

ANNUAL REPORT

BALFIN GROUP

CONSOLIDATED FINANCIAL STATEMENTS

[As at and for the year ended december 31, 2024]

Balfin Group
Consolidated Financial Statements
as at and for the year ended December 31, 2024

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Independent Auditor's Report

To the Shareholders of "Balfin – Balkan Finance Investment Group Sh.p.k."

Opinion

We have audited the consolidated financial statements of "Balfin – Balkan Finance Investment Group Sh.p.k." (hereinafter referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the 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 financial position of the Group as at 31 December 2024, and its financial performance and its 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Report on Other Information Included in the Group's Annual Report

Other information consists of the information included in the Group's Annual Report for the year 2024, prepared in accordance with Articles 17, 18, 19, 20 of Law No. 25/2018 "On Accounting and Financial Statements", other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's Annual Report for the year 2024 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 the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (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.

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 skepticism 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.

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

Mediana Kooli, FCA



Grant Thornton sh.p.k.

Tirana, Albania

31 July 2025



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Consolidated statement of profit or loss for the year ending December 31, 2024
(All amounts in '000 Eur, unless otherwise stated)

	Notes	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Revenue from contracts with customers	12	525,411	592,447
Rental income	13	31,700	26,850
Cost of sales	15	(333,164)	(403,298)
Gross Profit from Non-Financial Operations		223,947	215,999
Net interest income from financial operations	14	56,735	46,323
Gross profit		280,682	262,322
Other operating income	21	6,018	5,144
Selling and distribution expenses	16	(14,636)	(14,686)
Administrative and other operating expenses	17	(42,417)	(39,323)
Employee expenses	19	(62,464)	(56,378)
Depreciation and amortization expenses	20	(23,373)	(25,177)
Expected credit losses	18	(5,732)	(4,370)
Operating profit		138,078	127,532
Gain on bargain purchase		-	302
Finance costs	22	(16,268)	(25,111)
Finance income	23	5,229	4,235
Gain / (Loss) on sale of subsidiary	7	-	2,112
Share of profit of an associate and a JV	30	667	497
Profit before tax		127,706	109,567
Income tax expense	24	(12,313)	(11,103)
Deferred tax expense	24	(10,611)	(8,380)
Profit for the year		104,782	90,084
Profit / (Loss) from discontinued operations	7	8,556	(1,325)
Profit for the year		113,338	88,759
Profit of the year attributed to:			
Owners of the parent		105,678	82,372
Non-controlling interest		7,660	6,387
		113,338	88,759

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 102.

Elina Xekaj

Blume Jekaj

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Balfin Group**Consolidated statement of other comprehensive income
for the year ending December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)*

	Notes	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Profit of the year		113,338	88,759
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences		(4,094)	(5,070)
Fair value on available-for-sale financial assets	25	6,646	12,545
Deferred tax related to FV loss recorded directly in OCI		(997)	(1,883)
Total comprehensive income		114,893	94,351
Total Comprehensive income of the year attributable to:			
Owners of the parent		107,376	88,159
Non-controlling interest		7,517	6,192
		114,893	94,351

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 102.



Blendi Jaku

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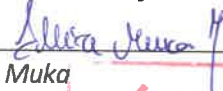
Balfin Group

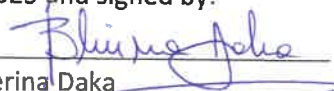
Consolidated statement of financial position as of December 31, 2024

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

	Notes	As at December 31, 2024	As at December 31, 2023
Assets			
Non-current assets			
Property, plant and equipment	26	45,876	53,149
Investment property	27	204,442	185,665
Right of use assets	28	39,061	49,821
Investments in associates and joint ventures	30	7,613	1,031
Investments in limited partnership	31	5,507	
Intangible assets	29	7,777	7,376
Financial assets	35	540,109	376,027
Equity instruments	36	1,093	845
Interest-bearing loans given	34	14,712	16,567
Loans to customers from finance operation long term	37	484,616	296,830
Inventory	32	71,690	70,378
Prepayments and deferred expenses	38	13,618	14,165
Other assets	41	3,453	6,384
Contract asset	12	170,896	70,616
Deferred tax assets	33	3,059	3,514
Total non-current assets		1,613,522	1,152,368
Current assets			
Inventory	32	132,910	111,089
Trade and other receivables	39	77,181	59,363
Contract assets	12	17,267	14,478
Interest-bearing loans given	34	22,451	27,093
Financial assets	35	223,252	244,288
Income tax receivable		4,766	3,292
Prepayments and deferred expenses	38	10,840	9,388
Loans to customers from finance operation short term	37	285,286	245,799
Cash and due from banks	40	151,973	131,892
Total current assets		925,926	846,682
Assets held for sale	7	60,259	-
Total assets		2,599,707	1,999,050

The consolidated financial statements are approved on June 27th, 2025 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 102.

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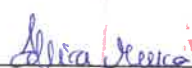
Balfin Group

Consolidated statement of financial position as of December 31, 2024

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

	Notes	As at December 31, 2024	As at December 31, 2023
Capital and reserves			
Share capital		24,241	24,241
Other capital and legal reserves	42	17,925	17,133
Retained earnings		530,824	432,328
Reserves		125,749	83,791
Equity attributable to equity holders of the parent		698,739	557,493
Non-controlling interests		30,630	26,236
Total equity		729,369	583,729
Non-current liabilities			
Deferred tax liabilities	33	21,208	9,499
Trade and other payables	46	2,448	2,252
Lease liabilities	28	29,826	38,779
Contract liabilities	12	130,793	66,578
Due to customers	44	168,494	175,172
Interest-bearing borrowings	43	97,943	93,743
Provisions	45	3,240	3,099
Subordinated debt	47	14,450	14,450
Total non-current liabilities		468,402	403,572
Current liabilities			
Provisions short-term	45	488	467
Contract liabilities	12	61,702	47,320
Interest-bearing borrowings	43	36,090	23,424
Lease liabilities	28	9,326	10,398
Income tax payable		914	543
Trade and other payables	46	115,379	110,905
Dividends payable		176	385
Total current liabilities		224,075	193,442
Due to customers	44	1,129,450	818,307
Liabilities directly associated with assets held for sale	7	48,411	-
Total liabilities		1,870,338	1,415,321
Total equity and liabilities		2,599,707	1,999,050

The consolidated financial statements are approved on June 27th, 2025 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 102.

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Balfin Group

Consolidated statement of changes in equity for the year ending December 31, 2024

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

	Note	Share capital	Legal and regulatory reserve	Other capital reserves	Foreign currency translation reserve	Fair value of reserves	Retained earnings	Total	Controlling Interest	Non-Controlling Interest	Total equity
Total equity as at 1 January 2023		24,241	11,562	5,441	48,372	(20,344)	355,017	424,289	28,710	452,999	
Profit for the year		-	-	-	-	-	82,372	82,372	6,387	88,759	
Other comprehensive income		-	-	-	43,917	10,661	-	54,578	-	54,578	
Total comprehensive income		-	-	-	43,917	10,661	82,372	136,950	6,387	143,337	
Dividend distributed		-	-	-	-	-	-	-	(8,094)	(8,094)	
Increase in share capital		-	-	-	-	-	-	-	(834)	(834)	
Transfers to and from retained earnings	42	-	-	130	1,185	-	(407)	908	74	982	
Exchange rate effect		-	-	-	-	-	(4,654)	(4,654)	(7)	(4,661)	
Balance at December 31, 2023		24,241	11,562	5,571	93,474	(9,683)	432,328	557,493	26,236	583,729	
Profit for the year		-	-	-	-	-	105,678	105,678	7,660	113,338	
Other comprehensive income		-	-	-	32,811	5,649	-	38,460	-	38,460	
Total comprehensive income		-	-	-	32,811	5,649	105,678	144,138	7,660	151,798	
Dividend distributed		-	-	-	-	-	-	-	(5,798)	(5,798)	
Increase / (decrease) in share capital		-	-	-	-	-	-	-	2,583	2,583	
Transfers to and from retained earnings	42	-	-	792	3,486	12	(1,014)	3,276	(51)	3,225	
Exchange rate effect		-	-	-	-	-	(6,168)	(6,168)	-	(6,168)	
Balance at December 31, 2024		24,241	11,562	6,363	129,771	(4,022)	530,824	698,739	30,630	729,369	

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 102.

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Balfin Group
Consolidated statement of cash flows for the year ending December 31, 2024
(All amounts in '000 Eur, unless otherwise stated)

	Note	For the year ending December 31, 2024	For the year ending December 31, 2023
<i>Profit before tax from continuing operations</i>		127,706	109,567
<i>Profit / (Loss) before tax from discontinued operations</i>		8,556	(1,325)
Profit before tax		136,262	108,242
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation and impairment of PPE and RoU	26,28	15,668	17,244
Depreciation and impairment of investment property	27	6,531	6,798
Amortization and impairment of intangible assets	29	1,174	1,046
Allowances, provisions and write-offs		(6,333)	(4,403)
Gain / (Loss) on disposal of asset		93	393
Finance income	14,23	(77,481)	(59,202)
Finance costs	14,22	16,142	9,262
Share of profit of an associate and a JV	9	-	(497)
<i>Working capital adjustments</i>		(667)	
Change in trade and other receivables		(157,883)	(59,306)
Change in inventories		(11,344)	(13,139)
Change in trade and other payables		118,645	55,367
Change in compulsory reserve		(4,672)	(13,641)
Change in restricted cash		-	34
Change in loans to customers		(192,200)	(32,563)
Change in due to customers and banks		251,489	124,479
Change in due to banks			
Income tax paid		(13,575)	(14,134)
Interest from non-financial operation			
<i>Interest received</i>		4,603	3,617
<i>Interest paid</i>		(14,443)	(7,504)
Interest from financial operation			
<i>Interest received</i>		73,889	56,164
<i>Interest paid</i>		(4,896)	2,447
Net cash flows from operating activities		141,002	180,704

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 102.

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Balfin Group
Consolidated statement of cash flows for the year ending December 31, 2024
(All amounts in '000 Eur, unless otherwise stated)

	Note	For the year ending December 31, 2024	For the year ending December 31, 2023
Investing activities			
Proceeds from sale of property, plant and equipment		435	296
Purchase of property, plant and equipment	26	2,030	(10,407)
Purchase of intangible assets	29	(2,892)	(1,081)
Proceeds from sale of intangible assets		463	-
Purchase of investment property	27	(18,571)	(8,482)
Proceeds from sale of investment property		90	577
Decrease / (increase) of investment in associates		(11,773)	17
Purchase of financial assets at FVOCI	35	(129,344)	(131,872)
Proceeds from financial assets at FVOCI	35	146,354	76,030
Purchase of financial asset held at amortized cost		(124,137)	(88,971)
Increase of capital from NCI shareholders		-	(1,251)
Dividend received		717	771
Net cash flows from/(used in) investing activities		(136,628)	(164,373)
Financing activities			
Increase of reserve		651	-
Proceeds from borrowings, net		18,630	(6,880)
Payment of principal portion of lease liabilities		(9,147)	(9,962)
Issuance of subordinated debt		(819)	(1,370)
Dividend paid		(6,024)	(8,686)
Net cash flows (used in)/from financing activities		3,291	(26,898)
Net increase/(decrease) in cash and cash equivalents		7,665	(10,567)
Net foreign exchange difference		2,817	2,200
Cash and cash equivalents at January 1	40	47,482	55,849
Cash and cash equivalents at December 31	40	57,964	47,482

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 102.

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**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

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, 2024 were authorized for issue on June 27th, 2025. 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 eight members: Ms. Edlira Muka is the Chief Executive Officer of Balfin Group, 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), Mr. Csaba Toth (Real Estate Assets Management – appointed as of April 2024) 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, 2024 is 3,620 excluding discontinued operations (December 31, 2023: 4,802 employees excluding 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;
- Equity financial assets that have been measured at fair value.

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. These 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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

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, banking and retail expansion. The Group has sufficient cash and headroom in its credit facilities (overdraft utilization at 63.17%% and loans at 84.13%% with total approved but undrawn limit as at 31.12.2024 amounts at EUR 39,595 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, 2024 the Group has a Gearing Ratio of 0.10x (2023: 0.11x) (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, 2023. 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 re-assesses 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.

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

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.2. Basis of consolidation (continued)

2.2.2. Consolidation procedure

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 acquisition 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 with 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 acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

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 not 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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

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:

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

Retail Operations

The retail segment accounts for approximately 66.31% of the Groups pre-consolidated revenues (2023: 70.77%). 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. These sales are also largely with immediate payment terms and 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 sectors' 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 for 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 the electronics sector. These service-type warranties are sold typically separately from the related goods. Revenue is recognized over the period in which the service-type warranty is provided based on the time elapsed.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

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 sales 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 are generally standard contracts for development of assets. Revenue is recognized over time using the 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.
- e) The Group owns land and through agreements with Developers for the construction of real estate units, the Group provides the land for the exchange of finished real estate units such as apartments and villas. For contracts with the Developer with non-monetary rewards, the Group shall recognize revenue when the performance obligation is satisfied by transferring the land to the Developer. Since the project for the construction of the real estate units to be received from the Developer needs a time span to be completed, the moment of transfer of land and transfer of control from the landowner is at a different point in time with the receipt of real estate units from the Developer. At the moment that the Group has transferred to the Developer the land it has also transferred all the risk and has fulfilled its performance obligation, but due to the long-time span of the construction project there are risks and uncertainties related to the finalization of the construction of the real estate units from the Developer. As such, the Group assesses that even though the performance obligation is fulfilled by her side, the revenue recognition will be performed based on the phase of building construction of the real estate units. As the consideration transferred in these types of contracts is generally in the form of real estate properties (non-cash consideration), revenue is measured at the fair value of the consideration received (real estate units), if not practical to be determined, then it is measured at the fair value of transferred development right or transferred real estate units.

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).

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

Real Estate and Construction Operations (continued)

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.

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.

iii. 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 most 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 transactions. 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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

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.

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 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

Payments 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) 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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

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 accrued 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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.3 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 reassessed 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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

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 Eur at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average rates of the period. 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	2024		2023	
	As at 31 December	Average	As at 31 December	Average
EUR	98.15	100.70	103.88	108.75
BAM	50.08	51.38	53.11	55.60
MKD	1.60	1.64	1.69	1.77
GBP	118.16	118.92	119.47	124.99
USD	94.26	93.04	93.94	100.62
CAD	65.56	67.96	-	-

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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***2. Significant accounting policies (continued)****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 the 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	5 years	• IT Equipment	4 years
• Plant and equipment	8 to 15 years	• Furniture & Fixtures	8 years

2. Significant accounting policies (continued)

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, an 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 assets are 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 its 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 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. 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 an 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. Significant accounting policies (continued)

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 an 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 incurred 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 the real estate 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

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

n) Leases (continued)

i) Right of use assets (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 (I) 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 in substance 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 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. Significant accounting policies (continued)

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 to fulfil the capitalization requirements. After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis using a useful life of 20 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 | • Other tangible assets | 5 years |
| • Software | 3 - 10 years | | |

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

2. Significant accounting policies (continued)

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.

Apart from 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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 from financial assets held at amortized cost and financial assets at fair value through profit or loss.

The Group measures financial assets at amortized cost if 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 the 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 include trade and other receivables, interest bearing loans given, T-bills and bonds and other current and non-current financial assets.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit and loss. This category includes non-listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

i) Financial assets from finance operations (continued)

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);

Fair value through profit or loss (FVTPL).

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.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group has no FVTPL financial instruments from finance operations as at the reporting date.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

• 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 fail the SPPI test will be measured at fair value through PL.

The Group's 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.

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.

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

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 39 |
| • Contract assets | Note 12 |
| • Loan commitments | Note 49 |
| • Issued financial guarantees | Note 49 |
| • Loan to customer from financial operations | Note 37 |

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 by 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 considering 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).

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

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.

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.

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

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 considering 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.

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.

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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, cost of construction 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.

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.

Reposessed assets

Reposessed 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 valuers 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.

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

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.

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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

x) Changes in accounting policies and disclosures

New and amended standards and interpretations (continued)

The Group applied certain standards and amendments for the first time, which are effective for annual periods beginning on or after January 1, 2024. The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

- **Long-term liabilities with agreements – Amendments to IAS 1** – effective for annual reporting periods beginning on or after January 1, 2024.
- **Lease liability in a sale and leaseback transaction** – Amendments to IFRS 16 – effective for annual reporting periods beginning on or after January 1, 2024.
- **Supplier financing arrangements under IAS 7 and IFRS 7** – effective for annual reporting periods beginning on or after January 1, 2024.

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.

Amendments to IAS 21 – Lack of Exchange (issued on August 15, 2023, effective for annual periods beginning on or after January 1, 2025). In August 2023, the IASB issued amendments to IAS 21 to assist entities in assessing the exchangeability between two currencies and determining the spot exchange rate when an exchange is lacking. An entity is affected by these amendments when there is a transaction or operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to measure the spot exchange rate. Instead, they establish a framework under which an entity may determine the spot exchange rate at the measurement date. When applying the new requirements, restatement of comparative information is not permitted. The entity is required to translate the affected amounts using the estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or reserves for the cumulative translation differences. The Group is under assessment of the potential impact of the standard when it becomes effective.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

x) Changes in accounting policies and disclosures (continued)

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (issued on May 30, 2024, effective for annual periods beginning on or after January 1, 2026). On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- a) Clarify the recognition date and derecognition of certain financial assets and liabilities, including a new exception for some financial liabilities settled through an electronic cash transfer system;
- b) Clarify and add further guidance on assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- c) Introduce new disclosures for certain instruments with contractual terms that may change cash flows (such as some instruments with features linked to achieving environmental, social, and governance (ESG) objectives); and
- d) Update disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The Group is under assessment of the potential impact of the standard when it becomes effective.

IFRS 18 Presentation and Disclosure in Financial Statements (issued on April 9, 2024, effective for annual periods beginning on or after January 1, 2027). In April 2024, the IASB issued IFRS 18, a new standard on presentation and disclosure in financial statements, focusing on updates to the presentation of profit or loss. The key new concepts included in IFRS 18 relate to: - the structure of the statement of profit or loss; - disclosures required in the financial statements for certain profit or loss performance measures reported outside an entity's financial statements (i.e., management-defined performance measures); and - expanded principles on aggregation and disaggregation applicable to the primary financial statements and significant notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained with limited changes. IFRS 18 will not affect the recognition or measurement of items in the financial statements but may change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply to reporting periods beginning on or after January 1, 2027, and will also apply to comparative information. The Group is under assessment of the potential impact of the standard when it becomes effective.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on May 9, 2024, effective for annual periods beginning on or after January 1, 2027). The International Accounting Standards Board (IASB) has issued a new IFRS accounting standard for subsidiaries. IFRS 19 permits eligible subsidiaries to apply IFRS Standards with reduced disclosures. The implementation of IFRS 19 will lower the cost of preparing financial statements for subsidiaries while maintaining the usefulness of information for users of their financial statements. Subsidiaries that apply IFRS Standards for their own financial statements often provide disclosures that may exceed the information needs of their users. IFRS 19 addresses these challenges by: - allowing subsidiaries to maintain only one set of accounting records—to meet the needs of the parent company and users of their financial statements; - reducing disclosure requirements—IFRS 19 permits reduced disclosures better tailored to the information needs of users of their financial statements. The Group is under assessment of the potential impact of the standard when it becomes effective.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

x) Changes in accounting policies and disclosures (continued)

Annual Improvements to IFRS Standards (issued July 2024, effective January 1, 2026). IFRS 1 was clarified regarding a discontinuation following the transition to IFRS Standards if the 'qualifying criteria' are not met, rather than 'conditions' for hedge accounting, to resolve potential confusion arising from inconsistency between the wording in IFRS 1 and the hedge accounting requirements in IFRS 9. IFRS 7 requires disclosures about a gain or loss on recognition related to financial assets in which the entity has continuing involvement, including whether fair value measurements included 'significant unobservable inputs.' This new phrase replaced the previous reference to 'significant inputs not based on observable market data.' The change aligns the wording with IFRS 13. Additionally, some illustrative examples of applying IFRS 7 were clarified, and the text added that the examples do not necessarily illustrate all requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability is extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognize any resulting gain or loss in profit or loss. This clarification applies to lease liabilities extinguished on or after the beginning of the annual reporting period in which the entity first applies this amendment. To resolve a mismatch between IFRS 9 and IFRS 15, receivables should initially be recognized at the 'amount determined by applying IFRS 15' rather than at their 'transaction price (as defined in IFRS 15).' IFRS 10 was amended to use less prescriptive language when an entity is a 'de facto agent' and to clarify that the relationship described in paragraph B74 of IFRS 10 is only an example of a circumstance requiring judgment to determine whether a party is acting as a de facto agent. IAS 7 was corrected to remove references to the 'cost method,' which was removed from IFRS Standards in May 2008 when the IASB issued 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity, or Associate.' The Group is under assessment of the potential impact of the standard when it becomes effective.

y) Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

Consistent with the prior year, as at 31 December 2024, the Group has not identified significant risks included by climate changes that could negatively and materially affect the Group's consolidated financial statements.

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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

3 Significant accounting judgements, estimates and assumptions (continued)

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.

Assets held for sale

For the year ended 31 December 2024 the Group has assets held for sale which are related to Sparsh.p.k, Go Green and Fashion Group.

The sale of these entities was initiated on March 2025, and in compliance with IFRS 5 the Group has classified these entities as assets held for sale.

For the year ended 31 December 2023 the Group does not have assets held for sale.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

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

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. Also, 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 five 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.

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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***3. Significant accounting judgements, estimates and assumptions (continued)****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 adjustment 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. A 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, 2024 and 2023 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 assets 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 its 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.

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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

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

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 48).

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historically 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 disclosers of ECL refer to Note 37):

- 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.

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

The Group has the obligation to assess the credit quality of the exposures and therefore identify situations of unlikeliness 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.

Notes to the consolidated financial statements as at and for the year ending December 31, 2024*(All amounts in '000 Eur, unless otherwise stated)***3. Significant accounting judgements, estimates and assumptions (continued)****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 determined 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 reflect the risk of the counterparty;
- LGD of other non-sovereign papers represents LGD of the specific security.

Assessment of normal operating cycle for current/non-current distinction of inventory

The majority of Group's products have a very short operating cycle, typically few months in the retail. The property development business is an exception where the time to develop and sell real estate properties may take several years. The time involved in completing the product varies significantly from one project to another and the Group typically uses a twelve-month period as a normal operating cycle, and real estate properties expected to be completed in significantly 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 sectors have been aggregated as the revenue of these sectors is largely eliminated within the Group. Management has disclosed revenue from contracts with customers by nature, product and industry, using information produced from the individual financial statements of the Group companies.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

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 2023.

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 in 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 not less than 1.20x.

For the year ended December 31, 2024 the EBITDA of the Group was Eur 156,150 thousand (December 31, 2023: Eur 141,351 thousand).

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2024 and 2023.

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.

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, 2024	December 31, 2023
Interest-bearing loans	134,033	117,167
Less: cash and cash equivalents	53,335	44,458
Net debt	80,698	72,709
Net debt/ EBITDA	0.50	0.49
Equity	24,241	24,241
Total capital attributable to parent	698,739	557,494
Capital	722,980	581,735
Capital and debt	857,013	698,902
Gearing ratio	10%	11%

Gearing ratio is calculated as debt over debt plus capital.

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

(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	
			2024	2023
ACREM Sh.p.k	Albania	Real estate management	100%	100%
Austria WML GmH	Austria	Real estate development	100%(indirekt)	--
Alba Distribution	Albania	Electronics wholesale	100%	100%
Alba-Trade Handels Ges.m.b.h.	Austria	Electronics wholesale	100%	100%
Albania Energy Supplier Sh.p.k	Albania	Energy trading	-	51%
Alcred Sh.p.k	Albania	Real estate development	100%	100%
Balfin Americans LLC	USA	Real estate management	90%	-
Balfin B.C. Development	Canada	Real estate management	100%	-
Balfin Asset Management ManaManagement Sh.p.k	Albania	Real estate management	100%	-
Balfin Sh.p.k	Albania	Parent company	100%	100%
Balfin Austria	Austria	Holding company	100%	100%
Balfin Real Estate	Albania	Real estate agent	100%	100%
Balfin Hospitality	Albania	Hospitality and accommodation	100%	100%
Balfin BV	Nederland	Holding company	100%	100%
Elektro Service Sh.p.k	Albania	Maintenance and repair for electronics equipment	90%	90%
Elektro Service Kosova	Kosovo	Maintenance and repair for electronics equipment's	60% (indirekt)	60% (indirekt)
Elite Urban Development	Albania	Real estate development	100% (indirekt)	100% (indirekt)
East Gate Living	North Macedonia	Real estate development	60% (indirekt)	60% (indirekt)
East Gate Mall	North Macedonia	Shopping mall	60% (indirekt)	60% (indirekt)
Elektro Eko Griza	North Macedonia	Retail consumer goods	60% (indirekt)	-
EFG 27	Austria	Real estate development	100%(indirekt)	-
Fashion Group Albania	Albania	Retail consumer goods	(INDIREKT)	-
		Renewable energy	100%	100%
		Renewable energy	100%	100%
		Retail of clothes	100%	100%

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

4. Group information (continued)

Information about subsidiaries (continued)

Green Coast Sh.p.k	Albania	Real estate development	100%	100%
Green Coast Hotel	Albania	Hotel	100%	100%
Go Green	Albania	Renewable energy	100%	100%
Kid Zone Sh.p.k	Albania	Retail consumer goods	90%	90%
Kid Zone Kosova	Kosovo	Retail consumer goods	55%	55%
Kid Zone Bosnia and Hercegovina	Bosnia & Hercegovina	Retail consumer goods	90%	90%
Kid Zone Montenegro	Montenegro	Retail consumer goods	90%	90%
Balfin Development	Albania	Real estate development	100%	100%
Balfin Construction	Albania	Real estate development	100%	100%
Nep Loyalty	North Macedonia	Loyalty program	60% (indirekt)	60% (indirekt)
Neptun sh.p.k	Albania	Electronics retailer	90%	90%
Neptun Kosova	Kosovo	Electronics retailer	60%	60%
Neptun Makedonija DOO	North Macedonia	Electronics retailer	60% (indirekt)	60% (indirekt)
Neptun Bosnia & Hercegovina	Bosnia & Hercegovina	Electronics retailer	60%	-
NKL Limited	United Kingdom	Holding company	-	97%
New Apollonia	Albania	Real estate development	100%	-
Happy	Albania	Loyalty program and customer service	100%	100%
PJ 137 Living	Austria	Real estate development	100%	100% (indirekt)
QTU Sh.p.k	Albania	Shopping mall	100%	100%
Retail Park	Albania	Real estate development	100%	100%
REM SEG	North Macedonia	Real estate development	65% (indirekt)	-
Rolling Hills by the Lake	Albania	Real estate development	-	100%
SEG	North Macedonia	Holding company	60% (indirekt)	60% (indirekt)
Seaside Hospitality	Albania	Hotel and accommodation	-	100% (indirekt)
Seaside Entertainment	Albania	Hotel and accommodation	100% (indirekt)	100% (indirekt)
Seaside Residence V	Albania	Hotel and accommodation	-	100% (indirekt)

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

4. Group information (continued)

Information about subsidiaries (continued)

Seaside Hotel II	Albania	Hotel and accommodation	-	100% (indirekt)
		Maintenance and repair for electronics equipment	60% (indirekt)	60% (indirekt)
Service Makedonija DOO	North Macedonia	Retailer of food products	100%	100%
Spar Albania Sh.p.k	Albania	Real estate development	-	67% (indirekt)
TH&B Immo	Austria	Real estate development	65% (indirekt)	-
TH&B Immo 2	Austria	Real estate development	65% (indirekt)	-
TH&B Immo 3	Austria	Banking	100%	100%
Tirana Bank Sha	Albania	Education	100%	100%
Tirana Business University	Albania	Shopping mall	88.09%	88.09%
Tirana East Gate Sh.p.k	Albania	Logistics center	100%	100%
Tirana Logistic Park Sh.p.k	Albania	Real estate development	100%	-
Umea	Albania	Retail consumer goods	75%	-
Western Balkans Fashion Group	Albania	Real estate development	100%	100%
Vala Mar 2	Albania	Real estate development	100%	-
Valamar Tale	Albania			

Information about Joint Ventures

Joint Ventures		% equity interest	
Name	Country of incorporation	Principal activities	
			2024 2023
Milsped Albania Sh.p.k	Albania	Transportation and logistics services	50% 50%
Stella Mare Sh.p.k	Albania	Transportation and logistics services	50% 50%
790 East 151st LLC	America	Real estate development	45% -
112 East 167 Street LLC	America	Real estate development	45% -
304 East 173rd Street	America	Real estate development	45% -
Bellevedere Korce sh.p.k	Albania	Real estate development	50% 50%
Aircraft Maintenance	Albania	Services	50% 50%

Information about Limited Partnerships

Name		% equity interest	
	Country of incorporation	Principal activities	
			2024 2023
575 West 54T Avenue Development	Canada	Real estate development	58% -
Linwood 2	Canada	Real estate development	80% -

Information about Associates

Associates		% equity interest	
Name	Country of incorporation	Principal activities	
			2024 2023
EKON Elektron	Macedonia	Electrical waste management	13.8% 13.8%
Plus Communications	Albania	Telecommunication	31.83% 31.83%
Wind Stream	Albania	Renewable energy	- 33.33%
Perutnina Ptuj Albania	Albania	Food industry	19% -

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

6. Business combinations and acquisition of non-controlling interests

Acquisitions in 2024

During the year 2024 the Group signed a partnership agreement with Slovak entity Perutnina Ptuj which has its activity in the production and processing of poultry products. Based on this agreement, Perutnina Ptuj owns 81% of shares and Balfin Group 19% of shares.

Acquisitions in 2023

The Group acquired 30% of shares in Tirana Business University sh.p.k on 29th of May 2023 for a total consideration of 341 thousand EUR. Acquisition was organized in two steps: acquiring shares from minority shareholders, 16.9% of shares and gaining control after acquiring 13.5% of shares from main shareholder.

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 May 29, 2023 are measured at fair value.

	May 29, 2023
Current assets excluding cash	375
Cash and cash equivalents	59
Non-current assets	1,145
Total liabilities	574
Total identifiable net assets at fair value	1,005
Less: Fair value of consideration	1,042
(Remaining goodwill) / Bargain Gain	(37)

7. Discontinued operations

a) Discontinued operations 2024

On April 2024, the Group finalized the sale of capital shares of 33% in Wind Stream to a third party with a selling price of the share quote of 1 Eur. The Group recognized a full provision of the investment in the amount 170 Eur.

During the year 2024, the Group has finalized the liquidation of NKL Limited, an investment (taking into consideration also the provisioned amount) in the amount 753,685 Eur. From the liquidation was receipt the amount 603,846 Eur, the difference was recognized as expense in profit or loss of the year.

On August 2024, the entity Albanian Energy Supplier was liquidated. Investment of the Group in this entity was recognized as expense in profit or loss of the year.

b) Assets held for sale 2024

For the year ended as at December 31, 2024, the Group has assets held for sale which are mainly related to the sale of Spar sh.p.k, Go Green and Fashion Group. Sale of these entities was initiated on March 2025 and is expected to be finalized within one year from the reporting date.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***7. Discontinued operations (continued)****b) Assets held for sale 2024 (continued)**

The results of the companies are presented as follows:

	Spar	FGA	Go Green	Total
Current assets	26,569	3,542	26	30,137
Non-current assets	28,467	1,603	52	30,122
Current liabilities	32,287	2,322	28	34,637
Non-current liabilities	13,070	703	-	13,773
Total equity	9,680	2,119	49	11,848

	Spar	FGA	Go Green	Total
Revenue from contracts with customers	122,518	11,555	-	134,073
Cost of sales	(97,011)	(6,151)	-	(103,162)
Administrative expenses	(18,538)	(2,588)	(149)	(21,275)
Net financial income / (expenses)	(45)	15	(1)	(31)
Profit before tax	6,925	2,830	(150)	9,605
Income tax	(806)	(243)	-	(1,049)
Other comprehensive income	-	-	-	-
Total comprehensive income	6,119	2,587	(150)	8,556

The value of assets is carried at the lower of cost and market value in accordance with the requirements of IFRS 5.

Discontinued operations in 2023**a) Sale of SCAN TV sh.a.**

On 23 June 2023, the Group entered into a sale agreement respectively with Mr. A.Hoxha for 15% of equity shares and Mrs. D.Sela for 15% of equity shares. Meanwhile on 10 October 2023, the Group realized the sale of full package of remaining equity shares to Mrs. D.Sela for a package of 70% of equity shares and full transition was finalized with October 2023. The Group recognized a gain from sale of disposed group of net assets amounted Eur 189.3 thousand.

	October 10, 2023
Statement of profit and loss	
Revenue	211
Cost of sales	(795)
Gross Profit/(loss)	(584)
Administrative expenses	(761)
Operating Profit	(1,345)
Finance costs, net	10
Loss before tax from discontinued operations	(1,335)
Tax benefit/(expense):	
Related to pre-tax profit/(loss) from the ordinary activities for the period	10
Profit/(loss) for the period from discontinued operations	(1,325)

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**
(All amounts in '000 Eur, unless otherwise stated)
7. Discontinued operations (continued)
Discontinued operations in 2023 (continued)
a) Sale of SCAN TV sh.a. (continued)

The major classes of assets and liabilities of the group disposed on 10 October 2023 are, as follows:

Assets	October 10, 2023
Property, plant and equipment	152
Right of use	701
Intangible assets	12
Inventories	3
Trade and other receivables	84
Cash and due from banks	91
Total Assets	1,043
Liabilities	
Interest-bearing borrowings	(9)
Lease liabilities	(361)
Trade and other payables	(276)
Deferred tax liabilities	(23)
Total Liabilities	(669)
Net assets directly associated with disposal group	374

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	2024	2023
Neptun Kosova	Kosovo	40%	40%
Kid Zone KS	Kosovo	45%	45%
TEG	Albania	11.91%	11.91%
Neptun MK	North Macedonia	40%	40%
SEG	North Macedonia	40%	40%
EGM	North Macedonia	40%	40%
EGL	North Macedonia	40%	40%

	Net assets accumulated balances of material non-controlling interest:		Profit or loss allocated to material non-controlling interest:	
	2024	2023	2024	2023
Neptun Kosova	2,062	2,165	1,883	1,983
Neptun NMK	3,040	2,668	877	504
Kid Zone KS	1,467	1,299	1,368	1,187
TEG	5,605	3,863	956	1,069
SEG	2,317	15,890	84	32
EGM	3,587	1,753	1,254	385
EGL	(1,069)	(688)	(122)	(207)

Balfin Group

Notes to the consolidated financial statements as at and for the year ending

December 31, 2024

(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 2024:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL
Revenue from contracts with customers	82,231	18,529	3,255	85,234	809	5,498	0
Rental income	47	-	13,505	29	6	11,679	7
Cost of sales	(66,857)	(9,274)	(348)	(68,661)	(43)	(4,871)	(0)
Administrative expenses	(9,314)	(5,649)	(6,529)	(12,866)	(479)	(5,218)	(538)
Finance (cost)/ income, net	(831)	(240)	(277)	(1,285)	(55)	(3,589)	225
Profit before tax	5,276	3,366	9,606	2,451	238	3,499	(306)
Finance costs							
Tax charge	(569)	(326)	(1,575)	(259)	(28)	(363)	-
Other comprehensive income	(119)	(77)	0	(53)	(5)	(76)	7
Total comprehensive income	4,588	2,963	8,031	2,139	205	3,060	(299)
Attributable to non-controlling interests	1,883	1,282	1,154	544	34	1,254	(122)
Dividends paid to non-controlling interests	1,986	1,186	593	401	-	-	1,986

Summarized statement of profit or loss for 2023:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL	NKL
Revenue from contracts with customers	70,009	16,227	2,878	69,610	723	5,396	19	-
Rental income	61	-	11,940	1	6	10,630	9	-
Cost of sales	(57,074)	(8,154)	-	(57,352)	-	(4,883)	(11)	-
Administrative expenses	(7,105)	(4,903)	(5,551)	(10,090)	(424)	(5,487)	(574)	16
Finance (cost)/ income, net	(365)	(212)	1,252	(787)	(226)	(4,582)	39	-
Gain/(Loss) from sale of subsidiary								
Profit before tax	5,526	2,958	10,519	1,382	79	1,074	(518)	16
Profit/(Loss) from discontinued operations								
Tax charge	(569)	(320)	(1,543)	(122)	-	(112)	-	-
Other comprehensive income	(221)	(118)	-	(56)	(3)	(42)	23	(1)
Total comprehensive income	4,736	2,520	8,976	1,204	76	920	(495)	15
Attributable to non-controlling interests	1,983	1,630	812	519	24	368	(198)	(223)
Dividends paid to non-controlling interests	1,781	1,523	2,395	722	-	-	-	-

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

8. Material partly owned subsidiaries (continued)

Summarized statement of financial position as at December 31, 2024:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL
Property plant and equipment	2,353	886	355	2,384	4,996	8,603	116
Other non-current assets	7,824	3,072	64,892	4,643	2,935	83,175	-
Inventory	14,700	2,088	16	20,938	-	125	22,729
Trade receivables	2,233	59	3,083	5,643	356	1,952	34
Cash and short-term deposits	898	1,613	2,157	249	143	5,907	328
Other current assets	1,254	58	652	42	4	1,699	9,571
Trade and other payables	13,016	1,450	796	14,897	396	1,983	6,696
Interest-bearing borrowings	6,111	-	31,706	8,020	952	57,166	-
Other liabilities	5,378	3,285	1,236	5,875	4,555	719	24,687
Total equity	4,757	3,041	37,417	5,107	2,531	41,593	1,395
Equity holders of parent	2,595	1,544	32,960	4,039	704	37,896	2,138
Non-controlling interest	2,162	1,497	4,457	1,068	1,827	3,697	-743

Summarized statement of financial position as at December 31, 2023

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL
Property plant and equipment	2,140	476	506	4,173	8,023	9,309	125
Other non-current assets	6,347	4,473	63,639	4,320	37,347	84,716	1
Inventory	12,458	1,975	15	14,502	38	89	15,324
Trade receivables	2,003	133	2,475	3,923	321	1,921	205
Cash and short-term deposits	1,398	1,495	3,323	1,144	68	6,214	3,578
Other current assets	207	73	615	65	34	1,899	334
Trade and other payables	12,635	1,241	1,658	11,153	284	2,298	1,586
Interest-bearing borrowings	2,396	0	35,712	5,554	1,243	63,053	-
Other liabilities	4,514	4,745	780	5,377	4,518	420	16,283
Total equity	5,008	2,639	32,423	6,043	39,786	38,377	1,698
Equity holders of parent	2,761	1,330	28,562	3,217	21,324	23,026	1,019
Non-controlling interest	2,247	1,309	3,861	2,826	18,462	15,351	679

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

8. Material partly owned subsidiaries (continued)

Summarized cash flow information for year ended December 31, 2024:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL
Operating	3,143	4,180	8,468	(3,291)	(2,853)	4,440	6,103
Investing	(587)	(576)	(836)	1,012	39,090	6,124	(8,385)
Financing	(3,043)	(3,489)	(8,821)	1,067	(36,185)	(11,217)	(1,089)
Net increase/ (decrease) in cash and cash equivalents	(487)	115	(1,189)	(1,212)	52	(653)	(3,371)

Summarized cash flow information for year ended December 31, 2023:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL	NKL
Operating	5,434	4,721	15,238	4,210	6,581	6,138	5,286	(95)
Investing	(902)	(303)	(2,539)	(936)	(3)	(1,738)	4	(650)
Financing	(4,821)	(4,097)	(10,843)	(2,726)	(6,522)	(6,024)	(3,665)	(744)
Net increase/ (decrease) in cash and cash equivalents	(289)	321	1,856	548	56	(1,624)	1,625	(1,489)

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

9. Interest in a Joint Ventures

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:

	2024					2023		
				790 East 151st LLC	112 East 167 Street LLC			
Summarized statement of profit or loss:	Stella Mare	Milsped	Belvedere			Stella Mare	Milsped	Belvedere
Revenue from contracts with customers	3,181	17,799	3,881	-	-	2,344	13,655	-
Cost of sales	(1,648)	(42)	(3,512)	-	-	(1,024)	(8)	-
Administrative expenses	(816)	7	(147)	(3,176)	(27)	(439)	(12,892)	(197)
Finance (cost)/ income, net	(47)	(38)	147	3,176	-	(133)	63	-
Profit before tax	670	622	369	-	(27)	748	818	(197)
Income tax expense	(140)	(104)	(55)	-	-	(116)	(124)	(12)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	530	518	314	-	(27)	632	694	(209)
Group's share of profit for the year	265	259	157	-	(12)	316	347	(104)

	2024					2023		
				790 East 151st LLC	112 East 167 Street LLC			
Summarized statement of financial position:	Stella Mare	Milsped	Belvedere			Stella Mare	Milsped	Belvedere
Current assets	3,332	3,090	12,060	1,790	793	1,863	2,507	12,010
Non-current assets	59	3,102	3	7,870	9,889	81	1,943	4
Current liabilities	2,704	4,236	1,476	6,180	608	1,128	2,487	945
Non-current liabilities	3	853	9,724	-	-	23	696	10,557
Total equity	684	1,103	863	3,480	10,074	793	1,267	512
Group's share in equity	342	551	432	1,566	4,533	397	634	51

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

10. Investment in associates

The Group holds interests in Perutnina Ptuj Albania. The Group's interests are accounted for using the equity method in the consolidated financial statements.

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

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 fulfil the mandatory requirements to comply with IFRS 8, however management has elected to voluntarily 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
Real Estate	Construction of real estate properties, operation of shopping centres 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

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. The 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". The 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, 2024

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

11. Segment information (continued)

Segment information by industry for the year ended on December 31, 2024

	Energy	Real Estate	Retail	Service	Other	Banking	Total Segments	Adjustments & Eliminations	Consolidated
Revenue from contracts with customers	-	184,440	414,183	8,354	6,591	11,087	624,655	(99,244)	525,411
Rental income	-	33,190	97	-	1,243	1,824	36,354	(4,654)	31,700
Cost of sales	-	(82,825)	(319,770)	(1,918)	(966)	(1,769)	(407,248)	74,084	(333,164)
Net interest income from Financial Operations	-	1	-	0	-	54,660	54,661	2,074	56,735
Gross profit	-	134,806	94,510	6,436	6,868	65,802	308,422	(27,740)	280,682
Other operating income	-	2,662	1,520	162	36,190	3,041	43,575	(37,557)	6,018
Selling and distribution expenses	-	(11,600)	(11,580)	(562)	(304)	(1,671)	(25,717)	11,081	(14,636)
Administrative and other operating expenses	-	(14,190)	(14,789)	(1,380)	(6,300)	(12,773)	(49,432)	7,015	(42,417)
Employee expenses	-	(14,961)	(27,373)	(3,746)	(7,909)	(13,597)	(67,586)	5,122	(62,464)
Depreciation and amortization expense	-	(9,579)	(10,151)	(457)	(1,550)	(4,304)	(26,041)	2,668	(23,373)
Expected credit losses	-	(409)	(46)	(14)	(942)	(4,321)	(5,732)	-	(5,732)
Operating profit	-	86,729	32,091	439	26,053	32,177	177,489	(39,411)	138,078
Segment assets	77	768,755	231,251	3,899	454,168	1,628,915	3,087,065	(487,358)	2,599,707
Segment liabilities	28	395,665	183,840	4,638	7,608	1,461,268	2,053,047	(182,709)	1,870,338

Segment information by industry for the year ended on December 31, 2023

	Energy	Real Estate	Retail	Service	Other	Banking	Total Segments	Adjustments & Eliminations	Consolidated
Revenue from contracts with customers	-	175,096	471,500	6,961	4,230	8,467	666,254	(73,807)	592,447
Rental income	-	29,779	115	-	549	707	31,150	(4,300)	26,850
Cost of sales	-	(89,258)	(370,782)	(1,422)	(532)	(415)	(462,409)	59,111	(403,298)
Net interest income from financial operations	-	-	-	0	-	45,075	45,075	1,248	46,323
Gross profit	-	115,617	100,833	5,539	4,247	53,834	280,070	(17,748)	262,322
Other operating income	3	2,365	3,000	52	60,124	27	65,571	(60,427)	5,144
Selling and distribution expenses	(43)	(9,316)	(10,963)	(488)	(1,481)	(1,313)	(23,604)	8,918	(14,686)
Administrative and other operating expenses	(54)	(11,353)	(17,513)	(1,139)	(4,568)	(11,232)	(45,859)	6,536	(39,323)
Employee expenses	(106)	(11,037)	(29,701)	(3,278)	(5,088)	(9,823)	(59,033)	2,655	(56,378)
Depreciation and amortization expense	(0)	(9,502)	(14,443)	(393)	(1,346)	(3,796)	(29,480)	4,303	(25,177)
Expected credit losses	-	(213)	(22)	(66)	(23)	(4,046)	(4,370)	-	(4,370)
Operating profit	(200)	76,561	31,191	227	51,865	23,651	183,295	(55,763)	127,532
Segment assets	41	564,157	186,253	4,074	408,508	1,257,026	2,420,059	(421,009)	1,999,050
Segment liabilities	(8)	294,670	141,144	4,280	8,380	1,131,678	1,580,144	(164,823)	1,415,321

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

11. Segment information (continued)

Reconciliation of reportable segment information with the amounts reported in the financial statements

Reconciliation of operating profit with net profit

	2024	2023
	138,078	127,532
Gain on bargain purchase		302
Finance costs	(16,268)	(25,111)
Finance income	5,229	4,235
Gain / (Loss) from sale of subsidiary	-	2,112
Share of profit of an associate and JV	667	497
Profit before tax	127,706	109,567
Income tax expense	(12,313)	(11,103)
Deferred tax expense	(10,611)	(8,380)
Profit for the year	104,782	90,084
Profit/(Loss) from discontinued operations	8,556	(1,325)
Profit for the year	113,338	88,759
Other comprehensive income/ (expense)	1,555	5,592
Total comprehensive income	114,893	94,351

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

	2024	2023
I. Revenues		
Total revenue for reportable segments	715,671	742,480
Elimination of inter-segment revenue	(101,824)	(76,860)
Consolidated revenue	613,847	665,620
ii. Operating profit		
Total operating profit for reportable segments	177,489	183,295
Elimination for inter-segment profit	(39,411)	(55,763)
Consolidated profit before tax from continuing operations	138,078	127,532
iii. Assets		
Segment operating assets	2,742,745	2,183,638
Deferred tax assets	276,473	235,763
Assets held for sale	60,259	0
Investments in associates and joint ventures	7,589	658
Elimination of inter-segment	(487,360)	(421,008)
Consolidated total assets	2,599,706	1,999,051
iv. Liabilities		
Segment operating liabilities	1,828,303	1,437,388
Deferred tax liabilities	20,588	8,935
Current tax payable	914	543
Interest-bearing loans and borrowing	152,175	133,278
Liabilities held for sale	51,067	-
Elimination of inter-segment	(182,709)	(164,822)
Consolidated total liabilities	1,870,338	1,415,322

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

11. Segment information (continued)

Segment information by geography

	Revenue		Operating profit	
	2024	2023	2024	2023
Albania	398,025	458,069	150,750	158,322
North Macedonia	104,783	87,459	10,543	7,511
Kosovo	102,244	87,482	9,746	9,083
Bosnia & Hercegovina	23,513	18,687	2,784	3,168
Other countries	87,105	90,782	3,668	5,211
Montenegro	11,790	9,826	3,004	2,479
Austria	75,314	80,956	658	1,815
Netherlands	-	-	499	1,006
United Kingdom	-	-	-	16
Canada	1	-	(96)	-
USA	-	-	(397)	(105)
Total segments	715,671	742,479	177,491	183,295
Eliminations	(101,824)	(76,859)	(39,412)	(55,764)
Total for continuing operations	613,847	665,620	138,079	127,531

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, 2024	For the year ended on December 31, 2023
Sale of consumer electronics	243,918	260,605
Sale of toy retails	83,972	70,343
Sale of consumer goods	44,692	96,469
Fashion retail	-	9,717
Retail segment subtotal	372,582	437,134
Energy trading	84	-
Mining and energy segment subtotal	84	-
Sale of real estate	110,544	108,493
Sale of construction works	8,476	18,074
Real estate segment subtotal	119,020	126,567
Other sales of goods	340	816
Total of sale of goods	492,026	564,517
Marketing income and franchise fees	1,197	1,886
Maintenance and repairment services	2,308	2,539
Fee and commission income	12,504	10,129
Other sale of services	17,376	13,376
Total of services	33,385	27,930
Total revenue from contracts with customers	525,411	592,447

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***12. Revenue from contracts with customer (continued)**

Geographical markets	2024	2023
International	68,903	54,567
Domestic	456,508	537,880
Total revenue from contracts with customers	525,411	592,447

Timing of revenue of recognition	2024	2023
Transferred at a point in time	519,608	588,658
Transferred over time	5,803	3,789
Total revenue from contracts with customers	525,411	592,447

Contract Balances

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Contract balances		
Trade receivables	42,277	36,849
Contract asset non-current	170,896	70,616
Contract asset current	17,267	14,478
Contract liability non-current	(130,793)	(66,578)
Contract liability current	(61,702)	(47,320)

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The receivables relate mainly to the retail segment from the wholesale and 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:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Transaction price		
Within one year	9,682	5,541
More than one year	79,823	31,212
Total	89,505	36,753

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 within 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.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***12 Revenue from contracts with customer (continued)**

As at 31 December 2024, the estimated liability for unredeemed points was as below:

Loyalty points	2024	2023
At 1 January	750	768
Recognized as revenue during the year	(895)	(742)
Deferred during the year	1,407	1,210
Expired during the year	(473)	(535)
Translation differences	33	49
At 31 December	822	750

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 the 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.

13. Rental income

The Group has entered operating leases on its investment property portfolio consisting of stores and warehouse. Income recognised by the Group during the year is 31,700 thousand Eur (2023: 26,850 thousand Eur).

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***14. Net interest income from financial operations**

Major components of interest income from bank activity for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Income from loans to customers	42,343	32,422
Income from financial assets at FVOCI	24,748	19,159
Income from balances with banks	3,713	2,756
Total interest income from bank activity	70,804	54,337
Interest expense on due to customers	(11,416)	(6,608)
Interest expense on du to banks	(2,653)	(1,406)
Total interest expense from bank activity	(14,069)	(8,014)
Net interest from bank activity	56,735	46,323

15. Cost of sales

The major components of cost of sale for the years ended December 31, 2024, and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Cost of goods for resale	281,467	338,340
Cost of sale of real estate	33,310	34,589
Cost of production of energy	-	-
Cost of providing bank services	1,769	415
Other cost of sale	16,618	29,954
Total	333,164	403,298

16. Selling and distribution expenses

The major components of selling and distribution expenses for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Marketing expenses	8,023	7,931
Transport expenses	1,407	1,251
Other selling and distribution expenses	5,206	5,504
Total	14,636	14,686

Marketing expenses relate to seasonal campaigns performed from subsidiaries in the respective industries such as Balfin Real Estate, QTU, TEG, Green Coast, Neptun entities, Tirana Bank, Kid Zone entities, which have the significant part on the marketing expenses occurred during 2024.

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

17. Administrative and other operating expenses

The major components of administrative expenses for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Communication expenses	3,603	2,499
Travel and per diem expenses	3,451	1,946
Security expenses	3,409	3,087
Franchise royalty expenses	3,405	2,852
Electricity expenses	3,158	4,301
Maintenance and repairs	3,050	2,676
Fees for deposits insurance (ASD)	2,750	2,323
Mining royalties and taxes other than income tax	2,152	2,413
Other administrative expenses (b)	2,025	1,235
Representative expenses	1,974	1,534
Miscellaneous services from third parties	1,887	2,491
Rent expense	1,442	1,106
Bank charges	1,434	1,351
Write-offs	1,339	6
Audit/consultancy services	1,271	1,608
Expense/ (release) of impairment of inventory property (repossessed collaterals)	962	1,280
Miscellaneous expenses	954	901
Cleaning expenses	916	859
Card related expenses	798	1,457
Bank resolution fund	605	445
Provisions and impairments (a)	567	1,544
Legal services	481	490
Fees and other similar expenses	310	-
Impairment of inventory (writte down)	191	453
Penalties and fines	190	72
Loss from sale of inventory properties	93	394
Total	42,417	39,323

- a) Electricity expenses for the year 2024 is mainly reduced due to investment in photovoltaic panels in TEG and QTU.
- b) Other administrative expenses relate to external employee expenses, insurance for personnel, insurance for assets, fuel expenses, etc.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***18. Expected credit losses**

The major components of expected credit losses for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Expected credit losses		
From loans and advances to customers	4,320	4,010
From advances to Banks, Securities and off- balance sheet items	929	36
From trade receivables	483	324
Total	5,732	4,370

19. Employee expenses

The major components of administrative expenses for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Employee salaries	50,014	46,469
Employee social and health contributions	9,274	8,271
Employee training	774	517
Personnel reimbursements expenses	459	77
Other employee expenses	1,812	623
Other employee contributions	131	421
Total	62,464	56,378

20. Depreciation and amortization expenses

The major components of depreciation and amortization for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Depreciation of right of use asset	9,227	9,518
Depreciation expense property, plant and equipment	6,441	7,726
Depreciation investment property	6,531	6,798
Amortization expense	1,174	1,135
Total expense	23,373	25,177

21. Other operating income

The major components of other operating income for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Other revenue	4,040	5,024
Sale of assets	184	111
Reverse of provision	1,794	9
Total	6,018	5,144

As at December 31, 2024 and 2023, other revenues consist of income generated by the companies which do not fall within the scope of IFRS 15 Revenue from contracts with customers which include the following natures: incomes from commissions, income from franchise sub-license fee, income from penalties, reimbursement of expenses from clients and other services for suppliers.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***22. Finance costs**

The major components of finance cost for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Foreign exchange loss	3,045	11,950
Interest expenses	7,907	8,697
Other financial expenses	22	2,935
Loss from sale of securities	1,743	-
Finance cost of lease liabilities under IFRS 16	3,471	1,529
Financial expenses with related parties	80	-
Total	16,268	25,111

As at December 31, 2024 and 2023 interest expense is composed from interest expense on loans from financial institutions. Other financial expenses are mainly comprised of interest expense from significant financing component of IFRS 15.

23. Finance income

The major components of finance income for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Interest income from third parties	4,603	3,617
Other finance income	626	618
Total	5,229	4,235

24. Income tax expense

The major components of income tax expense for the years ended December 31, 2024 and 2023 are:

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Current tax expense	12,313	11,103
Deferred tax (income)/expense (Note 33)	10,611	8,380
Total tax expense for the year	22,924	19,483

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:

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**

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

24 Income tax expense (continued)

The income tax rate applicable to the majority of the Group's 2024 income is 15% (2023: 15%).

	For the year ended on December 31, 2024	For the year ended on December 31, 2023
Consolidated profit before tax	127,706	109,566
Consolidation elimination	41,253	54,941
Non-consolidated profit before tax	168,959	164,507
Non-deductible expenses		
Non-deductible expenses	19,131	31,943
Provisions	503	1,243
Depreciation for tax charges	333	440
Inventory impairment	369	950
Interest expense - IFRS 15	2,225	2,021
Fiscal impact for maximum selling price	47	36
Profit / (loss) realized before acquisition	49	(625)
Total non-deductible expenses	22,657	36,008
Utilization of tax credits	(50)	(350)
Tax rate		
Current income tax (based on taxable income)	12,294	11,128
Income Taxes (Prior Period Adjustments)	20	(25)
Current income tax	12,314	11,103
Effective current tax rate	9.64%	10.13%
Total income tax (current and deferred)	22,924	19,483
Effective total tax rate	17.95%	17.78%

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 December 31, 2024 the Group has invested in Eurobonds and corporate bonds issued from Albanian Government. For the year ended as at December 31, 2024 the Group incurred a gain from the change in the fair value of bonds and Eurobonds in the amount 6,818 thousand Eur (2023: gain in the amount 12,545 thousand Eur).

Balfin Group

Notes to the consolidated financial statements as at and for the year ending

December 31, 2024

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

26. Property, plant and equipment

The major components of property, plant and equipment for the years ended December 31, 2024 and 2023 are:

Cost	Building	Land	Machinery and technical installations	Vehicles and other transport	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Asset in progress	Total
As at January 1, 2023	7,965	23,140	12,706	12,576	17,551	12,994	17,208	11,231	3,369	118,740
Additions	12	-	2,422	238	1,545	2,023	641	763	2,773	10,417
Acquisition of a subsidiary (note 8)	27	-	-	-	24	35	-	-	-	86
Discontinued operations	(234)	-	(1,894)	-	(116)	(47)	-	(28)	-	(2,319)
Adjustment prior year	6	-	-	-	7	(5)	1	(1)	(395)	(387)
Disposals	-	(27)	(183)	(268)	(1,620)	(1,039)	(546)	(156)	(12)	(3,851)
Assets Held for Sale	-	-	-	-	(10)	-	-	-	-	(10)
Transfers	-	(15,191)	(3,222)	-	104	66	157	201	(1,446)	(19,331)
Exchange difference	466	768	1,099	1,131	1,633	648	1,478	160	148	7,531
As at December 31, 2023	8,242	8,690	10,928	13,677	19,118	14,675	18,939	12,170	4,437	110,876
Additions	136	1	538	505	2,407	2,046	1,849	891	1,217	9,590
Disposals	(706)	-	(59)	(268)	(682)	(327)	(77)	(110)	-	(2,229)
Assets Held for Sale	(2,614)	(3,003)	(9,923)	(87)	(1,159)	(2,782)	(2,386)	(478)	-	(22,432)
Transfers	1,819	88	(186)	(166)	(91)	133	605	(784)	(2,630)	(1,212)
Exchange difference	332	38	359	724	1,056	358	918	111	95	3,991
As at December 31, 2024	7,209	5,814	1,657	14,385	20,649	14,103	19,848	11,800	3,119	98,584

Balfin Group

Notes to the consolidated financial statements as at and for the year ending

December 31, 2024

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

26. Property, plant and equipment (continued)

	Building	Land	Machinery and technical installation	Vehicles	Computer s and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Asset in progress	Total
Accumulated depreciation										
As at January 1, 2023	(4,336)	-	(6,063)	(2,014)	(14,761)	(7,933)	(13,559)	(2,856)	-	(51,522)
Discontinued operations	220	-	1,583	-	50	4	-	4	-	1,861
Adjustment	(6)	-	-	-	(6)	(32)	-	-	-	(44)
Depreciation charge for the year	(335)	-	(1,557)	(811)	(1,445)	(1,293)	(950)	(1,335)	-	(7,726)
Impairment	-	-	-	-	-	(4)	-	-	-	(4)
Disposals	-	-	158	217	1,567	946	539	129	-	3,556
Transfers	-	-	572	-	(50)	31	-	(127)	-	426
Exchange difference	(386)	-	(544)	(147)	(1,393)	(447)	(1,254)	(103)	-	(4,274)
As at December 2023	(4,843)	-	(5,851)	(2,755)	(16,038)	(8,728)	(15,224)	(4,288)	-	(57,727)
Depreciation charge for the year	(245)	-	(183)	(811)	(1,373)	(1,480)	(983)	(1,366)	-	(6,441)
Impairment	-	-	-	-	-	-	-	-	-	-
Disposals	559	-	56	168	657	269	47	38	-	1,794
Assets held for sale	-	-	5,271	53	844	2,347	2,065	232	-	10,812
Transfers	534	-	164	49	58	142	(235)	637	-	1,349
Exchange difference	(240)	-	(187)	(126)	(877)	(215)	(786)	(64)	-	(2,495)
As at December 2024	(4,235)	-	(730)	(3,422)	(16,729)	(7,665)	(15,116)	(4,811)	-	(52,708)
Carrying amount										
As at December 31, 2023	3,399	8,690	5,077	10,922	3,080	5,947	3,715	7,882	4,437	53,149
As at December 31, 2024	2,974	5,814	927	10,963	3,920	6,438	4,732	6,989	3,119	45,876

The Group total assets have decreased as at 31 December 2024 mainly due to transfers of PPE to assets held for sale.

During the year 2023, transfers mainly relate to the transfer of the shopping malls from owner occupied property to investment property.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***27. Investment property**

The major components of investment property as at December 31, 2024 and 2023 are:

	Land	Building	Building in progress	Total
Cost				
At January 1, 2023	12,563	179,242	177	191,982
Additions	4,802	3,663	16	8,481
Disposals	(198)	(642)	-	(840)
Transfers	15,292	6,595	(70)	21,817
Exchange difference	1,256	11,016	16	12,288
At December 31, 2023	33,715	199,874	139	233,728
Additions	132	18,292	147	18,571
Disposals	(87)	(3)	-	(90)
Transfers	-	(7)	(132)	(139)
Exchange difference	1,450	7,989	8	9,447
At December 31, 2024	35,210	226,145	162	261,517
Accumulated depreciation				
As at January 1, 2023	-	(37,375)	-	(37,375)
Depreciation charge for the year	-	(6,798)	-	(6,798)
Impairment	-	(421)	-	(421)
Disposals	-	263	-	263
Exchange difference	-	(3,732)	-	(3,732)
As at December 31, 2023	-	(48,063)	-	(48,063)
Depreciation charge for the year	-	(6,531)	-	(6,531)
Impairment	-	156	-	156
Adjustment prior year	-	45	-	45
Exchange difference	-	(2,682)	-	(2,682)
At December 31, 2024	-	(57,075)	-	(57,075)
Carrying amount				
At December 31, 2023	33,715	151,811	139	185,665
At December 31, 2024	35,210	169,070	162	204,442

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.

As at December 31, 2024 and 2023, the fair values of the properties are believed to be higher than the carrying amount since most of the investments are relatively new and renovated.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***28. Leases**

The major components of RoU as at December 31, 2024 and 2023 are:

	Buildings	Plant	Equipment and Vehicles	Total
Cost				
At 1 January 2023	50,470	1,564	6,295	58,329
Additions	19,989	-	1,289	21,278
Disposal	(2,374)	-	(875)	(3,249)
Discontinued operations	(792)	-	(138)	(930)
Translation difference	2,927	156	613	3,696
Adjustments prior year	132	-	(87)	45
At 31 December 2023	70,352	1,720	7,097	79,169
Additions	10,286	-	1,961	12,247
Disposal	(4,959)	-	(655)	(5,614)
Assets held for sale	(20,881)	-	(631)	(21,512)
Translation difference	1,450	-	-	1,450
Adjustments prior year	1,757	101	418	2,276
At 31 December 2024	58,005	1,821	8,190	68,016
Accumulated depreciation				
At 1 January 2023	(17,799)	(113)	(2,623)	(20,535)
Charge for the year	(8,732)	-	(786)	(9,518)
Disposal	1,198	-	566	1,764
Discontinued operations	142	-	19	161
Translation difference	(935)	(11)	(263)	(1,209)
Adjustments prior year	(80)	-	69	(11)
At 31 December 2023	(26,206)	(124)	(3,018)	(29,348)
Charge for the year	(8,394)	(14)	(819)	(9,227)
Disposal	2,809	-	485	3,294
Assets held for sale	6,901	-	249	7,150
Translation difference	-	-	-	-
Adjustments prior year	(640)	(8)	(176)	(824)
At 31 December 2024	(25,530)	(146)	(3,279)	(28,955)
Carrying amount				
At 31 December 2023	44,146	1,596	4,079	49,821
At 31 December 2024	32,475	1,675	4,911	39,061

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***28. Leases (continued)**

Lease liabilities under IFRS 16 is detailed as at December 31, 2024 and 2023 as below:

	2024	2023
Lease liability	49,178	37,838
Addition in lease liabilities	12,262	21,278
Disposal	(2,325)	(1,410)
Discontinued operations	-	(433)
Assets held for sale	(13,671)	-
Translation differences	(1,125)	1,740
Decrease in lease liability	(8,106)	(8,614)
<i>Principal lease payments</i>	(9,850)	(10,143)
<i>Interest on lease liability</i>	1,743	1,529
Translation differences	2,939	(1,221)
Total lease liability	39,152	49,178
 <i>Current portion</i>	 9,326	 10,398
<i>Non-current portion</i>	29,826	38,779
	39,152	49,177
 Maturity analysis	 2024	 2023
Year 1	9,326	10,398
Year 2	8,335	12,261
Year 3	6,046	5,475
Year 4	4,547	5,201
Year 5	2,823	4,380
Onwards	8,075	11,462
Total	39,152	49,177

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

29. Intangible asset

The major components of intangible assets as at December 31, 2024 and 2023 are:

	License	Software	Other intangible assets	Development expenses	Intangible asset in progress	Goodwill	Total
As at January 1, 2023	1,078	7,556	530	761	86	907	10,918
Additions	-	901	7	2	134	38	1,082
Acquisition of a subsidiary	1,119	-	-	-	-	-	1,119
Discontinued operations (note 6)	-	(2)	(16)	-	-	-	(18)
Exchange difference	155	738	52	76	12	92	1,125
As at December 31, 2023	2,352	9,193	573	839	232	1,037	14,226
Additions	64	2,194	111	-	523	-	2,892
Assets held for sale	(13)	(323)	-	-	-	(1,029)	(1,365)
Disposals	-	(2)	(49)	-	(428)	-	(479)
Transfers	31	28	99	(8)	(62)	-	88
Exchange difference	135	548	37	50	13	34	817
As at December 31, 2024	2,569	11,638	771	881	278	42	16,179
Amortization							
As at January 1, 2023	(45)	(3,928)	(459)	(755)	-	-	(5,187)
Amortization charge for the year	(14)	(1,112)	(9)	-	-	-	(1,135)
Discontinued operations (note 6)	(90)	-	-	-	-	-	(90)
Transfers	-	3	3	-	-	-	6
Exchange difference	(6)	(318)	(45)	(75)	-	-	(444)
As at December 31, 2023	(155)	(5,355)	(510)	(830)	-	-	(6,850)
Amortization charge for the year	(16)	(1,103)	(55)	-	-	-	(1,174)
Assets held for sale	12	185	-	-	-	-	197
Disposals	-	4	10	-	-	-	14
Transfers	-	(103)	(82)	(1)	-	-	(186)
Exchange difference	(6)	(315)	(33)	(49)	-	-	(403)
As at December 31, 2024	(165)	(6,687)	(670)	(880)	-	-	(8,402)
Carrying amount							
At December 31, 2023	2,197	3,838	63	9	232	1,037	7,376
At December 31, 2024	2,404	4,951	101	1	278	42	7,777

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

(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, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Investment in Joint Ventures cost	7,611	657
Investment in Associates cost	2	1
	7,613	658
Net increase using equity method	-	373
Total	7,613	1,031

For the year ended December 31, 2024 and 2023, the movements in net investment in joint ventures and associates were as follows:

	2024	2023
Opening balance 1 January	1,031	1,215
Increase/(decrease) in share capital	6,190	-
Share of profits continuing op.	667	497
Dividends received	(716)	(807)
Balances of JV/associate with negative equity	373	-
Translation differences	68	126
Closing balance 31 December	7,613	1,031

31. Investments in limited paid partnership

During the year 2024, the Group has investments in limited paid partnership for the development of construction and real estate projects in international markets (Canada). In these investments in limited paid partnership the Group is a passive investor. As at December 31, 2024 the Group has investments in limited paid partnership in the amount 5,507 thousand Eur (2023: 0 thousand Eur).

32. Inventory

The major components of inventories as at December 31, 2024 and 2023 are disclosed as below:

	December 31, 2024	December 31, 2023
Electronics and household devices	55,282	42,170
Consumer goods	6,139	14,685
Fast moving consumer goods	10,237	8,714
Fashion and online retail inventory		2,334
Real estate for sale	21,547	727
Other materials	4,278	3,865
Impairment of finished goods	(1,018)	(1,138)
Translation differences	(26)	(52)
Inventory from non-finance operations	96,439	71,305
Properties in development	64,183	61,214
Real estate and mining inventory in process	36,471	39,784
Total in process inventory	100,654	100,998
Inventory of banking repossessed collaterals	16,360	17,224
Impairment of financial activity inventory	(8,629)	(7,698)
Translation differences	(224)	(362)
Inventory from finance operations	7,507	9,164
Total inventory	204,600	181,467

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December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***32. Inventory (continued)**

Current portion	132,910	111,089
Non-current portion	71,690	70,378

Non-current inventory in the amount 64,183 Eur is mainly composed from properties in development from the real estate sector and from banking sector in the amount 7,507 Eur. Inventory from financial activity represent real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of the assets in the foreseeable future.

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

	December 31, 2024	December 31, 2023
At January 1	9,164	10,668
Acquisitions through legal process for settlement of loans to customers	24	258
Disposals	(1,893)	(2,049)
Allowance for impairment from finance activities	(314)	(489)
Effect of foreign exchange rate	526	776
Total	7,507	9,164

As at December 31, 2024 and 2023, inventory provision relates to finished goods, other materials and raw materials. The movements in provision for impairment are presented as below:

	2024	2023
At January 1	8,836	7,544
Charge of the year from finance operations	971	1,463
Charge of the year from non-finance operations	43	87
Release of impairment from finance operations	(800)	(913)
Release of impairment from non-finance operations	(79)	-
Effect of foreign exchange rate	676	655
At December 31	9,647	8,836

As at December 31, 2024 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 49).

33. Deferred tax asset / (liability)

	December 31, 2024	December 31, 2023
Deferred tax asset	3,059	3,514
Deferred tax liabilities	(21,208)	(9,499)

Deferred tax assets and liabilities are not offset in the statement of financial position 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 utilized. The balance of deferred tax assets and liability in the current year is mainly from Tirana Bank. Movements in deferred tax assets and liabilities are presented as follows:

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

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

<i>Deferred tax assets</i>	2024	2023
As at January 1	3,514	5,129
Total charge of the year	(490)	(1,872)
Charge of the year to profit and loss for:	507	11
- Property plant and equipment	(25)	94
- PPA deferred tax	7	(88)
- Others	524	5
Charge of the year to OCI	(997)	(1,883)
Discontinued operations	(155)	-
Effect of foreign exchange rate	189	257
December-31	3,059	3,514
<i>Deferred tax liabilities</i>	2024	2023
As at January 1	9,499	599
Total release of deferred tax liability	11,118	8,391
Release of deferred tax liability through profit and loss for:	10,933	8,278
- Property plant and equipment	9,305	5,342
- Others	1,628	2,936
Effect from acquisition of subsidiary	-	130
Transfer to deferred tax liability	(263)	-
Effect of foreign exchange rate	854	379
December-31	21,208	9,499
<i>Deferred tax charge to profit and loss</i>	2024	2023
Deferred tax asset income\expense of the year	507	11
Deferred tax liability (income)\expense of the year	(11,118)	(8,391)
December-31	(10,611)	(8,380)

34. Interest-bearing loans given

The major components of interest-bearing loans given as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Interest-bearing loans	37,163	43,536
Other financial assets	-	124
	37,163	43,660
Current	22,451	27,093
Non-current	14,712	16,567
Total	37,163	43,660

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

34. Interest-bearing loans given (continued)

Interest-bearing loans given for the year ended on December 31, 2024 are detailed as follows:

December 31, 2024					
Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Short term loans	4.06%	6.5%	28/02/2025	31/12/2025	22,451
Long term loans	5.20%	7.2%	28/12/2026	30/11/2029	14,712
					37,163

Non-current financial assets for the year ended on December 31, 2023 are detailed as follows:

December 31, 2023					
Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Short term loans	0%	4%	26/02/2024	28/06/2024	27,093
Long term loans	0%	7.2%	19/09/2025	28/12/2026	16,567
					43,660

35. Financial assets

	December 31, 2024	December 31, 2023
Financial assets held at FV through OCI	282,598	286,409
Financial assets held at amortized cost	480,763	333,906
Total	763,361	620,315
Current portion	223,252	244,288
Non-current portion	540,109	376,027

Financial assets held at fair value through OCI

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

	December 31, 2024	December 31, 2023
Treasury bills	121,842	151,546
Government bonds	160,756	134,863
Total	282,598	286,409

	2024	2023
As at January 1,	286,409	214,981
Purchase	128,279	131,065
Matured	(146,354)	(76,030)
Gain/(Loss) from change in fair value	281	579
Other (foreign exchange)	13,983	15,814
As at December 31,	282,598	286,409

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***35. Financial assets (continued)****Financial assets held at amortized cost:**

	December 31, 2024	December 31, 2023
Treasury bills	24,467	3,466
Government bonds	337,323	227,164
Deposits in financial institution	117,144	103,156
Accrued interest	1,829	120
Total	480,763	333,906

36. Equity instruments

On May 2024 the Group invested on future equity investments to purchase shares in the start-up entity. The total equity instruments invested as at December 31, 2024 is Eur XXX thousand (2023: 845 Eur).

37. Loans to customers from financial operations

	December 31, 2024	December 31, 2023
SME lending	117,930	80,192
Mortgage	174,207	145,611
Consumer lending	59,956	31,017
Corporate lending	436,982	300,352
Overdrafts	4,244	4,486
Credit cards	3,302	2,779
Accrued interest	3,324	2,160
Loan commissions deferred using EIR	(3,645)	(2,420)
Gross loans and advances	796,300	564,177
Less: Allowance for impairment losses	(25,728)	(20,583)
Translation differences	(670)	(965)
Total	769,902	542,629
<i>Current portion</i>	<i>285,286</i>	<i>245,799</i>
<i>Non-current portion</i>	<i>484,616</i>	<i>296,830</i>

The maturity of Loans to customers from financial operation is disclosed in Liquidity Risk Note 47. The movement in allowances/(impairment) for losses on loans and advances to customers is as follows:

	2024	2023
At 1 January	20,583	16,703
Write off	(261)	(934)
Charge for the year	4,320	4,010
Exchange rate effect	1,086	804
Total	25,728	20,583

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 the years 2024 and 2023. 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, 2024, and December 31, 2023.

Notes to the consolidated financial statements as at and for the year ending

December 31, 2024

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

37. Loans to customers from financial operations (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2024	5,388	2,667	12,528	-	20,583
Movements with profit or loss impact	-	-	-	-	-
Transfers:					
Transfers from Stage 1 to Stage 2 and 3	1,360	(1,444)	84	-	(0)
Transfers from Stage 2 to Stage 1 and 3	(236)	236	-	-	-
Transfers from Stage 3 to Stage 1 and 2	(16)	-	16	-	-
New financial assets originated or purchased	1,565	(1,565)	-	-	-
Changes in PDs/LGDs/EADs	-	(286)	286	-	-
Write-offs	47	-	(47)	-	-
	-	-	140	-	140
Total net profit or loss charge during the period	4,686	(1,122)	635	-	4,199
Other movements with no profit or loss impact	(3,433)	2,226	509	-	(698)
Derecognized during the period					
FX and other movements	384	499	762	-	1,645
Loss allowance as at December 31, 2024	7,070	3,984	14,674	-	25,728

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 2024	485,862	28,382	24,675	-	538,919
Transfers:					
Transfer from Stage 1 to Stage 2 and 3	(1,139)	(1,072)	2,211	-	-
Transfer from Stage 2 to Stage 1 and 3	(18,488)	17,342	1,146	-	-
Transfer from Stage 3 to Stage 2 and 1	17,238	(18,787)	1,549	-	-
New assets originated or purchased	111	373	(484)	-	-
Increase/Decrease of Balances for existing Loan Portfolio	286,576	4,050	2,372	-	292,998
Write-offs	(74,412)	(6,437)	(3,205)	-	(84,054)
FX and other movements	-	-	(261)	-	(261)
	44,733	1,840	2,123	-	48,696
Total as at December 31, 2024	741,621	26,763	27,914	-	796,298

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

37. Loans to customers from financial operations (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2023	3,662	2,494	10,547	-	16,703
Movements with profit or loss impact					
Transfers:					
Transfers from Stage 1 to Stage 2 and 3	(646)	551	95	-	-
Transfers from Stage 2 to Stage 1 and 3	(1,210)	1,159	51	-	-
Transfers from Stage 3 to Stage 1 and 2	541	(1,006)	465	-	-
New financial assets originated or purchased	23	398	(421)	-	-
Changes in PDs/LGDs/EADs	1,419	324	758	-	2,501
Write-offs	661	(1,066)	(1,087)	-	(1,492)
	-	-	(159)	-	(159)
Total net profit or loss charge during the period	1,434	(191)	(393)	-	850
Other movements with no profit or loss impact	(51)	131	1,386	-	1,466
Derecognized during the period	-	-	-	-	-
FX and other movements	342	234	988	-	1,564
Loss allowance as at December 31, 2023	5,387	2,668	12,528	-	20,583

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 2023	432,231	24,219	21,524	-	477,974
Transfers:					
Transfer from Stage 1 to Stage 2 and 3	(12,436)	6,234	6,203	-	1
Transfer from Stage 2 to Stage 1 and 3	(17,194)	16,038	1,156	-	-
Transfer from Stage 3 to Stage 2 and 1	4,744	(10,132)	5,387	-	-1
New assets originated or purchased	13	328	(341)	-	-
Net new disbursement/ loan payments	169,501	6,044	1,989	-	177,534
Write-offs	(102,844)	(7,832)	(4,209)	-	(114,885)
FX and other movements	-	-	(933)	-	(933)
	22,198	1,048	1,241	-	24,487
Total as at December 31, 2023	508,650	29,713	25,815	-	564,178

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024**
(All amounts in '000 Eur, unless otherwise stated)
38. Prepayments and deferred expenses

Prepayments and deferred expenses as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Deferred expenses	12,587	1,683
Lease agreement incentive (lessor)	228	9,134
Other prepayments	11,643	12,736
Total	24,458	23,553
<i>Current portion</i>	<i>10,840</i>	<i>9,388</i>
<i>Non-current portion</i>	<i>13,618</i>	<i>14,165</i>

Deferred expenses include deferred expenses for construction works.

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 software's.

39. Trade receivables and other receivables

Trade and other receivables as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Trade receivables	40,319	34,875
Other receivables	36,862	24,488
Total	77,181	59,363

The major components of trade receivables as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Trade receivables from third parties	41,919	36,510
Trade receivables from JVs and associates	358	339
Less: allowance for expected credit losses	(1,909)	(1,885)
Translation differences	(49)	(89)
Total trade receivables from third parties, net	40,319	34,875

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

	2024	2023
As at January 1	1,885	1,464
Provision for expected credit losses	175	444
Reverse of provision for doubtful accounts	(78)	(177)
Write-offs	(178)	40
Translation difference	105	114
As at December 31	1,909	1,885

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***39. Trade receivables and other receivables (continued)**

The Group categorizes its trade receivables based on 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, 2024	December 31, 2023
0 - 30 days	29,102	26,283
31 - 60 days	1,359	1,596
61 - 90 days	1,400	902
91 - 180 days	1,466	1,903
Over 180 days	6,992	4,191
Total	40,319	34,875

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 payments are not material to the group, whereas the non-collection risk remains low.

The major components of other receivables as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Tax receivables	11,125	6,289
Accruals and other receivables	6,513	6,180
Advance payments	9,615	5,372
Other assets (finance operations)	1,442	2,265
Other receivables from customers	2,575	2,360
Other debtors, net	5,342	2,022
Dividend receivable	250	-
Total	36,862	24,488

40. Cash and due from banks

The major components of cash and short-term deposit as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Non-financial Sector		
Cash at banks	52,185	37,210
Short term deposits	-	5,221
Cash on hand	1,149	2,027
Cash in transit	527	2,999
Total	53,861	47,457
Financial Sector		
Compulsory reserve with Central Bank	94,009	84,410
Cash in vault and due from banks	4,103	25
Total	98,112	84,435
Total cash	151,973	131,892

Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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40. Cash and due from banks (continued)

As at December 31, 2024 and 2023, 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 energy.

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

	December 31, 2024	December 31, 2023
Non-Financial Sector	53,861	47,457
Financial Sector (excluding compulsory reserve)	4,103	25
Total cash and cash equivalents	57,964	47,482

41. Other Assets

	December 31, 2024	December 31, 2023
Guarantee deposits	1,209	2,818
Long term guarantees	1,554	1,554
Payments on behalf of third parties	-	1,422
Net investment on sublease, finance lease	690	590
Total	3,453	6,384

Guarantee deposits are related to the guarantee given to original landowners for construction projects under development.

42. Share capital and other reserves

The total number of ordinary shares at December 31, 2024 was 100 shares (2023: 100 shares) with a par value of Eur 241,410 per share. All issued shares are fully paid.

Other reserves as at December 31, 2024 and 2023 are comprised mainly of legal and other reserves as disclosed below:

	Legal reserve	Other reserves	Total
Balance as at January 1, 2023	11,562	5,442	17,004
Release of reserve to retained earnings	-	-	-
Transfer from retained earnings to other reserves	-	129	129
Balance as at December 31, 2023	11,562	5,571	17,133
Release of reserve to retained earnings	-	-	-
Transfer from retained earnings to other reserves	-	792	792
Balance as at December 31, 2024	11,562	6,363	17,925

Other reserves 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 requirements 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.

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December 31, 2024**
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43. Interest-bearing borrowings

The major components of interest-bearing loans and borrowings as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Loans from financial institutions	116,709	110,980
Overdrafts	16,390	5,267
Loans from third parties	678	635
Other financial liabilities from shareholders	2	3
Other financial liabilities	(1)	2
Accrued interest	255	280
Total	134,033	117,167
<i>Non-current portion</i>	<i>36,090</i>	<i>23,424</i>
<i>Current portion</i>	<i>97,943</i>	<i>93,743</i>

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

Loans from financial institutions for the year ended on December 31, 2024, are detailed as follows:

December 31, 2024					
Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Loans	2.00%	6.73%	21/04/2025	15/11/2023	116,709
Overdraft	3.40%	5.64%	08/02/2025	30/09/2026	16,390
					133,099

Loans from financial institutions for the year ended on December 31, 2023 are detailed as follows:

December 31, 2023					
Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Loans	1.80%	7.24%	10/05/2024	15/11/2032	110,980
Overdraft	2.70%	6.36%	18/02/2024	15/12/2024	5,267
					116,247

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Notes to the consolidated financial statements as at and for the year ending December 31, 2024

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

44. Due to customers and banks in financial operations

	December 31, 2024	December 31, 2023
Corporate customers		
Current accounts	183,695	134,373
Term deposits	30,826	27,916
Other deposits	34,970	20,984
	249,491	183,273
Retail customers		
Current / Savings accounts	323,407	256,158
Term deposits	555,150	480,157
Other deposits	1,432	2,266
	879,989	738,581
Due to banks		
Current accounts due to banks	1,126	4,502
Borrowings	-	62,376
Treasury Bills sold under repurchase agreements	159,218	
	160,344	66,878
Accrued interest	-	4,747
Cheques payables and remittances	8,120	-
Total	1,297,944	993,479
<i>Current portion</i>	<i>1,129,450</i>	<i>818,307</i>
<i>Non-current portion</i>	<i>168,494</i>	<i>175,172</i>

The below interest rates are applied on Customer Deposits for the year 2024:

Saving accounts:			Term deposits	
Currency	Minimum	Maximum	Minimum	Maximum
LEK	0.00%	2.50%	0.40%	6.00%
USD/EUR	0.00%	0.25%	0.05%	4.25%

45. Provisions

The major components of provisions as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Operational risk provisions from finance operations	2,120	1,758
Expected credit losses from off balance sheet items	596	863
Provision for restoration and decommissioning	524	478
Provision for tax audits and other legal cases	360	340
Post- employment benefits	114	89
Other benefits	14	38
Total	3,728	3,566
<i>Current portion</i>	<i>488</i>	<i>467</i>
<i>Non-current portion</i>	<i>3,240</i>	<i>3,099</i>

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
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As at December 31, 2024 and 2023, movements in other provisions are set out below:

	2024	2023
At January 1	3,566	3,818
Provision / (release) for tax audits and other legal cases	-	(1,103)
Provision (release) / built for employee benefits	(4)	(54)
Provision / (release) for off balance sheet items	(292)	342
Provision / (release) operational risk	260	212
Provision (release) / built for restoration and decommissioning	33	82
Provision / (release) other benefits	(24)	-
Translation differences	189	269
Total	3,728	3,566

46. Trade payables and other payables

The major components of trade payables and other payables as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Trade payables	70,323	84,361
Other payables	47,504	28,796
Total	117,827	113,157

The major components of trade payables as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Trade payables third parties	69,454	84,243
Trade payables to JV and associates	869	118
Total	70,323	84,361

The major components of other financial liabilities as at December 31, 2024 and 2023 are:

	December 31, 2024	December 31, 2023
Non-current		
Residual guarantees from tenants	1,702	1,545
Obligations under finance leases	523	562
Government grants	109	139
Other liabilities	114	6
	2,448	2,252
Current		
Other liabilities related to suspense accounts	17,008	9,156
Accrued expenses	8,968	7,178
Tax liabilities	7,087	6,163
Deferred revenue (other than CL)	9,016	2,042
Payable to employees	742	705
Other payables to third parties	445	598
Prepayments received	871	542
Obligations under finance leases	165	158
Other payables to related parties	754	2
	45,056	26,544
Total	47,504	28,796

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	December 31, 2024	December 31, 2023
Subordinated debt	14,400	14,400
Accrued interest	50	50
Total	14,450	14,450

During the year 2024, Tirana Bank has not issued bonds in the form of subordinated debt. The decrease in value of subordinated debt is due to payments made during the year.

The underlying bonds have 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.

48. 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 analyse 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 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 2024 and 2023.

**Notes to the consolidated financial statements as at and for the year ending
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48 Financial risk management (continued)

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 relate 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, 2024 and 2023 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 993 thousand (2023: Eur 1,099 thousand).

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 in, 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 is 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.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***48 Financial risk management (continued)****a) Market risk (continued)****Foreign currency sensitivity (continued)**

	Change in rate	Effect on profit before tax
2024		
Euro	5%/(5%)	(12,790)/12,790
USD	5%/(5%)	(2,296)/2,296
MKD	5%/(5%)	1,573/(1,573)
BAM	5%/(5%)	472/(472)
	Change in rate	Effect on profit before tax
2023		
Euro	5%/(5%)	(9,081)/9,081
USD	5%/(5%)	(5,902)/5,902
MKD	5%/(5%)	(837)/837
BAM	5%/(5%)	(348)/348

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.

*(All amounts in '000 Eur, unless otherwise stated)***48 Financial risk management (continued)****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 the 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 a 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 analysed 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.

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 through analysis of defaults within groups with similar characteristics. Therefore, the Group utilizes an integral grading for Business customers which are grouped into five main categories containing customers with ratings representing similar credit risk characteristics.

Internal grading groups:

Description of the grade

Excellent

Satisfactory

Weak

Special mention

Default

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.

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48 Financial risk management (continued)

(b) Debt securities and other bills

For debt securities and other bills, the risk department for managing 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.

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.

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48 Financial risk management (continued)

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.

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.

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

48 Financial risk management (continued)

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, 2024	Carrying amount as at December 31, 2023
Financial assets at FV through OCI and AC	763,361	620,315
Equity instruments	1,093	845
Loans to customers from financial operations	769,902	542,629
Trade receivables	77,181	59,363
Cash and due from banks	151,973	131,892
Interest-bearing loans given	37,163	43,660
Contract assets	188,163	85,094
Prepayments	24,458	23,553
Total Financial Assets	2,013,294	1,507,351

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

48. Financial risk management (continued)

Credit Quality

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

Internal rating grade	As at December 31, 2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers from financial operations					
Standard	246,232	4,925	609	-	251,766
Excellent	29,650	100	-	-	29,750
Satisfactory	369,257	6,758	75	-	376,090
Weak	95,786	8,977	-	-	104,763
Special monitoring	696	6,003	2,431	-	9,130
Doubtful and Lost	-	-	24,799	-	24,799
Total Gross Balances	741,621	26,763	27,914	-	796,298
Standard	1,951	1,358	136	-	3,445
Excellent	224	1	-	-	225
Satisfactory	2,263	58	75	-	2,396
Weak	2,811	716	-	-	3,527
Special monitoring	53	1,661	698	-	2,412
Doubtful and Lost	-	-	14,391	-	14,391
Total Allowance	7,302	3,794	15,300	-	26,396
Balances Net of Impairment	734,319	22,969	12,614	0	769,902
Due from banks					
Standard	72,214	-	-	-	72,214
Total Gross Balances	72,214	-	-	-	72,214
Standard	1	-	-	-	1
Total Allowance	1	-	-	-	1
Balances Net of Impairment	72,213	-	-	-	72,213
Cash and Balances with Central Bank					
Standard	118,782	-	-	-	118,782
Total Gross Balances	118,782	-	-	-	118,782
Standard	-	-	-	-	0
Total Allowance	-	-	-	-	0
Balances Net of Impairment	118,782	-	-	-	118,782
Total Gross Balance	932,617	26,763	27,914	-	987,294
Total Allowance	7,303	3,794	15,300	-	26,397
Total Balances Net of impairment	925,314	22,969	12,614	-	960,897

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48. Financial risk management (continued)

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

Internal rating grade	As at December 31, 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers from financial operations					
Standard	176,632	2,860	489	-	179,981
Excellent	80,773	890	-	-	81,663
Satisfactory	218,848	14,688	-	-	233,536
Weak	31,967	2,246	191	-	34,404
Special monitoring	248	9,028	1,771	-	11,047
Doubtful and Lost	-	-	23,545	-	23,545
Total Gross Balances	508,468	29,712	25,996	-	564,176
Standard	830	583	131	-	1,544
Excellent	569	4	-	-	573
Satisfactory	2,970	479	-	-	3,449
Weak	1,268	73	109	-	1,450
Special monitoring	2	1,653	628	-	2,283
Doubtful and Lost	-	-	12,248	-	12,248
Total Allowance	5,639	2,792	13,116	-	21,547
Balances Net of Impairment	502,829	26,920	12,880	-	542,629
Due from banks					
Standard	78,626	-	-	-	78,626
Total Gross Balances	78,626	-	-	-	78,626
Standard	-	-	-	-	-
Total Allowance	-	-	-	-	-
Balances Net of Impairment	78,626	-	-	-	78,626
Cash and Balances with Central Bank					
Standard	84,410	-	-	-	84,410
Total Gross Balances	84,410	-	-	-	84,410
Standard	1	-	-	-	1
Total Allowance	1	-	-	-	1
Balances Net of Impairment	84,409	-	-	-	84,409
					-
Total Gross Balance	671,504	29,712	25,996	-	727,212
Total Allowance	5,640	2,792	13,116	-	21,548
Total Balances Net of impairment	665,864	26,920	12,880	-	705,664

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:

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48. Financial risk management (continued)

Bank's rating

	As at December 31, 2024		As at December 31, 2023	
	Loans and advances (%)	Impairment provision level (%)	Loans and advances (%)	Impairment provision level (%)
<i>Investment Grade</i>			-	-
Standard (only Retail)	32%	1%	32%	1%
Excellent	4%	1%	14%	1%
Satisfactory	47%	1%	41%	1%
Weak	13%	3%	6%	4%
Special mention	1%	26%	2%	21%
Default	3%	58%	4%	52%
Total	100		100	

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48. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements in 2024:

	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	680,495	89,485	26,319	796,299	26,397	769,902
Financial assets at fair value through OCI	606,749	-	-	606,749	-	606,749
Due from banks	4,103	-	-	4,103	-	4,103
Cash and balances with Central Bank	94,009	-	-	94,009	-	94,009
	1,385,355	89,485	26,319	1,501,159	26,397	1,474,762
Non-Financial Sector						
Trade receivables	72,536	4,529	293	77,358	177	77,181
Interest-bearing loans given	37,163	-	-	37,163	-	37,163
Financial assets at amortized cost	156,612	-	-	156,612	-	156,612
Contract assets	188,163	-	-	188,163	-	188,163
Cash and cash equivalents	53,853	-	10	53,863	-	53,863
	508,326	4,529	303	513,158	177	512,982
Total	1,893,681	94,014-	26,622	2,014,317	26,574	1,987,744

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48. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements in 2023:

Financial Sector	Neither past due nor impaired	Past due but not impaired	Individually impaired	Gross	Allowance for impairment	Carrying amount
Loans to customers from financial operations	462,290	77,651	24,235	564,176	(21,547)	542,629
Financial assets at fair value through OCI	494,932	-	-	494,932	-	494,932
Due from banks	78,626	-	-	78,626	(1)	78,626
Cash and balances with Central Bank	84,410	-	-	84,410	-	84,410
	1,120,258	77,651	24,235	1,222,144	(21,548)	1,200,597
Non-Financial Sector						
Trade receivables	35,626	16,231	7,934	59,791	(427)	59,363
Interest-bearing loans given	43,661	-	-	43,661	-	43,661
Financial assets at amortized cost	620,315	-	-	620,315	-	620,315
Contract assets	85,095	-	-	85,095	-	85,095
Cash and cash equivalents	123,509	3,323	34	126,866	(1)	126,866
	908,206	19,554	7,968	935,728	(428)	935,300
Total	2,028,464	97,205	32,203	2,157,872	(21,976)	2,135,897

**Notes to the consolidated financial statements as at and for the year ending
December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***48. Financial risk management (continued)**

	2024	2023
Credit risk exposures relating to off-balance sheet items are as follows:		
Loans Commitment	73,468	77,003
Letters of Guarantees	43,525	36,170
At 31 December	116,993	113,173

The above tables represent a worst-case scenario of credit risk exposure to the Group at December 31, 2024 and 2023, 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 Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 91.03 % of the loans and advances portfolio is categorized in the top two grades of the internal rating system (2023: 93.39%);
- Loans to SMEs, which represents the biggest group in the portfolio, are backed by collateral;
- 85.99 % of the loans and advances portfolio are considered to be neither past due nor impaired (2023: 83.00%); and
- The Group 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).

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48. 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, 2024	Carrying amount	less than 3 months	3 to 12 months	1 to 5 years	over 5 years
Interest-bearing borrowings	134,033	1,691	32,889	60,847	38,606
Lease liabilities	33,631	281	6,101	23,804	3,445
Trade payables	97,091	64,699	30,499	1,753	140
Income tax payable	914	914	-	-	-
Dividend Payable	176	176	-	-	-
Total Liabilities	265,845	67,761	69,489	86,404	42,191

As at December 31, 2023	Carrying amount	less than 3 months	3 to 12 months	1 to 5 years	over 5 years
Interest-bearing borrowings	117,167	2,893	20,690	74,758	18,826
Lease liabilities	65,895	1,070	22,864	38,973	2,988
Trade payables	113,157	64,000	46,612	2,532	13
Income tax payable	543	542	-	-	1
Dividend Payable	385	385	-	-	-
Total Liabilities	297,147	68,890	90,166	116,263	21,828

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48. Financial risk management (continued)

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

As at December 31, 2024	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	94,009	-	-	-	-	94,009
Due from banks	4,102	-	-	-	(1)	4,101
Loans and advances to customers, net	44,754	55,567	253,471	203,015	213,095	769,902
Financial assets at FVOCI	33,399	79,000	9,444	110,375	50,381	282,598
Financial assets at AC	6,314	5,973	9,281	195,322	107,261	324,151
Other assets	2,575	-	-	-	-	2,575
Total financial assets	185,152	140,540	272,196	508,712	370,736	1,477,336

Liabilities liquidity

Due to customers and banks from finance op.	636,410	71,172	403,716	183,082	3,564	1,297,944
Other liabilities	20,479	-	1,784	3,352	-	25,615
Subordinated debt	-	-	-	-	14,450	14,450
Loan commitments	31,123	-	42,344	-	1	73,468
Total financial liabilities	688,012	71,172	447,844	186,434	18,015	1,411,477
Net liquidity gap finance operations	(502,860)	69,368	(175,648)	322,278	352,721	65,859

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48. Financial risk management (continued)

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

As at December 31, 2023	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	84,410	-	-	-	-	84,410
Due from banks	25	-	-	-	-	25
Loans to customers from financial operations	20,355	53,166	172,278	139,147	157,682	542,628
Financial assets at FVOCI	91,099	35,768	14,763	88,185	56,595	286,410
Financial assets at AC	2,320	-	7,597	105,573	93,034	208,524
Other assets	2,355	-	-	-	-	2,355
Total financial assets	200,564	88,934	194,638	332,905	307,311	1,124,352
Liabilities liquidity						
Due to customers and banks from finance op.	514,449	91,131	329,413	175,106	3,232	1,113,331
Other liabilities	25,024	-	51,836	142	-	77,002
Subordinated debt	-	-	-	-	-	-
Loan commitments	2,274	2,561	31,336	-	14,450	14,450
Total financial liabilities	541,747	93,692	412,585	175,248	17,682	1,240,954
Net liquidity gap finance operations	(341,183)	(4,758)	(217,947)	157,657	289,629	(116,602)

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.

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49. 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, 2024 and 2023.

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 171,278 thousand (2023: Eur 136,075 thousand) and Eur 110,870 (2023: Eur 150,334 thousand).

50. 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:

	2024	2023
Within one year	59,201	16,912
After one year but not more than five years	166,343	67,647
More than five years	-	-
Total	225,544	84,559

The Group has entered into collateral agreements with banks and guarantees with third parties during 2024 and 2023 as follows:

<i>Collaterals:</i>	December 31, 2024	December 31, 2023
Land and buildings	95,002	185,058
Property and equipment	-	1,163
Inventory	16,223	7,061
Trade receivables	1,366	1,392
Total	112,591	194,674

As at December 31, 2024 and 2023, the pledged inventory is offered as collateral on working capital financing lines in order to cover 130% of the financing exposure.

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December 31, 2024***(All amounts in '000 Eur, unless otherwise stated)***50. 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 basis 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 grant letters of credits and guarantees to its customers, which would require the Group to make payments if the client's 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, 2024 and 2023 are composed of the following:

	As at December 31, 2024	As at December 31, 2023
<i>Granted</i>		
Loan commitments	73,468	77,003
Letters of Guarantees	43,525	36,171

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51. 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, 2024 have been settled during the first quarter of 2025.

	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:					
2024	1,720	3,515	435	616	-
2023	2,410	577	4,698	323	-
Associates:					
2024	1	-	-	-	-
2023	0	4	-	2	-
Ultimate Controlling Holder and close family members:					
2024	5,201	34,904	598	3,574	1,652
2023	-	-	-	22	1,214

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

51. Related party disclosures (continued)

Compensation of key management personnel of the Group

Expenses	2024	2023
Salary, compensations and social and health contributions	1,347	1,347
Bonus payment	305	305
Total	1,652	1,652

52. 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.