)**	**460**	**155**	**(710)**	**-**	**1,252**

Summarized cash flow information for year ended 31 December 2021:	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	NFN	NKL
Operating	4,296	3,185	6,860	721	(1,680)	2,317	(12)
Investing	(816)	(19)	(5,911)	(1,779)	(604)	(3,537)	-
Financing	(3,845)	(2,521)	(564)	644	2,560	1,011	-
Net increase/ (decrease) in cash and cash equivalents	**(364)**	**645**	**386**	**(414)**	**275**	**(209)**	**(12)**

(All amounts in '000 Eur, unless otherwise stated)

10. Interest in a Joint Venture

The Group's interest in its joint ventures is accounted for using the equity method in the consolidated financial statements. Summarized financial information of the material joint ventures of the Group, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2022			2021	
Summarized statement of profit or loss:	**Stella Mare**	**Milsped**	**Belvedere**	**Stella Mare**	**Milsped**
Revenue from contracts with customers	2,990	11,944	1	1,461	8,747
Cost of sales	(1,570)	(8)	-	(317)	(10)
Administrative expenses	(383)	(11,243)	(145)	(310)	(8,107)
Finance (cost)/ income, net	(47)	(6)	-	1	(44)
Profit before tax	**990**	**687**	**(144)**	**835**	**586**
Income tax expense	(157)	**(110)**	**-**	(128)	(95)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**833**	**577**	**(144)**	**707**	**491**
Group's share of profit for the year	417	289	(72)	353	246

	2022			2021	
Summarized statement of financial position:	**Stella Mare**	**Milsped**	**Belvedere**	**Stella Mare**	**Milsped**
Current assets	1,699	1,957	6,138	2,062	1,615
Non-current assets	107	1,943	5	101	1,618
Current liabilities	(770)	(1,859)	(1,759)	(1,288)	-
Non-current liabilities	(48)	(948)	(4,507)	(45)	-
Total equity	**987**	**1,092**	**(123)**	**830**	**963**
Group's share in equity - Stella Mare 50% (2021: 50%) / Milsped 50% (2021: 50%) / Bellvedere Korca 50% (2021: 0%)	*494*	*546*	*(12)*	*410*	*481*

The Group does not have goodwill or other adjustments related to joint ventures.

10. Investment in associate

The Group has the following interests in Tirana Business University and Marina Residences. The Group's interests are accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investments:

The Group does not have goodwill or other adjustments related to associates.

	2022		2021	
Summarized statement of financial position:	**TBU**	**Marina Residences**	**TBU**	**ITD**
Currentassets	676	4,556	802	6,698
Non-currentassets	50	39	45	116
Currentliabilities	685	1,008	708	2,194
Non-currentliabilities	801	4,065	861	2,516
Equity	**(760)**	**(478)**	**(723)**	**2,104**
Group's shareinequity –TBU 30% (2021:30%) / TD49%(2021:49%) / Marina Residences 10% (2021:0%)	(228)	*(48)*	(217)	*1,031*

(All amounts in '000 Eur, unless otherwise stated)

10. Investment in associate (continued)

	2022		2021	
Summarized statement of profit or loss	**TBU**	**Marina Residences**	**TBU**	**ITD**
Revenue	560	-	487	26,532
Cost of sales	-	-	-	(23,404)
Administrative expenses	(551)	(733)	(480)	(880)
Finance costs/income	(2)	20	(1)	(181)
Profit before tax	**8**	**(713)**	**6**	**2,067**
Income tax expense	(4)	-	(2)	(322)
Profit for the year	**4**	**(713)**	**4**	**1,745**
Other comprehensive income	-	-	-	-
Total comprehensive income	**4**	**(713)**	**4**	**1,745**
Group's share of profit for the year	1	(71)	1	857

The associate had no material contingent liabilities or capital commitments as at 31 December 2022 and 2021.

11. Segment information

Basis for segmentation

According to the requirements of IFRS 8 "Operating segments", the Group is required to provide segment information if debt or equity securities are publicly traded or the Group is in the process of filing its financial statements with securities regulator. The Group does not fulfill the mandatory requirements to comply with IFRS 8, however management has elected to voluntary apply certain explanatory disclosures into these consolidated financial statements relating to the various industry and geographical segments it operates. For management purposes, the Group is organized into six strategic reportable segments. These reportable segments offer different products and services and are managed separately. The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Mining & Energy	Exploration, extraction, production of minerals and trade and supply of energy
Real Estate	Construction of real estate properties, operation of shopping centers and luxury resorts
Retail	Sale of consumers and electronics goods, sale of toy and fashion retails
Service	Maintenance and repair of electronics, commercial and administration services of shopping malls and residential complexes
Banking	Retail banking
Other	Investment activities consulting services

11. Segment information (continued)

Basis for segmentation (continued)

The Vice Presidents of the respective industry as described in note 1, monitors the performance of the companies focusing on strategic planning, goal setting and are fully accountable for ensuring the organization of the Group. Management Board monitors and examines the performance of the Group from both operating industry and geographic perspective. Additionally, the Management Board monitors and examines the performance in national and international markets (North Macedonia, Kosovo, Bosnia and Herzegovina, Austria and Montenegro) by taking important decisions regarding the implementation of the Group’s strategic goals and short- and long-term objectives.

Information on reporting segments that contribute 10% or more than the Group total assets, earn 10% or more of the combined segments that did not report a loss or 10% of the combined segments that reported a loss, 10% or more of the combined assets of all operating segments, has been appropriately disclosed in accordance with the requirements of IFRS 8 “Operating segments”. Management Board schedules monthly meetings and all members have a right to vote.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties. Set out below is the disaggregation of the Group’s revenue from contracts with customers. Segment operating profit is used to measure the performance because management believes that this information relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry.

Notes to the consolidated financial statements as at and for the year ending December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

11. Segment information (continued)

By industry for the year ended on December 2022	**Mining & Energy**	**Real Estate**	**Retail**	**Service**	**Other**	**Banking**	**Total Segments**	**Adjustements & Eleminations**	**Consolidated**
Revenue from contracts with customers	4,585	99,813	438,659	5,834	4,839	6,660	560,391	(67,553)	492,837
Rental income	-	25,458	167	-	443	72	26,140	(4,309)	21,832
Cost of sales	(4,355)	(64,265)	(346,270)	(1,369)	(1,207)	(303)	(417,769)	54,535	(363,234)
Net interest income from financial operations	-	-	-	-	-	29,225	29,225	290	29,515
Gross profit	**230**	**61,006**	**92,555**	**4,465**	**4,076**	**35,654**	**197,987**	**(17,037)**	**180,950**
Other operating income	3	2,887	3,279	25	46,137	570	52,901	(46,596)	6,305
Selling and distribution expenses	-	(3,245)	(4,742)	(45)	(203)	(709)	(8,944)	1,900	(7,044)
Administrative and other operating expenses	(70)	(14,200)	(21,941)	(1,744)	(12,490)	(9,820)	(60,265)	17,916	(42,349)
Employee expenses	(48)	(7,508)	(24,063)	(2,332)	(4,312)	(7,639)	(45,901)	1,728	(44,172)
Depreciation and amortization expense	(4)	(7,413)	(12,683)	(347)	(1,489)	(3,532)	(25,469)	3,798	(21,670)
Expected credit losses	-	(116)	(112)	(16)	(1)	(1,931)	(2,177)	-	(2,177)
Operating profit	**111**	**31,411**	**32,293**	**7**	**31,717**	**12,593**	**108,133**	**(38,291)**	**69,842**
Segment assets	105,756	424,738	173,668	4,638	337,392	1,004,869	2,051,061	(475,190)	1,575,870
Segment liabilities	33,787	205,609	129,729	4,531	7,659	918,544	1,299,859	(177,008)	1,122,851

Segment information by Industry for the year ended on December 2021	**Mining & Energy**	**Real Estate**	**Retail**	**Service**	**Other**	**Banking**	**Total Segments**	**Adjustments & Eliminations**	**Consolidated**
Revenue from contracts with customers	109,120	74,510	315,126	5,266	3,607	4,229	511,857	(67,363)	444,495
Rental income	-	16,145	169	2	3	-	16,319	(3,333)	12,986
Cost of sales	(100,656)	(48,146)	(234,264)	(1,360)	(105)	(229)	(384,760)	53,856	(330,904)
Net interest income from Financial Operations	-	-	-	-	-	22,748	22,748	(69)	22,679
Gross profit	**8,464**	**42,509**	**81,031**	**3,908**	**3,505**	**26,748**	**166,165**	**(16,909)**	**149,256**
Other operating income	3,279	6,872	3,759	65	54,758	1,903	70,635	(62,221)	8,415
Selling and distribution expenses	(2,640)	(2,407)	(4,174)	(45)	(291)	(464)	(10,021)	1,126	(8,895)
Administrative and other operating expenses	(24,429)	(11,360)	(18,533)	(1,246)	(2,345)	(9,165)	(67,077)	12,006	(55,071)
Employee expenses	(1,935)	(5,483)	(18,941)	(2,110)	(3,673)	(6,485)	(38,627)	1,673	(36,955)
Depreciation and amortization expense	(11,716)	(5,044)	(11,627)	(290)	(492)	(3,610)	(32,779)	3,038	(29,741)
Expected credit losses	-	(430)	(38)	(2)	-	(752)	(1,223)	-	(1,223)
Operating profit	**(28,977)**	**24,658**	**31,478**	**279**	**51,462**	**8,175**	**87,074**	**(61,287)**	**25,786**
Segment assets	305,090	374,669	146,372	31,799	258,593	804,759	1,921,281	(407,458)	1,513,823
Segment liabilities	134,738	164,214	113,978	3,580	23,341	714,207	1,154,058	(74,859)	1,079,200

(All amounts in '000 Eur, unless otherwise stated)

11. Segment information (continued)

Reconciliation of operating profit with net profit

	2022	2021
	69,842	**25,786**
Finance costs	(10,495)	(8,545)
Finance income	2,943	567
Gain / (Loss) from sale of subsidiary	(26,414)	-
Share of profit of an associate and JV	1,144	1,458
Profit before tax	**37,020**	**19,266**
Income tax expense	(10,706)	(8,681)
Deferred tax expense	(440)	558
Profit for the year	**25,873**	**11,143**
Profit/(Loss) from discontinued operations	(12,856)	13,124
Profit for the year	**13,018**	**24,267**
Other comprehensive income/ (expense)	4,067	7,017
Total comprehensive income	**17,085**	**31,284**

Reconciliation of information on reportable segments to the amounts reported in the financial statements.

	2022	2021
I. Revenues		
Total revenue for reportable segments	615,756	550,924
Elimination of inter-segment revenue	(71,572)	(70,764)
Consolidated revenue	**544,184**	**480,160**
ii. Operating profit		
Total operating profit for reportable segments	108,133	87,074
Elimination for inter-segment profit	(38,291)	(61,287)
Consolidated profit before tax from continuing operations	**69,842**	**25,786**
iii. Assets		
Segment operating assets	1,842,361	1,535,882
Deferred tax assets	207,298	282,611
Assets held for sale	838	102,335
Investments in associates and joint ventures	563	453
Elimination of inter-segment	(475,190)	(407,458)
Consolidated total assets	**1,575,870**	**1,513,823**
iv. Liabilities		
Segment operating liabilities	1,142,024	923,755
Deferred tax liabilities	38	17,734
Current tax payable	1,167	1,641
Interest-bearing loans and borrowing	122,851	173,541
Liabilities held for sale	33,779	37,388
Elimination of inter-segment	(177,008)	(74,859)
Consolidated total liabilities	**1,122,851**	**1,079,200**

(All amounts in '000 Eur, unless otherwise stated)

11. Segment information (continued)

Geographic information

Segment information by Geography

	Revenue		Operating Profit	
	2022	**2021**	**2022**	**2021**
Albania	*346,296*	*314,492*	*82,588*	*94,352*
North Macedonia	*74,946*	*71,836*	*8,391*	*5,428*
Kosovo	*78,937*	*143,226*	*9,639*	*(19,156)*
Bosnia & Hercegovina	16,111	15,324	3,231	2,977
Montenegro	7,889	5,939	2,129	1,545
Austria	91,549	27	1,959	108
Netherlands	-	-	578	1,844
United Kingdom	30	80	(382)	(25)
Total segments	**615,756**	**550,924**	**108,133**	**87,074**
Eliminations	(71,572)	(70,764)	(38,291)	(61,287)
Total for continuing operations	**544,184**	**480,160**	**69,842**	**25,786**

(All amounts in '000 Eur unless otherwise stated)

12. Revenue from contracts with customer

Set out below is the disaggregation of the Group's revenue from contracts with customers in continuing operations:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Sale of consumer electronics	251,491	181,471
Sale of toy retails	60,201	56,733
Sale of consumer goods	76,564	62,542
Fashion retail	8,189	7,144
Retail segment subtotal	**396,445**	**307,890**
Sale of processed metals	0	69,386
Energy trading	4,537	1,805
Mining and energy segment subtotal	**4,537**	**71,191**
Sale of real estate	51,590	41,949
Sale of construction works	17,648	5,450
Real estate segment subtotal	**69,238**	**47,399**
Other sales of goods	478	4,081
Total of sale of goods	**470,698**	**430,561**
Marketing income and franchise fees	1,561	1,798
Maintenance and repairment services	4,676	3,363
Fee and commission income	7,270	4,269
Other sale of services	8,632	4,504
Total of services	**22,139**	**13,934**
Total revenue from contracts with customers	**492,837**	**444,495**

Geographical markets		
International	62,758	250,835
Domestic	430,079	193,660
Total revenue from contracts with customers	**492,837**	**444,495**

Timing of revenue of recognition		
Transferred at a point in time	470,741	421,847
Transferred over time	22,096	22,648
Total revenue from contracts with customers	**492,837**	**444,495**

(All amounts in '000 Eur unless otherwise stated)

12. Revenue from contracts with customer (continued)

Contract Balances

Contract balances	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Trade receivables	34,864	25,884
Contract asset non-current	2,574	682
Contract asset current	1,535	2,725
Contract liability non-current	(23,158)	(24,374)
Contract liability current	(37,494)	(14,426)

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The increase relates mainly to the increase in the retail segment from the wholesale and the increase in real estate segment from the sale of construction works.

Contract liabilities include non-current and current advances for the delivery of real estate units which are under construction and loyalty point.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

Transaction price	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Within one year	22,698	41,298
More than one year	8,500	10,414
Total	**31,198**	**51,712**

The remaining performance obligations expected to be recognized in more than one year relate to the sale of real estate properties which are largely contracted for sale early in the development phase. Refer to Note 2.3 for the summary of Significant Accounting Policies for the measurement of these revenues. All the other remaining performance obligations are expected to be recognized within one year and mostly consist of properties forecasted to be delivered withing one year.

Loyalty points program

The Group has a loyalty points program which allows customers to accumulate points that can be redeemed for free products. The stand-alone selling price of the loyalty points issued is measured at the portion of the nominal value of the sale that awards points. When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. As at 31 December 2022, the estimated liability for unredeemed points was as below:

Loyalty points	2022	2021
At 1 January	505	517
Opening balance adjustment (a)	310	-
Recognized as revenue during the year	(965)	(1,020)
Deferred during the year	1,630	1,133
Expired during the year	(734)	(137)
Translation differences	22	11
At 31 December	**768**	**504**

(a) Opening balance adjustment relates to an error in the prior year. At a Group level we do not consider this balance material to restate the prior year data.

12. Revenue from contracts with customer (continued)

Performance obligations

Information about the Group's performance obligations are summarized below:

Sale of consumer electronics retail and sale of consumer goods
The performance obligation is satisfied upon delivery of the goods (usually at the cash register) and payment is generally due on spot excluding wholesales, which are not significant to the Group.
Customers are entitled to loyalty points which results in allocation of a portion of the transaction price to the loyalty points. Revenue is recognized when the points are redeemed, i.e. used to purchase or obtain discounts in other purchases

Sale of toy retails and Fashion & Online Retail
The performance obligation is satisfied upon delivery of the goods (at the cash register) and payment is generally due on spot.

Sale of real estate
The performance obligation is satisfied upon delivery of the real estate unit when the construction is completed and certified. The payment is generally received in advance in cases where a portion of the balance is expected after the delivery and as per agreed contract terms which are variable.

Marketing income and franchise fees
The performance obligation is satisfied over-time and payment is generally due upon billing which may occur before the service is provided.

Maintenance and repair services
The performance obligation is satisfied over-time and payment for maintenance services is due before the service is provided, billed during first days of the month. Maintenance and repair services include the service charge to tenants from the shopping mall.

Other sales of services
The performance obligation is mainly satisfied over-time and payment for other sales of services is due before the service is provided, billed during the first days of the month. Other sales of services include the service charge for guarantees, franchise, development of real estate projects, financial consulting service.

(All amounts in '000 Eur unless otherwise stated)

13. Rental income

The Group has entered into operating leases on its investment property portfolio consisting of stores and warehouse. Income recognised by the Group during the year is 21,832 thousand Eur (2021: 12,986 thousand Eur).

14. Net interest income from bank activity

Major components of interest income from bank activity for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Income from loans to customers	20,848	15,155
Income from financial assets at FVOCI	11,340	9,685
Income from balances with banks	485	92
Total interest income from bank activity	**32,673**	**24,932**
Interest expense on due to customers	(2,664)	(1,853)
Interest expense on du to banks	(494)	(400)
Total interest expense from bank activity	**(3,158)**	**(2,253)**
Net interest from bank activity	**29,515**	**22,679**

15. Cost of sales

The major components of cost of sale for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Cost of goods for resale	305,676	234,926
Cost of sale of real estate	33,847	29,122
Cost of production of minerals	4,006	61,238
Commission cost of bank services	447	229
Other cost of sale	19,258	5,389
Total	**363,234**	**330,904**

During 2022, cost of sale increased mainly from retail sector which have had an increase due to higher consumers' demand, expanding on wholesale activity and extanding the sale stores. The cost of sales on mining and energy industry is impacted from fully divestment from mining industry, the outstanding balance is related with cost of energy traded. Other cost of sales are mainly derived from construction sector and are increased due to new projects developed.

(All amounts in '000 Eur unless otherwise stated)

16. Selling and distribution expenses

The major components of selling and distribution expenses for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Marketing expenses	5,863	6,049
Transport expenses	1,073	2,628
Other selling and distribution expenses	5,384	218
Total	**12,320**	**8,895**

Marketing expenses relate to seasonal campaigns performed from subsidiaries in the respective industries such as Balfin Real Estate, Fashion Group, Green Coast, Neptun entities, Spar, Tirana Bank, Kid Zone entities, which have the significant part on the marketing expenses occurred during 2022. Transport expenses shrinked due to divestment on mining industry.

17. Administrative and other operating expenses

The major components of administrative expenses for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Electricity expenses	5,455	4,300
Miscellaneous services	4,820	2,064
Franchise royalty expenses	2,445	2,317
Communication expenses	2,349	2,215
Audit / consultancy services	2,274	1,383
Security expenses	2,088	2,117
Fees for deposits insurance (ASD)	2,012	1,837
Maintenance and repairs	1,794	1,502
Travel and per diem expenses	1,662	962
Mining royalties and taxes	1,456	1,133
Bank charges	1,201	990
Card related expenses	1,194	1,029
Provisions and impairments (a)	1,174	21982
Impairment of repossessed collaterals	1,084	997
Representative expenses	938	797
Cleaning expenses	706	583
Rent expense	702	1,063
Miscellaneous expenses	661	615
Legal services	545	552
Loss from sale of assets and inventory	431	90
Bank resolution fund	327	273
Penalties and fines	119	116
Impairment of inventory (writte off)	228	359
Write-offs	6	120
Other administrative expenses (b)	1,403	5,673
Total	**37,074**	**55,069**

(All amounts in '000 Eur unless otherwise stated)

17. Administrative and other operating expenses (continued)

a) Provision and impairments have significantly decreased due to sale of mining sector. In the year 2021 the main balance of provision and impairment was related to impairment of tangible assets in mining sector.
b) Other administrative expenses relate to external employee expense, insurance for personnel, insurance for assets, fuel expenses, etc.

18. Expected credit losses

The major components of expected credit losses for the years ended December 31, 2022 and 2021 are:

Expected credit losses	**For the year ended on December 31, 2022**	**For the year ended on December 31, 2021**
From loans and advances to customers	1,042	690
From advances to Banks, Securities and off-balance sheet items	889	66
From trade receivables	244	214
ECL from financial assets from others	0	106
ECL losses from other assets	2	147
Total	**2,177**	**1,223**

19. Employee expenses

The major components of administrative expenses for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	**For the year ended on December 31, 2021**
Employee salaries	36,621	30,681
Employee social and health contributions	6,763	5,426
Employee training	204	94
Personnel reimbursements expenses	55	69
Other employee expenses	335	465
Other employee contributions	194	220
Total	**44,172**	**36,955**

(All amounts in '000 Eur unless otherwise stated)

20. Depreciation and amortization

The major components of depreciation and amortization for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Depreciation of right of use asset	8,649	7,898
Depreciation expense property, plant and equipment	7,521	15,570
Depreciation investment property	4,481	3,651
Amortization expense	1,019	2,623
Total expense	**21,670**	**29,742**
Depreciation of PPE capitalized in cost of inventories	1	476
Total depreciation charge of the year	**21,671**	**30,218**

Depriciation capitalised in the cost of inventories pertained mainly to the mining operations which were disposed.

21. Other operating income

The major components of other operating income for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Other revenue	5,443	8,002
Sale of assets	205	261
Reverse of provision	657	152
Total	**6,305**	**8,415**

As at December 31, 2022 and 2021, other revenues consist of income generated by the companies which do not fall in the scope of IFRS 15 Revenue from contracts with customers which include the following natures: inventory count differences, insurance claims, other services for suppliers

22. Finance costs

The major components of finance cost for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Interest expenses	5,917	6079
Finance cost of lease liablilities under IFRS 16	1,314	1,276
Other financial expenses	1,524	1,190
Foreign exchange loss	1,241	0
Loss from sale of securities	485	0
Financial expenses with related parties	14	0
Total	**10,495**	**8,545**

As at December 31, 2022 and 2021 other financial expenses are mainly comprised of commission expense for bank guarantees, letter of credits in the corporate lines of business, etc. Loss from sale of securities held at fair value through comprehensive income before their maturity date, for liquidity purpose.

(All amounts in '000 Eur unless otherwise stated)

23. Finance income

The major components of finance income for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Foreign exchange gain	-	263
Interest income from third parties	2,374	233
Other finance income	569	71
Total	**2,943**	**567**

24. Income tax expense

The major components of income tax expense for the years ended December 31, 2022 and 2021 are:

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Current tax expense	10,706	8,681
Deferred tax (income) / expense (Note 32)	440	(558)
Total tax expense for the year	**11,147**	**8,123**

A reconciliation of the accounting profit for the year and the Group's taxable profit, and the Group's effective tax rate is as follows:

The income tax rate applicable to the majority of the Group's 2022 income is 15% (2021: 15%).

	For the year ended on December 31, 2022	For the year ended on December 31, 2021
Consolidated profit before tax	**37,020**	**39,266**
Consolidation elimination	104,001	59,850
Non-consolidated profit before tax	**141,022**	**99,116**
Non-deductible expenses		
Non-deductible expenses	13,180	11,642
Provisions	192	1,570
Depreciation for tax charges	721	494
Inventory impairment	653	686
Interest expense - IFRS 15	1,747	1,281
Profit realized before acquisition	73	1,106
Income from revaluation of real estate properties	-	(4,263)
Total non-deductible expenses	**16,567**	**12,517**
Utilization of tax credits	(197)	(152)
Tax rate		
Current income tax (based on taxable income)	**10,756**	**8,734**
Income Taxes (Prior Period Adjustments)	(50)	(53)
Current income tax	**10,706**	**8,681**
Effective current tax rate	22.11%	19.83%
Total income tax (current and deferred)	**11,147**	**8,123**
Effective total tax rate	20.69%	18.27%

24. Income tax expense (continued)

Utilization / creation of tax losses and credits

Creation of tax loss and credits corresponds to the amount of tax losses generated during the period and giving right to utilization against taxable income in future periods.

Utilization of tax loss and credits corresponds to the amount of tax losses or tax credits generated from previous periods and utilized against taxable income of the period.

Uncertain income tax positions

Current income tax liabilities do not include any amounts in respect of uncertainties relating to tax deductions taken for any expenses. Management estimates that will not be any material exposures to require settlement if challenged by the tax authorities. The income tax liabilities will be fully assessed when the tax audits with respect to the relevant tax returns are incurred.

25. Fair value on available-for-sale financial assets

As at 31 December 2022, the Group has invested in Eurobonds issuance with government of Albania of Eur 63,023 thousand with fixed coupon rate at 3.5% with original maturity of 2 years. The Group holds bonds with Government of Albania amounting Eur 99,561 thousand with fixed coupon rate ranging from 2.07% to 9.25% (2021: 1.96% to 9.25%) and corporate bonds with Alpha Bank -Greece amounting Eur 5,405 thousand with fixed coupon rate ranging from 4.25% - 5.5%.

For the year ended as at 31 December 2022 the Group incurred a loss from the change in the fair value of bonds and Eurobonds in the amount 21,658 thousand Eur (31 December 2021 164 thousand Eur).

Notes to the consolidated financial statements as at and for the year ending December 31, 2022

(All amounts in '000 Eur unless otherwise stated)

26. Property, plant and equipment

The major components of property, plan and equipment for the years ended December 31, 2022 and 2021 are:

	Building	Land	Machinery and technical installations	Vehicles and other transport	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Mining development/ Stripping Cost	Asset in progress	Total
Cost											
As at January 1, 2021	**55,891**	**49,959**	**175,886**	**6,756**	**15,530**	**9,050**	**15,540**	**4,870**	**40,584**	**4,799**	**378,865**
Additions	13	7,055	2,954	168	1,447	3,278	807	434	608	2,545	19,309
Acquisition of a subsidiary (note 8)	-	-	-	-	-	-	-	-	-	-	-
Discountinued operations	(10,822)	(3)	(51,749)	(3,554)	(488)	(497)	(22)	(8)	(35,829)	(1,564)	(104,536)
Disposals	(263)	-	(2,460)	(312)	(208)	(640)	(206)	(16)	-	(784)	(4,889)
Transfers	-	(9,419)	(3)	(53)	16	467	(1,227)	6,602	-	1,366	(2,251)
Exchange difference	206	399	709	92	355	130	326	37	363	19	2,637
As at December 31, 2021	**45,025**	**47,991**	**125,337**	**3,097**	**16,652**	**11,788**	**15,218**	**11,919**	**5,726**	**6,381**	**289,134**
Additions	196	3,651	4,222	9,912	989	1,879	1,029	394	-	7,676	29,948
Acquisition of a subsidiary (note 8)	594	-	1,603	334	113	2	-	-	-	-	2,646
Discountinued operations	(37,294)	(23,080)	(120,592)	(478)	(743)	(459)	-	(764)	(5,815)	(3,427)	(192,652)
Adjustement	16	-	-	-	-	-	23	-	-	-	39
Disposals	(1,017)	-	(273)	(772)	(340)	(702)	(509)	(727)	-	(376)	(4,716)
Assets Held for Sale	-	-	(5)	-	-	-	-	-	-	-	(5)
Transfers	(404)	(6,653)	(12)	-	(20)	130	651	278	-	(6,997)	(13,027)
Exchange difference	849	1,231	2,426	483	900	356	796	131	89	112	7,373
As at December 31, 2022	**7,965**	**23,140**	**12,706**	**12,576**	**17,551**	**12,994**	**17,208**	**11,231**	**-**	**3,369**	**118,740**

Notes to the consolidated financial statements as at and for the year ending December 31, 2022

(All amounts in '000 Eur unless otherwise stated)

26. Property, plant and equipment (continued)

	Building	Land	Machinery and technical installations	Vehicles	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Mining development / Stripping Cost	Asset in progress	Total
Accumulated depreciation											
As at January 1, 2021	**(9,916)**	**-**	**(53,731)**	**(4,461)**	**(12,160)**	**(5,287)**	**(12,241)**	**(1,896)**	**(13,224)**	**-**	**(112,916)**
Discontinued operations	2,047	-	33,898	2,304	384	452	-	3	9,103	-	48,191
Adjustment	-	-	-	39	-	(512)	(207)	33	-	-	(647)
Depreciation charge for the year	(2,023)	-	(9,050)	(307)	(1,326)	(1,143)	(865)	(826)	(507)	-	(16,047)
Impairment	(4,800)	-	(15,200)	-	-	-	(23)	-	-	-	(20,023)
Disposals	40	-	343	271	164	357	183	15	-	-	1,373
Transfers	-	-	-	2	(82)	(979)	1,198	(137)	-	-	2
Exchange difference	(176)	-	(641)	(63)	(279)	(78)	(270)	(25)	(90)	-	(1,622)
As at December 2021	**(14,828)**	**-**	**(44,381)**	**(2,215)**	**(13,299)**	**(7,190)**	**(12,225)**	**(2,833)**	**(4,718)**	**-**	**(101,689)**
Discontinued operations	10,751	-	41,736	478	660	427	-	1,185	4,791	-	60,028
Acquisition of a subsidiary charge of the year	(191)	-	(850)	(233)	(59)	-	-	-	-	-	(1,333)
Depreciation charge for the year	(353)	-	(1,602)	(588)	(1,539)	(1,284)	(761)	(1,388)	-	(6)	(7,521)
Impairment	-	-	(304)	-	4	60	-	-	-	-	(240)
Disposals	663	-	255	618	293	311	477	214	-	-	2,831
Transfers	-	-	(3)	-	(71)	(19)	(383)	18	-	6	(452)
Exchange difference	(378)	-	(914)	(74)	(750)	(238)	(667)	(52)	(73)	-	(3,146)
As at December 2022	**(4,336)**	**-**	**(6,063)**	**(2,014)**	**(14,761)**	**(7,933)**	**(13,559)**	**(2,856)**	**-**	**-**	**(51,522)**
Carrying amount											
As at December 31, 2021	**30,197**	**47,991**	**80,956**	**882**	**3,353**	**4,598**	**2,993**	**9,086**	**1,008**	**6,381**	**187,445**
As at December 31, 2022	**3,629**	**23,140**	**6,643**	**10,562**	**2,790**	**5,061**	**3,649**	**8,375**	**-**	**3,370**	**67,219**

(All amounts in '000 Eur unless otherwise stated)

26. Property, plant and equipment (continued)

The Group total assets have decreased significantly due to the disposal of assets related to mining industry already divested. At 31 December 2022, property, plant and equipment pledged to third parties as collateral with respect to other borrowed funds are disclosed in Note 48.

In 2021, the impairment loss of Eur 20,023 thousand represented the write-down of building and machinery and equipment in the mining segment to the recoverable amount as a result of energy price fluctuation in the international market. This amount was recognized in the statement of profit or loss as impairment of tangible assets.

Transfers relate to the transfer of the shopping mall in Skopje from asset in progress to investment property (when completed) and the transfer of land of Tirana Logistic Park from Property, plant and equipment to inventory (this land was injected as capital in an Special Purpose Vehicle that will develop a residential property).

27. Investment property

The major components of investment property as at December 31, 2022 and 2021 are:

	Land	Building	Building in progress	Total
Cost				
At January 1, 2021	**1,645**	**90,564**	**51,804**	**144,013**
Additions	-	373	27,683	28,056
Disposals	(55)	(306)	-	(361)
Transfers	9,213	64,765	(73,849)	129
Exchange difference	27	2,041	91	2,159
At December 31, 2021	**10,830**	**157,437**	**5,729**	**173,996**
Additions	-	3,051	7,032	10,083
Disposals	-	(1,179)	-	(1,179)
Transfers	1,546	14,096	(12,680)	2,962
Exchange difference	187	5,837	96	6,120
At December 31, 2022	**12,563**	**179,242**	**177**	**191,982**
Accumulated depreciation				
As at January 1, 2021	**-**	**(26,484)**	**-**	**(26,484)**
Depreciation charge for the year	-	(3,651)	-	(3,651)
Impairment	-	(803)	-	(803)
Disposals	-	35	-	35
Exchange difference	-	(704)	-	(704)
As at December 31, 2021	**-**	**(31,607)**	**-**	**(31,607)**
Depreciation charge for the year	-	(4,481)	-	(4,481)
Impairment	-	570	-	570
Disposals	-	161	-	161
Exchange difference	-	(2,018)	-	(2,018)
At December 31, 2022	**-**	**(37,375)**	**-**	**(37,375)**
Carrying amount				
At December 31, 2021	**10,830**	**125,830**	**5,729**	**142,389**
At December 31, 2022	**12,563**	**141,867**	**177**	**154,607**

27. Investment property (continued)

The Group's investment properties consist of commercial properties, mainly QTU, TEG, TLP and EGM. Management determined that the investment properties consist of two classes of assets – land and building− based on the nature, characteristics and risks of each property. The Group has completed Retail Park construction in July 2022 and has transferred the property from asset in progress to investment property for the total amount of Eur 4,723 thousand.

As at December 31, 2022 and 2021, the fair values of the properties is believed to be higher than the carrying amount since most of the investments are relatively new and renovated.

Notes to the consolidated financial statements as at and for the year ending December 31, 2022

(All amounts in '000 Eur unless otherwise stated)

28. Leases

The major components of RoU as at December 31, 2022 and 2021 are:

	Buildings	Plant	Equipment and Vehicles	Total
Cost				
At 1 January 2021	**42,601**	**2,822**	**5,249**	**50,672**
Additions	8,569	128	859	**9,556**
Disposals	(508)	(530)	(64)	**(1,102)**
Discontinued operations	(628)	-	(589)	**(1,217)**
Translation difference	502	41	122	**665**
At 31 December 2021	**50,536**	**2,461**	**5,577**	**58,574**
Additions	9,429	-	980	**10,409**
Disposal	(9,047)	-	(335)	**(9,382)**
Discontinued operations	-	(997)	(238)	**(1,235)**
Translation difference	1,343	100	323	**1,766**
Adjustments prior year	(1,791)	-	(12)	**(1,803)**
At 31 December 2022	**50,470**	**1,564**	**6,295**	**58,329**
Accumulated depreciation				
At 1 January 2021	**(10,618)**	**(283)**	**(2,020)**	**(12,921)**
Charge for the year	(6,879)	(173)	(503)	**(7,555)**
Disposal	1,022	-	46	**1,068**
Discontinued operations	151	-	255	**406**
Translation difference	(171)	(3)	(48)	**(222)**
At 31 December 2021	**(16,495)**	**(459)**	**(2,270)**	**(19,224)**
Charge for the year	(7,912)	-	(574)	**(8,486)**
Disposal	5,118	-	219	**5,337**
Discontinued operations	-	357	125	**482**
Translation difference	(452)	(11)	(135)	**(598)**
Adjustments prior year	1,942	-	12	**1,954**
At 31 December 2022	**(17,799)**	**(113)**	**(2,623)**	**(20,535)**
Carrying amount				
At 31 December 2021	**34,041**	**2,002**	**3,307**	**39,350**
At 31 December 2022	**32,671**	**1,451**	**3,672**	**37,794**

(All amounts in '000 Eur unless otherwise stated)

28. Leases (continued)

Lease liabilities under IFRS 16 is detailed as at December 31, 2022 and 2021 as below:

	2022	**2021**
Lease liability	40,221	38,607
Addition in lease liabilities	10,028	9,556
Acquisition of subsidiary	-	-
Disposal	(3,807)	(357)
Discontinued operations	(696)	(827)
Translation differences	978	797
Decrease in lease liability	(8,152)	(7,186)
Principal lease payments	*(9,465)*	*(8,150)*
Interest on lease liability	*1,313*	*964*
Translation differences	(733)	(369)
Total lease liability	**37,838**	**40,221**

Current portion	8,421	8,255
Non-current portion	29,417	31,966
	37,838	**40,221**

Maturity analysis		
Year 1	8,421	8,255
Year 2	12,119	8,543
Year 3	4,060	7,691
Year 4	1,737	3,092
Year 5	8,084	5,012
Onwards	3,417	7,628
Total	**37,838**	**40,221**

(All amounts in '000 Eur unless otherwise stated)

29. Intangible asset

The major components of intangible assets as at December 31, 2022 and 2021 are:

	License	Software	Other intangible assets	Concession and mining rights	Development expenses	Intangible asset in progress	Goodwill	Total
As at January 1, 2021	**1,977**	**3,513**	**704**	**16,269**	**703**	**1,394**	**971**	**25,531**
Additions	12	1,500	7	-	-	18	-	1,537
Discountinued operations (note 6)	(263)	-	(4)	(3,473)	-	(77)	(135)	(3,952)
Adjustment	-	-	407	-	-	-	-	407
Transfers	-	1,444	(11)	-	-	(1,321)	-	112
Exchange difference	27	118	7	35	17	13	22	239
As at December 31, 2021	**1,753**	**6,575**	**1,110**	**12,831**	**720**	**27**	**858**	**23,874**
Additions	1	599	7	-	-	82	-	689
Acquisition of a subsidiary	-	-	14	-	-	-	-	14
Discountinued operations (note 6)	(742)	(6)	-	(13,030)	-	-	-	(13,778)
Transfers	-	15	(639)	-	-	(27)	-	(651)
Exchange difference	66	372	38	199	41	4	49	769
As at December 31, 2022	**1,078**	**7,556**	**530**	**-**	**761**	**86**	**907**	**10,918**
Amortization								
As at January 1, 2021	**(712)**	**(1,747)**	**(252)**	**(5,711)**	**(698)**	**-**	**-**	**(9,120)**
Amortization charge for the year	(20)	(953)	(71)	(1,510)	-	-	-	(2,554)
Discontinued operations (note 6)	-	4	-	2,084	-	-	-	2,088
Adjustment	-	-	(407)	-	-	-	-	(407)
Transfers	-	(1)	(3)	-	-	-	-	(4)
Exchange difference	(0)	(51)	(6)	(21)	(16)	-	-	(94)
As at 31 December 2021	**(732)**	**(2,748)**	**(739)**	**(5,158)**	**(714)**	**-**	**-**	**(10,091)**
Amortizaton charge for the year	(15)	(994)	(10)	-	-	-	-	(1,019)
Discontinued operations (note 6)	713	3	-	5,237	-	-	-	5,953
Transfers	-	(33)	320	-	-	-	-	287
Exchange difference	(11)	(156)	(30)	(79)	(41)	-	-	(316)
As at 31 December 2022	**(45)**	**(3,928)**	**(459)**	**(0)**	**(755)**	**-**	**-**	**(5,186)**
Carrying amount								
At December 31, 2021	**1,021**	**3,827**	**371**	**7,673**	**6**	**27**	**858**	**13,783**
At December 31, 2022	**1,033**	**3,628**	**71**	**(0)**	**6**	**86**	**907**	**5,732**

(All amounts in '000 Eur unless otherwise stated)

30. Investments in associates and joint ventures

The major components of investment in associates and joint ventures as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Investment in Joint Ventures cost	301	285
Investment in Associates cost	262	166
	563	**451**
Net increase using equity method	652	1,477
Total	**1,215**	**1,928**

For the year ended December 31, 2022 and 2021, the movements in net investment in joint ventures and associates were as follows:

	2022	2021
Opening balance 1 January	1,929	1,217
Share of profits continuing op.	1,191	1,458
Dividends received	(1,654)	(796)
Balances of JV/associate with negative equity	334	-
Derecognition of JV/associate	(696)	50
Closing balance 31 December	**1,215**	**1,929**

31. Inventory

The major components of inventories as at December 31, 2022 and 2021 are disclosed as below:

	December 31, 2022	December 31, 2021
Electronics and household devices	38,737	40,437
Fast moving consumer goods	12,004	10,642
Consumer goods	12,506	7,012
Real estate for sale	10,560	4,081
Fashion and online retail inventory	2,052	1,486
Other mining materials	-	13,902
Mining inventory	-	2,924
Other materials	3,097	1,247
Impairment of finished goods	(951)	(4,148)
Translation differences	(39)	(58)
Inventory from non-finance operations	**77,966**	**77,525**
Properties in development	33,762	50,438
Mining and products in process	32,963	13,700
Total in process inventory	**66,725**	**64,138**
Inventory of banking repossessed collaterals	17,531	20,092
Impairment of financial activity inventory	(6,593)	(6,763)
Translation differences	(270)	(94)
Inventory from finance operations	**10,668**	**13,235**
Total inventory	**155,359**	**154,898**
Current portion	110,929	90,615
Non-current portion	44,430	64,283

31. Inventory (continued)

Non-current inventory in the amount 41,787 Eur is mainly composed from properties in development from the real estate sector in the amount 31,119 Eur and from banking sector in the amount 10,668

(All amounts in '000 Eur unless otherwise stated)

Eur. Inventory from financial activity represent real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose the assets in the foreseeable future.

Inventory from financial activity are classified as inventories in accordance with IAS 2 "Inventories".

	December 31, 2022	December 31, 2021
Balance at 1 January	13,235	16,212
Acquisitions through legal process for settlement of loans to customers	578	4,204
Disposals	(4,288)	(7,548)
Write down to net realizable value	(1,135)	(997)
Disposal	1,506	970
Translation differences	773	394
Total	**10,668**	**13,235**

As at December 31, 2022 and 2021, inventory provision relates to finished goods, other materials and raw materials. The movements in provision for impairment are presented as below:

	2022	2021
At January 1	10,912	11,374
Charge of the year from finance operations	829	997
Charge of the year from non- finance operations	575	434
NFN sale	(3,484)	-
Release of impairment from finance operations	(1,607)	(1,931)
Translation difference	(3)	(86)
At December 31	**7,222**	**10,788**

As at December 31, 2022 the pledged inventory is offered as collateral on working capital financing lines in order to cover 130% the financing exposure. The pledge on inventory is used as an additional collateral for the approved revolving credit line (see Note 47).

32. Deferred tax asset / (liability)

	December 31, 2022	December 31, 2021
Deferred tax asset	5,129	3,749
Deferred tax liabilities	(599)	(18,053)
Deferred tax liabilities, net	**4,529**	**(14,304)**

Deferred tax assets and liabilities are not offseted in the statement of financial posisition given the number and nature of the companies within the Group. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The balance of deferred tax asset and liability in the current year is mainly from Tirana Bank. Movements in deferred tax assets and liabilities are presented as follows:

(All amounts in '000 Eur unless otherwise stated)

32. Deferred tax asset / (liability) (continued)

Deferred tax assets	**2022**	**2021**
As at January 1	3,749	5,371
Total charge of the year	**3,024**	**101**
Charge of the year to profit and loss for:	**(85)**	**59**
- Property plant and equipment	(125)	287
- Investment Properties	1	(0)
- PPA deferred tax	6	(204)
- Others	33	(24)
Charge of the year to OCI	3,109	42
Discountinued operations	(1,910)	(1,784)
Effect from acquisition of subsidiary	39	-
Transfere to deferred tax liability	(307)	-
Effect of foreign exchange rate	227	62
December 31	**5,129**	**3,749**

Deferred tax liabilities	**2022**	**2021**
As at January 1	**18,053**	**18,661**
Total release of deferred tax liability	**19**	**(617)**
Release of deferred tax liability through profit and loss for:	326	(617)
- Property plant and equipment	(254)	(894)
- Others	580	277
Discountinued operations	(18,089)	-
Effect from acquisition of subsidiary	30	-
Transfere to deferred tax liability	307	-
Effect of foreign exchange rate	279	8
December 31	**599**	**18,053**

Deferred tax charge to profit and loss	**2022**	**2021**
Deferred tax asset income\(expense) of the year	222	(59)
Deferred tax liability income\(expense) of the year	(663)	617
December 31	**(440)**	**558**

33. Interest-bearing loans given

The major components of interest-bearing loans given as at December 31, 2022 and 2021 are:

	December 31, 2022	**December 31, 2021**
Interest-bearing loans	46,630	2,641
Other financial assets	-	108
	46,630	**2,749**
Current	17,415	2,438
Non-current	29,215	311
Total	**46,630**	**2,749**

The net increase in interest bearing loans given during 2022 is a result of non-eleminations of loan exposures with mining industry divested through out the year as they were transferred to the new shareholders.

(All amounts in '000 Eur unless otherwise stated)

33. Interest-bearing loans given (continued)

Interest-bearing loans given for the year ended on December 31, 2022 are detailed as follows:

December 31, 2022					
Type	**Min Interest Rate**	**Max Interest Rate**	**Min Maturity Date**	**Max Maturity Date**	**Outstanding**
Short term loans	0%	6%	31/03/2023	31/12/2023	17,416
Long term loans	0%	6%	31/12/2023	31/12/2026	29,216
					46,632

Non-current financial assets for the year ended on December 31, 2021 are detailed as follows:

December 31, 2021					
Type	**Min Interest Rate**	**Max Interest Rate**	**Min Maturity Date**	**Max Maturity Date**	**Outstanding**
Short term loans	0%	6%	31/01/2022	31/12/2022	2,438
Long term loans	0%	0%	31/12/2022	31/12/2026	203
					2,641

34. Financial assets

	December 31, 2022	**December 31, 2021**
Financial assets held at FV through OCI	215,915	255,110
Financial assets held at amortized cost	218,016	48,874
Total	**433,931**	**303,984**
Current portion	221,221	83,613
Non-current portion	212,710	220,371

Financial assets held at fair value through OCI

Financial assets in the banking operations of the Group consist of the following:

	December 31, 2022	**December 31, 2021**
Treasury bills	138,300	81,678
Government bonds	77,615	173,432
Total	**215,915**	**255,110**

	2022	**2021**
As at January 1,	255,110	213,695
Purchase	63,679	200,531
Matured	(91,819)	(162,984)
Gain/(Loss) from change in fair value	(17,535)	(200)
Other (foreign exchange)	6,480	4,069
As at December 31,	**215,915**	**255,110**

(All amounts in '000 Eur unless otherwise stated)

34. Financial assets (continued)

Financial assets held at amortized cost:

	December 31, 2022	**December 31, 2021**
Treasury bills	2,620	1,935
Government bonds	135,094	46,939
Deposits in financial institution	80,008	0
Accrued interest	294	0
Total	**218,016**	**48,874**

35. Loans to customers from financial operations

	December 31, 2022	**December 31, 2021**
SME lending	57,099	47,740
Mortgage	121,195	95,100
Consumer lending	28,655	27,701
Corporate lending	265,855	208,401
Overdrafts	3,458	3,289
Credit cards	2,008	1,544
Accrued interest	1,413	1,019
Loan commissions deferred using EIR	(1,709)	(1,005)
Gross loans and advances	**477,974**	**383,789**
Less: Allowance for impairment losses	(16,703)	(16,405)
Translation differences	(687)	(228)
Total	**460,584**	**367,156**
Current portion	*224,306*	*145,855*
Non-current portion	*236,278*	*221,301*

The maturity of Loans to customers form financial operation is disclosed in Liquidity Risk Note 45.

The movement in allowances/(impairment) for losses on loans and advances to customers is as follows:

	2022	**2021**
At 1 January	16,405	16,595
Write off	(758)	(860)
Charge for the year	1,042	(677)
Exchange rate effect	14	(17)
Other movements (payment from WO)	-	1,364
Total	**16,703**	**16,405**

In accordance with IFRS 9 below are presented the changes in the loss allowance for loans and advances to customers and the reasons for those changes during year 2022 and 2021. In the summary table below is presented an explanation of how changes in the gross carrying amount of loans and advances to customers during the period contributed to changes in the loss allowance during the period ended December 31, 2022 and December 31, 2021.

(All amounts in '000 Eur unless otherwise stated)

35. Loans to customers from financial operations (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at **1 January 2022**	**4,263**	**1,768**	**10,374**	**-**	**16,405**
Movements with profit or loss impact					
Transfers:					
Transfers from Stage 1 to Stage 2 and 3	(1,106)	1,060	46	-	-
Transfers from Stage 2 to Stage 1 and 3	495	(920)	425	-	-
Transfers from Stage 3 to Stage 1 and 2	21	364	(385)	-	-
New financial assets originated or purchased	1,297	296	694	-	2,287
Changes in PDs/LGDs/EADs	604	(974)	(994)	-	(1,364)
Write-offs	-	-	(145)		(145)
Translation differences	360	120	731	-	1,211
Total net profit or loss charge during the period	**1,671**	**(55)**	**372**	**-**	**1,989**
Other movements with no profit or loss impact	(2,122)	883	234	-	(1,005)
Loss allowance as at December 31, 2022	**3,812**	**2,596**	**10,980**	**-**	**17,389**

Changes in the gross carrying amount of loans and advances to customers during the period which contributed to changes in the loss allowance is presented in below table:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2022	**345,703**	**17,460**	**20,627**	**-**	**383,789**
Transfers:					**-**
Transfer from Stage 1 to Stage 2 and 3	(16,501)	14,807	1,694	-	-
Transfer from Stage 2 to Stage 1 and 3	8,446	(9,988)	1,543	-	-
Transfer from Stage 3 to Stage 2 and 1	70	1,259	(1,329)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-		-
New assets originated or purchased	129,628	4,164	1,701		135,492
Net new disbursement/ loan payments	(46,985)	(4,098)	(2,470)		(53,552)
Write-offs	-	-	(745)		(745)
FX and other movements	(10,957)	(635)	(690)		(12,283)
Translation differences	22,827	1,250	1,196		25,273
Total	**432,231**	**24,219**	**21,526**	**0**	**477,974**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**

Notes to the consolidated financial statements as at and for the year ending December 31, 2022

(All amounts in '000 Eur unless otherwise stated)

35. Loans to customers from financial operations (continued)

	3,747	2,488	10,361	-	16,596
Loss allowance as at **1 January 2021**					
Movements with profit or loss impact					-
Transfers:					-
Transfers from Stage 1 to Stage 2 and 3	(123)	112	11	-	-
Transfers from Stage 2 to Stage 1 and 3	1,355	(1,621)	265	-	(1)
Transfers from Stage 3 to Stage 1 and 2	27	185	(212)	-	-
New financial assets originated or purchased	818	87	1,152	-	2,057
Changes in PDs/LGDs/EADs	(282)	(217)	(548)	-	(1,047)
Write-offs	-	-	(1,699)	-	(1,699)
Translation differences	41	27	113	-	181
Total net profit or loss charge during the period	**1,836**	**(1,427)**	**(918)**	-	**(509)**
Other movements with no profit or loss impact	(1,320)	707	931	-	318
Derecognised during the period	-	-	-	-	-
Loss allowance as at December 31, 2021	**4,263**	**1,768**	**10,374**	**-**	**16,405**

Changes in the gross carrying amount of loans and advances to customers during the period which contributed to changes in the loss allowance is presented in below table:

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at **1 January 2021**	275,617	21,200	25,413	-	322,228
Transfers:					
Transfer from Stage 1 to Stage 2 and 3	(11,114)	10,601	514	-	-
Transfer from Stage 2 to Stage 1 and 3	10,472	(12,091)	1,620	-	-
Transfer from Stage 3 to Stage 2 and 1	68	661	(728)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New assets originated or purchased	101,193	1,273	1,928	-	104,395
Net new disbursement/ loan payments	(34,146)	(4,360)	(7,516)	-	(46,022)
Write-offs	-	-	(872)	-	(872)
FX and other movements	3,614	176	270	-	4,060
Total	**345,703**	**17,460**	**20,627**	**-**	**383,789**

(All amounts in '000 Eur, unless otherwise stated)

36. Prepayments and deferred expenses

Prepayments and deferred expenses as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Deferred expenses	3,449	5,152
Lease agreement incentive (lessor)	10,530	8,025
Other prepayments	8,411	7,726
Total	**22,390**	**20,903**
Current portion	*7,781*	*11,111*
Non-current portion	*14,609*	*9,793*

Deferred expenses include deferred expenses for construction works for the year 2022 at 3,076 thousand Eur (2021: 1,744 thousand Eur).

Lease agreement incentive relates to bonuses of long-term up-front cash payments, TEG, QTU and EGM in the role of lessor toward related clients for the purpose of negotiation of a new lease agreement. The subsidiaries have entered in the long-term agreement and the aggregate cost of incentives is recognized as a reduction of rental income over the lease term, on a straight-line basis.

Other prepayments relate to prepayments to supplier for purchases, prepayments for PPE, prepaid fees from facility agreements, prepayment of maintenance service for servers and softwares.

37. Trade receivables and other receivables

Trade and other receivables as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Trade receivables	33,341	24,663
Other receivables	20,964	10,138
Total	**54,305**	**34,801**

The major components of trade receivables as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Trade receivables from third parties	34,742	25,881
Trade receivables from JVs and associates	122	3
Less: allowance for expected credit losses	(1,464)	(1,204)
Translation differences	(59)	(17)
Total trade receivables from third parties, net	**33,341**	**24,663**

Set out below is the movement in the allowance for expected credit losses of trade receivables from third parties:

	2022	2021
As at January 1	1,204	**1,407**
Provision for expected credit losses	238	120
Reverse of provision for doubtful accounts	(6)	(221)
Write-offs	(6)	(114)
Translation difference	34	12
As at December 31	**1,464**	**1,204**

37. Trade receivables and other receivables (continued)

(All amounts in '000 Eur, unless otherwise stated)

The Group categorizes its trade receivables based on the ageing and recognizes lifetime expected credit losses for receivables by assessing future cash flows for each group of trade receivables applying to the receivables held at year end.

Ageing bucket	December 31, 2022	December 31, 2021
0 - 30 days	14,973	13,894
31 - 60 days	6,672	1,934
61 - 90 days	3,983	695
91 - 180 days	3,374	1,493
Over 180 days	4,339	6,648
Total	**33,341**	**24,664**

The balances aged over 90 days are derived mainly from the real estate sector where the ownership title of the property is transferred only when all payments are collected therefore these balances are indirectly secured and with lower credit risk. Moreover, the Group engages into relationships that are usually cleared at the end of the construction of the project despite categorizing the receivable in an age bucket of greater than 90 days, the receivable is not yet due. The effect of delays in payment are not material to the group, whereas the non-collection risk remains low.

The major components of other receivables as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Accruals and other receivables	6,764	1,963
Advance payments	5,861	2,587
Other receivables from customers of fin. op.	3,292	3,854
Tax receivables	3,029	1,030
Other debtors, net	1,013	704
Other assets (finance operations)	1,006	-
Total	**20,964**	**10,138**

38. Cash and due from banks

The major components of cash and short-term deposit as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Non-financial Sector		
Cash at banks	50,204	41,595
Short term deposits	2,709	14,911
Cash on hand	1,744	1,515
Cash in transit	1,186	671
Restricted cash	31	969
Total	**55,874**	**59,661**
Financial Sector		
Compulsory reserve with Central Bank	64,357	53,558
Balances with Central Bank	-	3,890
Loan and advances to banks	6	16,901
Total	**64,363**	**74,349**
Total cash	**120,237**	**134,010**

(All amounts in '000 Eur, unless otherwise stated)

38. Cash and due from banks (continued)

As at December 31, 2022 and 2021, the Group classified as cash and cash equivalents the current deposits with an intended maturity of less than 3 months.

Restricted cash relates to guarantees placed by a number of subsidiaries for operations in regulated industries like the energy.

For the purpose of Cash Flow Statement, cash and cash equivalent comprises as follows:

	December 31, 2022	December 31, 2021
Non-Financial Sector	55,843	58,692
Financial Sector (excluding compulsory reserve)	6	20,791
Total cash and cash equivalents	**55,849**	**79,483**

39. Other Assets

	December 31, 2022	December 31, 2021
Long term guarantees	1,470	-
Guarantee deposits	3,096	-
Net investment on sublease, finance lease	446	-
Total	**5,012**	**-**

Gurarantee deposits are related with guarantee given to original landowners for construction projects under development.

40. Share capital and other reserves

The total number of ordinary shares at December 31, 2022 was 100 shares (2021: 100 shares) with a par value of Eur 241,410 per share. All issued shares are fully paid.

Other reserves as at December 31, 2022 and 2021 are comprised mainly of legal and other reserves as disclosed below:

	Legal reserve	Other reserves	Total
Balance as at 1 January 2021	**11,297**	**2,698**	**13,995**
Release of reserve to retained earnings			
Transfer from retained earnings to other reserves	265	(972)	(707)
Balance as at 31 December 2021	**11,562**	**1,726**	**13,289**
Transfer from retained earnings to other reserves	**-**	**3,715**	**3,715**
Balance as at 31 December 2022	**11,562**	**5,441**	**17,003**

Other reserve are generally equity reserves created by individual subsidiaries, typically in line with respective local legislation, to allocate profit of the year to internal investment plans rather than held for dividend distribution. Other reserves are generally voluntary and unrestricted and can be directly distributed as dividends or transferred back to retained earnings.

Legal reserves relate to the regulatory requirments on the legal reserves for the bank operations of the Group. These reserves are restricted for distribution and are assessed in terms of regulatory capital requirements.

(All amounts in '000 Eur, unless otherwise stated)

41. Interest-bearing borrowings

The major components of interest-bearing loans and borrowings as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Loans from financial institutions	114,063	132,256
Loans from third parties	4,565	19,517
Overdrafts	1,138	3,792
Loans from JV and associates	0	24
Other financial liabilities from shareholders	0	211
Other financial liabilities	6	8
Accrued interest	32	70
Total	**119,804**	**155,878**
Non-current portion	30,467	67,349
Current portion	89,337	88,529

Other financial liabilities are mainly comprised of amounts from shareholder of certain subsidiaries, those held with partners.

Loans from financial institutions for the year ended on December 31, 2022 are detailed as follows:

December 31, 2022

Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Loans	1.30%	7.48%	27/01/2023	15/03/2032	114,063
Overdraft	1.75%	5.70%	12/01/2023	31/12/2023	1,138
					115,201

Loans from financial institutions for the year ended on December 31, 2021 are detailed as follows:

December 31, 2021

Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Loans	1.00%	8.00%	11/02/2022	15/03/2032	139,817
Overdraft	3.00%	6.00%	31/01/2022	31/07/2022	4,009
				Total	**143,826**

(All amounts in '000 Eur, unless otherwise stated)

42. Due to customers and banks in financial operations

	December 31, 2022	December 31, 2021
Corporate customers		
Current accounts	98,295	85,059
Term deposits	23,008	22619
Other deposits	25,435	20,819
	146,738	**128,497**
Retail customers		
Current / Savings accounts	237,394	224,398
Term deposits	365,998	296,959
Other deposits	1,486	4,967
	604,878	**526,324**
Due to banks		
Current accounts due to banks	377	1,174
Borrowings	33,955	6,203
	34,332	**7,377**
Accrued interest	1,985	1,106
Total	**787,933**	**663,304**
Current portion	*615,552*	*544,074*
Non-current portion	*172,381*	*119,230*

The below interest rates are applied on Customer Deposits for the year 2022:

	Saving accounts:		Term deposits	
Currency	**Minimum**	**Maximum**	**Minimum**	**Maximum**
LEK	0.00%	0.30%	0.20%	5.00%
USD/EUR	0.00%	0.25%	0.10%	4.00%

43. Provisions

The major components of provisions as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Operational risk provisions from finance operations	1,408	1,285
Provision for tax audits and other legal cases	1,360	261
Expected credit losses from off balance sheet items	492	386
Provision for restoration and decommissioning	311	1,889
Post- employment benefits	214	46
Other provision	33	26
Total	**3,818**	**3,893**
Current portion	*1,606*	*334*
Non-current portion	*2,212*	*3,559*

(All amounts in '000 Eur, unless otherwise stated)

43. Provisions (continued)

As at December 31, 2022 and 2021, movements in other provisions are set out below:

	2022	2021
As at January 1	**3,894**	**7,227**
Release of provision due to NFN sale		
Alba Trade increase in opening balances		
Provision (release)/built for restoration and decommissioning	84	(1,532)
Provision / (release) built for employee benefits	112	(1,325)
Provision / (release) for off balance sheet items	-	(799)
Provision / (release) for tax audits and other legal cases	-	(303)
Provision / (release) operational risk	93	450
Provision / (release) other benefits	(81)	-
Translation differences	(285)	176
Total	**3,818**	**3,894**

Provision for Restoration and decommissioning

The provision recovery from NFN sale has been previously recognized according to local legislation requirements for the obligation to restore the mining area to its previous condition. Alba Trade provisions are related to litigation cases and employee benefits.

44. Trade payables and other payable

The major components of trade payables and other payables as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Trade payables	72,147	82,216
Other payables	23,473	24,459
Total	**95,620**	**106,675**

The major components of trade payables as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Trade payables third parties	71,732	81,405
Trade payables to JV and associates	415	811
Total	**72,147**	**82,216**

(All amounts in '000 Eur, unless otherwise stated)

43. Trade payables and other payable (continued)

The major components of other financial liabilities as at December 31, 2022 and 2021 are:

	December 31, 2022	December 31, 2021
Non-current		
Guarantee received	1,176	877
Obligations under finance leases	332	0
Government grants	166	193
Other liabilities	0	2
	1,674	**1,072**
Current		
Accrued expenses	6,107	3,404
Other liabilities related to suspense accounts	7,319	11,995
Tax liabilities	4,928	3,244
Other payables to third parties	1,127	837
Prepayments received	854	2,338
Deferred revenue (other than CL)	703	755
Other payables to related parties	301	434
Payable to employees	294	380
Obligations under finance leases	166	0
	21,799	**23,387**
Total	**23,473**	**24,459**

Tax liabilities are mainly comprised of taxes payable for employee contributions, VAT payable, custom taxes.

Accrued expenses relate to accruals for purposes of the result of previous tax audits.

45. Subordinated debt

	31-Dec-22	31-Dec-21
Subordinated debt	14400	5,000
Accrued interest	50	28
Total	**14450**	**5,028**

Upon approval from Albanian Financial Supervisory Authority ("AMF") on 26 March 2021, Tirana Bank has issued a bond by private offering in the form of subordinated debt. During 2022, the bank has issued subordinated two other bonds amounting in total 9.5 million EUR. The underlying bonds has a maturity of 7- years with a fixed interest rate ranging from 3.30% to 3.8% per annum, payable semi-annually. Bank of Albania has approved the inclusion of subordinated debt as part of Regulatory Capital -Tier 2, while the last trench issued in December 2022 of 4.4 million Eur will be included in Tier 2 on January 2023.

46. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Management Board oversees the management of these risks. Every 6 months year end, each member of the Management Board performs a review of the risk management report, respective for each segment identified as described in note 11. The Management Board performs the review and advises on financial risks, mitigation plan and the appropriate financial risk governance framework for the Group. The Group's Management Board reviews and agrees policies for managing each of these risks, which are summarized below.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and other current and non-current financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings and through cross border borrowings, obtaining credit lines by countries that provide lower risk rates.

Interest rate sensitivity

As at December 31, 2022 and 2021 the sensitivity of variable loans and borrowings to a reasonably possible change of the interest rate by 1%, with other variables held constant, the Group's profit before tax is affected respectively by Eur 1,541 thousand (2021: Eur 1,304 thousand).

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

As a result of the international markets and business activities Balfin Group is involved into, the Group is exposed to potential foreign currency risk and asset – liability mismatches resulting from the day to day commercial opportunities. The currency gap is closely monitored to strengthen the financial position of the Group and minimize the effect on the financial statements. In order to mitigate the effect of currency divergences, each financing is oriented towards attaining a minimization effect of the differences of payables versus receivables. In this regard, each new exposure is subject to an assessment analysis for all financial parameters including hidden costs to estimate the possible effect on the net outcome expected from the main currencies in use for performed sales and purchases. To efficiently manage the currency risk, the Group's main financing are driven towards the same currency that the sales are performed while taking in deep consideration the effective applicable interest rate and the main incurred cost.

The main financing the Group is exposed to are USD and EUR currencies which actually bear low interest rates and at the same time they are the main currencies in use for the respective individual companies for sales as well as purchases performed. In addition, to optimize costs, the Group also target forward sale contract to hedge the projected cash flow, whenever the estimated results would give a positive impact.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in EUR and USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in rate	Effect on profit before tax
2022		
Euro	5% / (5%)	(9,352) / 9,352
USD	5% / (5%)	(1,763) / 1,763
MKD	5% / (5%)	(409) / 409
BAM	5% / (5%)	(603) / 603
2021		
Euro	5% / (5%)	(2,413) / 2,413
USD	5% / (5%)	347 / (347)
MKD	5% / (5%)	(615) / 615
BAM	5% / (5%)	(274) / 274

45. Financial risk management (continued)

b) Credit risk

i. Non-finance operations

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is managed by the Group by assessing parties' creditworthiness when entering into a contractual relationship and continuously monitoring the ageing of receivables and impairment indicators. With respect to credit risk arising from other financial assets of the Group, which comprises of other receivables, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group obtains monthly reports and follows up on their collection within normal collection cycle of 30-60 days.

c) Trade receivables and contract assets

Customer credit risk is managed by each individual Group company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is carefully assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group does not hold collateral as security, however the transfer of ownership of assets during the sale of real estate occurs only when the full contract balance has been paid, therefore receivables and contract assets deriving from real estate sector are indirectly secured.

At 31 December 2022, 24% (2021: 41%) of the Groups trade receivables are covered by such indirect credit securitization.

d) Interest bearing loans given

An impairment analysis is performed individually for each significant exposure, with the allowance being booked as the shortfall between the contractual cash flows and the expected cash flows both discounted with the effective interest rate. Historically the Group has not had any significant losses from interest bearing loans given except for time value of money which has been insignificant.

ii. Financial Operations

Credit risk for the financial operation is the risk of loss, arising from the potential failure of counterparty to meet its contractual obligations. Credit risk is the most material risk for the group requiring the major part of the minimum capital and it mainly derives from lending activities (loans and advances) to customers and investments in debt securities as presented in its structure of the balance sheet. On and off-balance sheet exposures are analyzed in terms of the possible loss they can produce and provisioned accordingly as per the documented provisioning methodologies approved by the Management Board. The Group's Corporate Governance principles ensure proper allocation of responsibility and accountability based on the risk origination, aiming to align the risk-taking process with the risk appetite.

45. Financial risk management (continued)

Credit risk measurement

The procedures described below relate to credit risk measurements for operational purpose as well as for reporting under Bank of Albania regulation and IFRS. Impairment losses on loans to customers from financial operations for financial reporting are determined based on the procedures described in Note 2.3

(a) Loans to customers from financial operations

In measuring credit risk of loan to customers from financial operations and to banks at a counterparty level, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the loss given default').

The Group assesses the probability of default of individual business counterparties based on a mapping between the probabilities of default and the internal rating of the customer Business customers are grouped into five main categories containing customers with ratings representing similar credit risk characteristics.

Internal ratings scale

Bank's rating	Description of the grade	Bank's rating	Description of the grade
A	Investment Grade	D	Substandard
B	Standard	E	Doubtful and Loss
C	Special Monitoring		

Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills

For debt securities and other bills, the risk department for managing of the credit risk exposures uses ratings depending on the issuer. The investments in investments in Albanian Government Bonds and

Treasury Bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries. The Group's financial sector structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

45. Financial risk management (continued)

Measurement of Expected Credit Losses (ECL)

The Group is required to measure expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

Timing of Expected Credit Losses measurement

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

In case, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses should be measured.

Issues related to Expected Credit Losses calculation

De-recognition

Before evaluating whether, and to what extent, de-recognition is appropriate, the Group determines whether de-recognition should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety, as follows:

The Group shall derecognize a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset and the transfer qualifies for de-recognition.

On de-recognition of a financial asset in its entirety, the difference between:

a) the carrying amount (measured at the date of de-recognition) and

b) the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

POCI (purchased or originated credit-impaired financial assets)

For purchased or originated credit-impaired financial assets, expected credit losses shall be discounted using the credit-adjusted effective interest rate determined at initial recognition.
At the reporting date, the Group shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

At each reporting date, the Group shall recognize in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss.

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Collectively vs individually

In order to meet the objective of recognizing lifetime expected credit losses for significant increases in credit risk since initial recognition, it may be necessary to perform the assessment of significant increases in credit risk on a collective basis by considering information that is indicative of significant increases in credit risk on, for example, a group or sub-group of financial instruments.

For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, the Group groups the financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The Group should not obscure this information by grouping financial instruments with different risk characteristics.

Probability-weighted outcome

The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset:

	Carrying amount as at December 31, 2022	Carrying amount as at December 31, 2021
Financial assets at FV through OCI and AC	433,931	303,984
Loans to customers from financial operations	460,584	367,156
Trade receivables	54,304	34,802
Cash and due from banks	117,306	131,823
Interest-bearing loans given	46,630	2,749
Contract assets	4,110	3,407
Prepayments	7,781	11,111
Total assets	**1,124,647**	**855,031**

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Credit Quality

The below tables show information about the credit quality of Financial Assets measured at AC:

	As at December 31, 2022				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to customers from financial operations					
Standard	431,978	15,190	825	-	447,993
Special monitoring	253	9,029	2,520	-	11,802
Substandard	-	-	5,685	-	5,685
Doubtful and Lost	-	-	12,493	-	12,493
Total Gross Balances	**432,231**	**24,219**	**21,523**	**-**	**477,973**
Standard	3,810	1,002	178	-	4,989
Special monitoring	2	1,594	749	-	2,346
Substandard	-	-	1,964	-	1,964
Doubtful and Lost	-	-	8,090	-	8,090
Total Allowance	**3,812**	**2,596**	**10,980**	**-**	**17,389**
Balances Net of Impairment	**428,419**	**21,623**	**10,543**	**-**	**460,584**
Due from banks					
Standard	**38,252**	**-**	**-**	**-**	**38,252**
Total Gross Balances	**38,252**	**-**	**-**	**-**	**38,252**
Standard	0	-	-	-	0
Total Allowance	**0**	**-**	**-**	**-**	**0**
Balances Net of Impairment	**38,252**	**-**	**-**	**-**	**38,252**
Cash and Balances with Central Bank					
Standard	127,467	-	-	-	127,467
Total Gross Balances	**127,467**	**-**	**-**	**-**	**127,467**
Standard	1	-	-	-	1
Total Allowance	**1**	**-**	**-**	**-**	**1**
Balances Net of Impairment	**127,466**	**-**	**-**	**-**	**127,466**
Total Gross Balance	**597,950**	**24,219**	**21,523**	**-**	**643,692**
Total Allowance	**3,813**	**2,596**	**10,980**	**-**	**17,390**
Total Balances Net of impairment	**594,137**	**21,623**	**10,543**	**-**	**626,303**

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

The below tables show information about the credit quality of Financial Assets measured at AC:

	As at December 31, 2021				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to customers from financial operations					
Standard	340,324	11,421	1,144	-	**352,889**
Special monitoring	5,378	6,038	2,408	-	**13,825**
Substandard	-	-	4,682	-	**4,682**
Doubtful and Lost	-	-	12,393	-	**12,393**
Total Gross Balances	**345,702**	**17,460**	**20,627**	**-**	**383,789**
Standard	3,388	563	353	-	**4,304**
Special monitoring	934	1,230	642	-	**2,806**
Substandard	-	-	1,522	-	**1,522**
Doubtful and Lost	-	-	8,001	-	**8,001**
Total Allowance	**4,322**	**1,793**	**10,518**	**-**	**16,633**
Balances Net of Impairment	**341,380**	**15,667**	**10,109**	**-**	**367,156**
Due from banks					
Standard	16,902	-	-	-	**16,902**
Total Gross Balances	**16,902**	**-**	**-**	**-**	**16,902**
Standard	1	-	-	-	**1**
Total Allowance	**1**	**-**	**-**	**-**	**1**
Balances Net of Impairment	**16,901**	**-**	**-**	**-**	**16,901**
Cash and Balances with Central Bank					
Standard	57,448	-	-	-	**57,448**
Total Gross Balances	**57,448**	**-**	**-**	**-**	**57,448**
Standard	-	-	-	-	**-**
Total Allowance	**-**	**-**	**-**	**-**	**-**
Balances Net of Impairment	**57,448**	**-**	**-**	**-**	**57,448**
Total Gross Balance	**420,052**	**17,460**	**20,627**	**-**	**458,139**
Total Allowance	**4,323**	**1,793**	**10,518**	**-**	**16,634**
Total Balances Net of impairment	**415,729**	**15,667**	**10,109**	**-**	**441,505**

The impairment provision shown in the balance sheet at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from bottom two grades. The table below shows the percentage of the Bank's on-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Bank's rating

	As at December 31, 2022		As at December 31, 2021	
	Loans and advances (%)	Impairment provision level (%)	Loans and advances (%)	Impairment provision level (%)
Investment Grade	-	-	-	-
Standard	93.74	1.11	92.03	1.21
Special monitoring	2.46	19.88	3.57	20.30
Sub-standard	1.19	34.54	1.21	32.52
Doubtful and Loss	2.61	64.76	3.20	64.56
Total	**100**	**3.63**	**100**	**4.29**

Notes to the consolidated financial statements as at and for the year ending December 31, 2022

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements in 2022:

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Gross	Allowance for impairment	Carrying amount
Financial Sector						
Loans to customers from financial operations	401,109	57,814	19,904	478,827	(17,389)	461,438
Financial assets at fair value through OCI	214,581	-	-	214,581	-	214,581
Due from banks	38,252	-	-	38,252	-	38,252
Cash and balances with Central Bank	64,363	-	-	64,363	-	64,363
	718,305	**57,814**	**19,904**	**796,022**	**(17,389)**	**778,634**
Non-Financial Sector						
Trade receivables	28,193	19,982	6,190	54,365	(60)	54,304
Interest-bearing loans given	46,630	-	207	46,837	(207)	46,630
Financial assets at amortized cost	433,931	-	-	433,931	-	433,931
Contract assets	4,110	-	-	4,110	-	4,110
Cash and cash equivalents	120,238	-	-	120,238	-	120,238
	633,101	**19,982**	**6,397**	**659,481**	**(267)**	**659,214**
Total	**1,351,406**	**77,796**	**26,301**	**1,455,503**	**(17,656)**	**1,437,847**

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements in 2021:

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Gross	Allowance for impairment	Carrying amount
Financial Sector						
Loans to customers from financial operations	329,942	37,657	16,190	383,789	(16,633)	367,156
Financial assets at fair value through OCI	301,381	-	-	301,381	-	301,381
Due from banks	16,902	-	-	16,902	(1)	16,901
Cash and balances with Central Bank	57,448	-	-	57,448	-	57,448
	705,673	**37,657**	**16,190**	**759,520**	**(16,634)**	**742,886**
Non-Financial Sector						
Trade receivables	21,772	12,463	1,400	35,636	(834)	34,802
Interest-bearing loans given	2,748	-	206	2,954	(205)	2,749
Financial assets at amortized cost	2,603	-	-	2,603	-	2,603
Contract assets	3,407	-	-	3,407	-	3,407
Cash and cash equivalents	57,474	-	-	57,474	-	57,474
	88,005	**12,463**	**1,606**	**102,074**	**(1,039)**	**101,035**
Total	**793,677**	**50,120**	**17,796**	**861,594**	**(17,673)**	**843,921**

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

	2022	2021
Credit risk exposures relating to off-balance sheet items are as follows:		
Loans Commitment	76,459	55,191
Letters of Guarantees	18,168	9,687
Letters of Credit	6,731	964
At 31 December	**101,358**	**65,842**

The above tables represent a worst-case scenario of credit risk exposure to the Bank at December 31, 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 96.20 % of the loans and advances portfolio is 99 categorized in the top two grades of the internal rating system (2021: 95.6%);
- Loans to SMEs, which represents the biggest group in the portfolio, are backed by collateral;
- 83.77 % of the loans and advances portfolio are considered to be neither past due nor impaired (2021: 86.11%); and
- The Bank has introduced a more stringent selection process upon granting loans and advances.

Liquidity risk

Liquidity risk from non-finance operations

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources, mainly in order to settle its operating expenses incurred on its ordinary activity as well as to repay its debt. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Following the high degree of concentration in the retail industry in the Group composition, short term liabilities are due to working capital operational needs. The Group has the ability to meet its short-term obligations with its most liquid assets. The

Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Liquidity risk from finance operations

The liquidity risk of the Group's financial operations is managed separately from the rest of the Group's operations.

Liquidity risk arises in the general funding of the Group's finance operations and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates (funding risk) and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate period to meet the liability obligations (market liquidity risk).

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

Funds are raised using a broad range of instruments. The management of Group's finance operations makes its best efforts to maintain a balance between continuity of funding and flexibility using liabilities with a range of maturity. In addition, the Group's finance operations hold a portfolio of liquid assets as part of its liquidity risk management strategy. The levels of these indicators are communicated on a daily basis to the persons in charge of the appropriate departments, and the comments, as well as the respective estimates, are included in the reporting package for the members of the Assets and Liabilities Management Committee ("ALCO").

For liquidity purposes, the Group's finance operations classify demand and saving deposits as due on demand and maturing within one month. As a result, the remaining maturity liquidity gap of up to twelve months is increased. However, various stress tests are performed to confirm the ability to cover with liquidity any possible severe situation of deposits withdrawal.

Group's finance operations are regulated by Bank of Albania (BoA), for which the finance operations shall report periodically. The Group is not affected by such reports, nor does it fall in the category where its activities shall be regulated by BoA. However, the Group is required to abide to restrictions imposed by BoA on credit risk concentration within the Group.

For the liquidity risk of non-finance operations of the Group please refer below:

As at December 31, 2022	**Carrying amount**	**less than 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**
Interest-Bearing Borrowings	119,803	4,474	34,652	50,386	30,291
Lease liabilities	37,838	2,344	5,784	28,430	1,281
Trade payables	95,602	38,066	53,199	4,336	-
Income tax payable	1,167	1,147	19	-	-
Dividend Payable	914	112	802	-	-
Total Liabilities	**255,324**	**46,144**	**94,456**	**83,153**	**31,571**

As at December 31, 2021	**Carrying amount**	**less than 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**
Interest-Bearing Borrowings	155,879	13,611	53,739	59,325	29,204
Lease liabilities	40,221	1,751	6,504	16,327	15,639
Trade payables	106,734	63,721	41,941	1,072	-
Income tax payable	1,641	1,544	97	-	-
Dividend Payable	13,090	13,090	-	-	-
Total Liabilities	**317,565**	**93,717**	**102,281**	**76,724**	**44,843**

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

The liquidity risk note of finance operations of the Group as follows:

As at December 31, 2022	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Years	Total
Assets liquidity						
Cash and balances with the Central Bank	64,363	-	-	-	-	64,363
Due from banks	38,252	-	-	-	-	38,252
Loans and advances to customers, net	18,383	34,068	171,619	112,459	124,054	460,584
Financial assets at FVOCI	13,166	29,341	29,869	91,682	50,923	214,981
Financial assets at AC	28,081	8,892	28,952	18,421	47,846	132,191
Other assets	3,295	-	-	-	-	3,295
Total financial assets	**165,539**	**72,301**	**230,440**	**222,562**	**222,823**	**913,665**
Liabilities liquidity						
Due to banks	34,331	-	-	-	-	34,331
Due to customers	398,568	82,959	200,802	169,958	2,671	854,959
Subordinated debt	-	-	-	-	14,450	14,450
Other Liabilities	8,927	-	1,157	2,023	-	12,107
Loan commitments	18,684	-	41,745	-	16,030	76,459
Letters of Guarantees	973	5,693	11,502	-	-	18,168
Letters of Credit	6,731	-	-	-	-	6,731
Total financial liabilities	**468,214**	**88,652**	**255,206**	**171,982**	**33,151**	**1,017,205**
Net liquidity gap	**(302,675)**	**(16,351)**	**(24,765)**	**50,580**	**189,672**	**(103,540)**

(All amounts in '000 Eur, unless otherwise stated)

45. Financial risk management (continued)

The liquidity risk note of finance operations of the Group as follows:

As at December 31, 2021	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Years	Total
Assets liquidity						
Cash and balances with the Central Bank	57,448	-	-	-	-	**57,448**
Due from banks	16,901	-	-	-	-	**16,901**
Loans to customers from financial operations	24,641	25,941	91,961	79,435	145,179	**367,156**
Investment Securities at FVOCI	7,487	30,098	44,093	68,234	151,469	**301,381**
Other assets	4,583	-	-	-	-	**4,583**
Total financial assets	**111,060**	**56,039**	**136,054**	**147,669**	**296,648**	**747,469**
Liabilities liquidity						
Due to customers and banks from finance op.	351,248	40,884	151,835	116,518	2,577	**663,062**
Lease liabilities	-	-	1,345	2,649	-	**3,994**
Other liabilities	13,418	-	-	-	-	**13,418**
Subordinated debt	-	-	-	-	5,028	**5,028**
Loan commitments	607	219	40,130	11,792	2,444	**55,191**
Letters of Guarantees	9,687	-	-	-	-	**9,687**
Letters of Credit	964	-	-	-	-	**964**
Total financial liabilities	**375,924**	**41,103**	**193,310**	**130,959**	**10,049**	**751,344**
Net liquidity gap finance operations	**(264,864)**	**14,936**	**(57,256)**	**16,710**	**286,599**	**(3,875)**

All customer current accounts arising from Group's finance operations are included in liabilities maturing less than one month. Current accounts are classified as such due to their contractual terms, however these balances are measured by the bank management on a systematic basis based on prior history and expectations and the actual gap is far less than the shown as negative gap on tenors less than one month. Any issue arising from liquidity mismatch is managed through inter-bank activity (borrowing, lending) within the pre-approved credit lines.

The Bank manages its liquidity risk and position independently from the Group in line with the applicable regulatory framework and is compliant with liquidity ratios imposed by the regulators.

(All amounts in '000 Eur, unless otherwise stated)

47. Fair value of financial assets and liabilities

The management assessed for non-financial sector that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing loans and borrowings, other financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Interest bearing loans and borrowings

The carrying value does not materially differ from the fair value because the carrying interest rates approximate the market interest rate as at December 31, 2022 and 2021.

The management assessed for financial operations the carrying amounts and fair values of those financial assets and liabilities of the financial sector which are presented in the statement of the financial position at their fair value. The only instruments carried at fair value are investment securities valued under level 1 and 2 as per IFRS 13 and the respective carrying amount is Eur 68,428 thousand (2021: Eur 83,941 thousand) and Eur 146,553 thousand (2021: Eur 171,169 thousand).

48. Commitments and contingencies

Litigation and claims

On the reporting date, the Group is not involved in any material outstanding legal claims and litigations. On the basis of its own estimates and both internal and external professional advice, the Group's management is of the opinion that no material losses will be incurred in excess of provisions that have been made to these consolidated financial statements.

Operating lease commitments – Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and rental area in the shopping centers. These leases have terms of between 5 and 15 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at December 31, are, as follows:

	2022	**2021**
Within one year	11,694	12,391
After one year but not more than five years	46,775	49,564
More than five years	-	-
Total	**58,469**	**61,956**

The Group has entered into collateral agreements with banks and guarantees with third parties during 2022 and 2021 as follows:

Collaterals:	**December 31, 2022**	**December 31, 2021**
Land and buildings	114,951	219,130
Property and equipment	71,171	97,147
Inventory	6,491	5,819
Trade receivables	1,036	2,012
Total	**193,650**	**324,108**

As at December 31, 2022 and 2021, the pledged inventory is offered as collateral on working capital financing lines in order to cover 130% the financing exposure.

(All amounts in '000 Eur, unless otherwise stated)

47. Commitments and contingencies (continued)

Pledge on inventories of the Group companies are in compliance with financing terms and conditions from financing institutions for revolving financing lines and for long-term financing. As per Bank financing terms, the inventory pledged is reviewed and evaluated on yearly bases as per Banks financing review on limit rollover. Depending on the financing terms, the pledge on inventory secures a single facility limit or might also consist in cross collateral and cross default with different limits financed from a bank.

The Group's finance operations grants letter of credits and guarantees to its customers, which would require the Group to make payments if the clients default in settling their liabilities toward third parties. Credit commitments comprise contractual commitments to grant loans and advances up to the set limit within certain time frames and repayment terms. These are recorded as Loans to customers from financial operations when committed funds are disbursed to the customers.

Contingencies and commitments as at December 31, 2022 and 2021 are composed of the following:

	As at December 31, 2022	As at December 31, 2021
Granted		
Loan commitments	76,459	55,191
Letters of Guarantees	18,168	9,687
Letters of Credit Received	6,731	964

(All amounts in '000 Eur, unless otherwise stated)

49. Related party disclosures

Note 5 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. Payment terms for related parties are consistent with the Group policy for settlement between 30-60 days. Amounts due as at December 31, 2021 have been settled during the first quarter of 2021.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties	Compensation of ultimate controlling holder and close family members
Joint venture in which the parent is a venture:						
	2022	279	1,599	65	270	-
	2021	19	1,692	2	463	-
Associates:						
	2022	384	384	57	144	-
	2021	1	1,344	1	347	-
Ultimate Controlling Holder and close family members:						
	2022	153	-	247	582	211
	2021	9,373	25	3,500	-	221

(All amounts in '000 Eur, unless otherwise stated)

48. Related party disclosures (continued)

Compensation of key management personnel of the Group

Expenses	2022	2021
Salary, compensations and social and health contributions	732	697
Bonus payment	427	373
Total	**1,158**	**1,070**

50. Events after the reporting year

The Group has no material events subsequent to the date of the statement of financial position that have occurred and require disclosure in the consolidated financial statements.