



BALFIN Group

consolidated financial statements

'25

(As at and for the year ended december 31, 2025)

Balfin Group
Consolidated Financial Statements
as at and for the year ended December 31, 2025

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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. (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2025, the consolidated statement of profit or loss and consolidated 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 material 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 2025, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with 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.

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

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

In preparing the financial statements, management is responsible for assessing the 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 whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of detecting 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 the 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 material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton sh.p.k.

Tiranë, Albania

30 June 2026



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.

Balfin Group
Consolidated Statement of Profit or Loss for the year ended 31 December 2025
(All amounts in '000 Eur, unless otherwise stated)

		For the year ended on December 31, 2025	For the year ended on December 31, 2024
	Notes		
Revenue from contracts with customers	12	553,394	525,411
Rental income	13	32,538	31,700
Cost of sales	15	(380,000)	(333,164)
Gross Profit from Non-Financial Operations		205,932	223,947
Net interest income from financial operations	14	61,994	56,735
Gross profit		267,926	280,682
Other operating income	21	11,789	6,018
Selling and distribution expenses	16	(21,699)	(14,636)
Administrative and other operating expenses	17	(50,746)	(42,417)
Employee expenses	19	(76,499)	(62,464)
Depreciation and amortization expenses	20	(28,125)	(23,374)
Expected credit losses	18	(3,185)	(5,731)
Operating profit		99,461	138,078
Finance costs	22	(13,048)	(16,268)
Finance income	23	7,534	5,229
Gain on disposal of subsidiary	7,a	35,754	-
Share of profit of associates and joint ventures	30	342	667
Profit before tax		130,043	127,706
Income tax expense	24	(19,846)	(12,313)
Deferred tax expense	24	(1,541)	(10,611)
Profit for the year		108,656	104,782
Profit / (Loss) from discontinued operations	7	2,879	8,556
Profit for the year		111,535	113,338
Profit for the year attributable to:			
Owners of the parent company		99,517	105,678
Non-controlling interests		12,018	7,660
		111,535	113,338

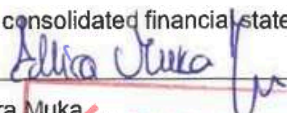
	Notes	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Profit of the year		111,535	113,338
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences		2,991	(4,094)
Fair value on available-for-sale financial assets	25	2,502	6,646
Deferred tax relating to the fair value movement recognised directly in OCI		(375)	(997)
Total comprehensive income		116,653	114,893
Total comprehensive income attributable to:			
Owners of the parent company		104,763	107,376
Non-controlling interest		11,890	7,517
		116,653	114,893

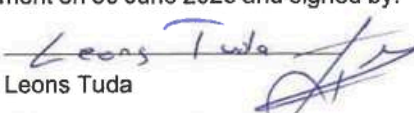
The consolidated statement of profit or loss has to be read in conjunction with the notes which are an integral part of these consolidated financial statements set on pages 7 to 101.

Balfin Group
Consolidated statement of financial position as of December 31, 2025
(All amounts in '000 Eur, unless otherwise stated)

	Notes	As at December 31, 2025	As at December 31, 2024
Assets			
Non-current assets			
Property, plant and equipment	26	130,344	45,876
Investment property	27	219,785	204,442
Right of use assets	28	41,302	39,061
Investments in associates and joint ventures	30	18,572	7,613
Investments in limited partnerships	31	7,051	5,507
Intangible assets	29	12,526	7,777
Financial assets	35	610,006	540,109
Equity instruments	36	1,238	1,093
Interest-bearing loans given	34	23,020	14,712
Loans to customers from financial operations	37	636,058	484,616
Inventory	32	111,487	71,690
Prepayments and deferred expenses	38	14,093	13,618
Other assets	41	2,648	3,453
Contract asset	12	204,261	170,896
Deferred tax assets	33	3,637	3,059
Total non-current assets		2,036,028	1,613,522
Current assets			
Inventory	32	157,739	132,910
Trade and other receivables	39	79,020	77,181
Contract assets	12	12,465	17,267
Interest-bearing loans given	34	16,270	22,451
Financial assets	35	247,223	223,252
Income tax receivable		4,189	4,766
Prepayments and deferred expenses	38	17,373	10,840
Loans to customers from financial operations	37	316,526	285,286
Cash and balances with banks	40	175,179	151,973
Total current assets		1,025,984	925,926
Assets held for sale	7	-	60,259
Total assets		3,062,012	2,599,707

The consolidated financial statements were approved by Management on 30 June 2026 and signed by:


Edlira Muka
Chief Executive Officer and Administrator


Leons Tuda
Chief Financial Officer

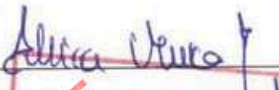
BALFIN - Balkan Finance
Investment Group sh.p.k.
 Rruga "Papa Gjoni Pali II",
 ABA Business Center, Kati II, Tiranë

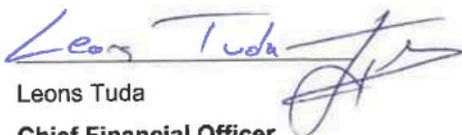
The consolidated statement of financial position has to be read in conjunction with the notes which are part of these consolidated financial statements set on pages 7 to 101.

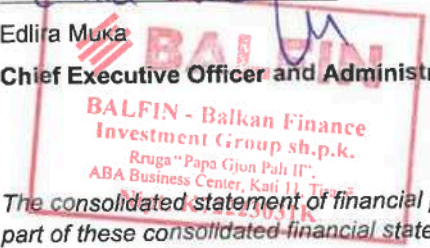
Balfin Group
Consolidated statement of financial position as of December 31, 2025
(All amounts in '000 Eur, unless otherwise stated)

	Notes	As at December 31, 2025	As at December 31, 2024
Capital and reserves			
Share capital		24,241	24,241
Other capital and legal reserves	42	19,698	17,925
Retained earnings		634,693	530,824
Other reserves		138,617	125,749
Equity attributable to equity holders of the parent		817,249	698,739
Non-controlling interests		31,218	30,630
Total equity		848,467	729,369
Non-current liabilities			
Deferred tax liabilities	33	24,637	21,208
Trade and other payables	46	2,378	2,448
Lease liabilities	28	32,428	29,826
Contract liabilities	12	171,583	130,793
Due to customers	44	158,629	168,494
Interest-bearing borrowings	43	105,249	97,943
Provisions	45	2,799	3,240
Subordinated debt	47	14,450	14,450
Total non-current liabilities		512,153	468,402
Current liabilities			
Provisions short-term	45	510	488
Contract liabilities	12	91,010	61,702
Interest-bearing borrowings	43	70,909	36,090
Lease liabilities	28	9,752	9,326
Income tax payable		4,189	914
Trade and other payables	46	117,880	115,379
Dividends payable		938	176
Total current liabilities		295,188	224,075
Due to customers	44	1,406,204	1,129,450
Liabilities directly associated with assets held for sale	7	-	48,411
Total liabilities		2,213,545	1,870,338
Total equity and liabilities		3,062,012	2,599,707

The consolidated financial statements are approved on June 30th, 2026 and signed by:


Edlira Muka
Chief Executive Officer and Administrator


Leons Tuda
Chief Financial Officer


BALFIN - Balkan Finance
Investment Group sh.p.k.
 Rruga "Papa Gjoni Pali II"
 ABA Business Center, Kati II, Tiranë
 0110 443031K

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 7 to 101.

Balfin Group

Consolidated statement of changes in equity for the year ending December 31, 2025

(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	Non-Controlling Interest	Total equity
Total equity as at 1 January 2024		24,241	11,562	5,572	93,474	(9,683)	432,328	557,494	26,236	583,730
Profit for the year		-	-	-	-	-	108,778	108,778	7,884	116,662
Other comprehensive income		-	-	-	7,361	5,814	-	13,175	-	13,175
Total comprehensive income		-	-	-	7,361	5,814	108,778	121,953	7,884	129,837
Dividend distributed		-	-	-	-	-	-	-	(5,798)	(5,798)
Increase in share capital		-	-	-	-	-	-	-	2,583	2,583
Transfers to and from retained earnings	42	-	-	791	3,486	12	(1,014)	3,275	(51)	3,224
Adjustment to prior period		-	-	-	-	-	(6,168)	(6,168)	-	(6,168)
Exchange rate effect		-	-	-	25,450	(165)	(3,100)	22,185	(224)	21,961
Balance at December 31, 2024		24,241	11,562	6,363	129,771	(4,022)	530,824	698,739	30,630	729,369
Profit for the year		-	-	-	-	-	99,517	99,517	12,018	111,535
Other comprehensive income		-	-	-	5,104	2,127	-	7,231	-	7,231
Total comprehensive income		-	-	-	5,104	2,127	99,517	106,748	12,018	118,766
Dividend distributed		-	-	-	-	-	-	-	(5,862)	(5,862)
Increase / (decrease) in share capital		-	-	-	-	-	-	-	(5,466)	(5,466)
Transfers to and from retained earnings	42	-	-	1,773	5,636	-	(1,811)	5,598	(102)	5,496
Adjustment to prior period		-	-	-	-	-	6,163	6,163	-	6,163
Exchange rate effect		-	-	-	1	-	-	1	-	1
Balance at December 31, 2025		24,241	11,562	8,136	140,512	(1,895)	634,693	817,249	31,218	848,467

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 7 to 101.

Balfin Group**Consolidated statement of cash flows for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)*

	Note	For the year ending December 31, 2025	For the year ending December 31, 2024
<i>Profit before tax from continuing operations</i>		130,043	127,313
<i>Profit / (Loss) before tax from discontinued operations</i>		2,879	8,556
Profit before tax		132,922	135,869
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Gain on disposal of subsidiary		35,754	-
Depreciation and impairment of PPE and RoU	26,28	19,093	15,669
Depreciation and impairment of investment property	27	7,245	6,531
Amortization and impairment of intangible assets	29	1,787	1,174
Allowances, provisions and write-offs		(2,173)	(6,333)
Gain / (Loss) on disposal of asset		269	93
Finance income	14,23	(87,734)	(77,481)
Finance costs	14,22	19,987	16,142
Share of profit of an associate and a JV	9	(342)	(667)
<i>Working capital adjustments</i>			
Change in trade and other receivables		(7,617)	(157,883)
Change in inventories		(67,713)	(11,344)
Change in trade and other payables		70,547	118,645
Change in compulsory reserve		(18,309)	(4,672)
Change in loans to customers		(170,633)	(192,200)
Change in due to customers and banks		250,306	251,832
Income tax paid		(16,157)	(13,575)
Interest from non-financial operation			
<i>Interest received</i>		5,752	4,603
<i>Interest paid</i>		(17,521)	(14,443)
Interest from financial operation			
<i>Interest received</i>		82,186	73,889
<i>Interest paid</i>		(1,904)	(4,896)
Net cash flows from operating activities		236,204	140,953

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 7 to 101.

Balfin Group**Consolidated statement of cash flows for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)*

	Note	For the year ending December 31, 2025	For the year ending December 31, 2024
Investing activities			
Proceeds from sale of property, plant and equipment		(10,104)	435
Purchase of property, plant and equipment	26	(88,776)	2,030
Acquisition of subsidiary, net of cash acquired		(25,972)	-
Purchase of intangible assets	29	(6,742)	(2,892)
Proceeds from sale of intangible assets		164	463
Purchase of investment property	27	(22,274)	(18,571)
Proceeds from sale of investment property		38	90
Decrease / (increase) of investment in associates		(12,380)	(11,773)
Purchase of financial assets at FVOCI	35	(188,794)	(129,344)
Proceeds from financial assets at FVOCI	35	182,130	146,354
Purchase of financial asset held at amortized cost		(78,382)	(124,137)
Increase of capital from NCI shareholders		1	-
Acquisition of NCI		(5,043)	-
Dividend received		539	716
Net cash flows from/(used in) investing activities		(255,595)	(136,629)
Financing activities			
Increase of reserve		1,628	651
Proceeds from borrowings, net		37,613	18,630
Payment of principal portion of lease liabilities		(11,290)	(9,147)
Issuance of subordinated debt		(203)	(819)
Dividend paid		(5,216)	(6,023)
Net cash flows (used in)/from financing activities		22,532	3,292
Net increase/(decrease) in cash and cash equivalents		3,141	7,616
Net foreign exchange difference		416	2,866
Cash and cash equivalents at January 1	40	57,964	47,482
Cash and cash equivalents at December 31	40	61,521	57,964

The consolidated cash flow statement has to be read in conjunction with the notes which are part of these financial statements set on pages 7 to 101.

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2025

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

1. Corporate information

The consolidated financial statements of Balfin - Balkan Finance Investment Group Sh.p.k ("the Group" or "the Parent") and its subsidiaries (collectively, "Balfin Group") for the year ended December 31, 2025 were authorized for issue on 30 June, 2026. The Parent is a limited company incorporated on October 25, 2007 and it is registered with the National Business Centre of Albania and domiciled in Albania. The registered office of the Parent is located at ABA Business Centre, 11th floor, Tirana, Albania. The sole shareholder of Balfin Sh.p.k is Mr. Samir Mane while Ms. Edlira Muka is the CEO and administrator.

The Management Board of Balfin Group is part of the Group's governance structure and performs a supervisory role. The Management Board comprises ten 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), Arsim Papraniku (Board Member), Mr. Csaba Toth (Real Estate Assets Management), Ms. Blerina Daka (Internal Audit Department), Mr. Martin Mane (Advisory for North America – appointed from April 2025), Mr. Andi Mane (Board Member – appointed from December 2025) and Mr. Leons Tuda (appointed from November 2025) as Chief Financial Officer and Head of the Corporate Finance Department.

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

The Group had 4,440 employees as at 31 December 2025, excluding discontinued operations (31 December 2024: 3,620 employees, excluding discontinued operations). During the year 2025 there is an overall increase in the number of employees mainly in the retail, real estate and banking sector.

2. Significant accounting policies

2.1. Basis of preparation

These consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements comprise 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:

- Debt instruments issued by banks measured at FVOCI
- Inventories measured at the lower of cost and net realisable value (NRV).
- Assets classified as held for sale, measured at the lower of carrying amount and fair value less costs to sell.
- Equity instruments 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 Euro (Eur '000), except when otherwise indicated.

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

2. Significant accounting policies (continued)**2.1. Basis of preparation (continued)**

The Group has not identified any material impact on its ability to continue as a going concern or on the ability of the Group and its subsidiaries to meet the obligations presented in these consolidated financial statements. The Group's long-term strategy is to consolidate its presence in its current operating industries in both domestic and international markets, while pursuing potential new projects in the real estate, banking and retail sectors. The Group has sufficient cash resources and available headroom under its approved credit facilities. As at 31 December 2025, overdraft facilities were utilised at 75.32% and loans at 94.74% of the total approved limits. Available facilities amounted to EUR 9,301,820 and are considered sufficient to support the Group in the event of a downturn, taking into account the current impact of the war in the region on raw material prices and other potential future uncertainties that can be reasonably estimated.

As at 31 December 2025, the Group's gearing ratio was 0.12x (31 December 2024: 0.10x) (Note 4). Accordingly, the Group has the flexibility to obtain additional external financing, if required. Management believes that all liabilities falling due within the next twelve months will be settled as they become due.

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 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an 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, a majority of voting rights results in a presumption of control. To support this presumption, when the Group holds 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 the 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.

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 on which the Group obtains control until the date on which the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group entities 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 retained investment is recognised either under the equity method or at fair value, depending on the nature of the remaining interest.

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 the consideration transferred and the fair value of the net identifiable assets acquired is recognised as either goodwill or a bargain purchase gain, as appropriate.

Any equity interest previously held in the acquiree is deemed to have been disposed of and reacquired at its 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 and micro-finance

The Group fully consolidates Tirana Bank (a banking institution) and Happy Pay (an electronic money institution) using the same methodology applied to all other subsidiaries. The Bank and the electronic money institution operate in a regulated environment, and transactions with other Group entities are conducted in accordance with the applicable regulatory requirements. Accordingly, these consolidated financial statements present their activities in a more condensed manner.

2.3. Summary of significant accounting policies

a) Business combinations and goodwill

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

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 identifiable net assets acquired exceeds the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used to measure the amounts recognised 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 of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combination under common control

The Group applies the accounting policy for business combinations under common control to combinations of businesses that are ultimately controlled by the same party both before and after the combination, where such control is not transitory. For financial reporting purposes, the combining businesses are treated as if they had always been combined. Accordingly, the book value method is applied, whereby the assets and liabilities transferred are recognised at their existing carrying amounts. The method is applied prospectively and comparative information for prior periods is not restated.

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 the equity method, an investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is subsequently adjusted to recognise the Group's share of changes in the net assets of the associate or joint venture since the acquisition date. The Group's share of the profit or loss of the associate or joint venture is recognised in the consolidated statement of profit or loss, while its share of movements in other comprehensive income is recognised in other comprehensive income.

2. Significant accounting policies (continued)**2.3 Summary of significant accounting policies (continued)****b) Investment in associates and joint ventures (continued)**

Any changes recognised in the other comprehensive income of an associate or a joint venture are recognised as part of the Group's other comprehensive income. 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 deferred tax liabilities are classified as non-current assets and non-current liabilities, respectively.

d) Revenue from contracts with customers

Balfin Group is a diversified group of companies operating across various segments, including retail, property development and management (real estate), energy, banking, services and others. The Group also generates significant rental income from its property management segment. However, this income is not accounted for as revenue from contracts with customers, but as rental income from investment properties. The disclosures relating to the significant accounting judgments, estimates and assumptions applied in accounting for revenue from contracts with customers are provided in Note 3. The nature, timing, performance obligations and uncertainties relating to each of the Group's main operating segments are presented below.

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 71.04% of the Groups pre-consolidated revenues (2024: 66.31%). 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 recognises revenue when control of the goods is transferred to the customer, which is generally at the point of sale and represents the principal performance obligation for all retail 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.

The retail segment also generates revenue from marketing and franchise services. Revenue from these services is generally recognised over time using the output method to measure progress towards complete satisfaction of the performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group. Franchise fees are generally determined as a percentage of the franchisee's sales and are recognised in the period in which the related sales occur.

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 material.

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 that have not been 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 generally sold separately from the related goods. Revenue is recognised over the period during which the warranty service is provided, based on the passage of time.

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 the sale of development properties is recognised when control of the property is transferred to the customer. The Group acts as principal in all such 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 of the services 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 that it acts as principal in all construction contracts.
- d) The Group acts as agent on transferring development rights from original landowner to the developer whereby recognises revenue either on a net basis or at 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, although its performance obligation has been satisfied, 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, where applicable.

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 that include variable consideration. However, if a contract includes variable consideration, the Group estimates the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods to the customer. Variable consideration is estimated at contract inception and is constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

ii. Significant financing component

The Group typically enters into contracts for the sale of residential units significantly in advance of their completion. In general, customers make advance payments before the property is delivered. The Group has concluded that these contracts contain a significant financing component where customers prepay, in whole or in part, more than one year before the expected delivery date of the construction unit. Accordingly, the Group applies the practical expedient in IFRS 15 and does not adjust for the effects of a significant financing component for contracts under which the construction units are expected to be delivered within one year from the date the advance payment is received.

The Group has determined that the significant financing component under IFRS 15 meets the criteria for capitalisation in accordance with 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 appropriate discount rate is its 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 enters into contracts with customers for the sale of construction units in exchange for non-cash consideration, primarily land on which the project will be developed. The Group applies the requirements of IFRS 13 *Fair Value Measurement* when measuring the fair value of non-cash consideration. If the fair value of the non-cash consideration cannot be measured reliably, it is measured indirectly by reference to the stand-alone selling price of the promised goods or services.

The stand-alone selling price 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, the fair value of land cannot be measured reliably because comparable market transactions are limited and publicly available information is insufficient. The Group measures the non-cash consideration at contract inception, therefore at the date of the exchange contract with the landowners' land using the average unit prices (for villas and apartments separately) included in the project's feasibility study.

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 standard warranty provisions for general repairs for up to two years on all products sold, in line with industry practice, and construction warranties for up to two years on residential units sold, where required under applicable legislation. These assurance-type warranties are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* at the time of 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 provides maintenance and repair services, which are recognised at a point in time when the service has been 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 represents the Group's right to consideration in exchange for goods, properties or services transferred to a customer before payment becomes due. 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 recognised as revenue when the Group satisfies the related performance obligation under the contract.

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 granted and is recognised using the effective interest method as interest accrues. Interest income is included in finance income in the statement of comprehensive income.

Interest income finance operations

Interest and similar income includes 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 recognised using the 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.

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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that sufficient future taxable profits will be available against which the deferred tax assets can be utilised. 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 recognised either as a reduction of goodwill (to the extent that it does not exceed the amount of 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 tax authorities is presented as part of receivables or payables in the statement of financial position..

2. Significant accounting policies (continued)**2.3 Summary of significant accounting policies (continued)****h) Foreign currencies***i) Transactions and balances*

The functional currency of the Parent is the Albanian Lek ("ALL"). Each entity within the Group determines its own functional currency based on the currency of the primary economic environment in which it operates, and the items included in the financial statements of each entity are measured using that functional currency. The Group's consolidated financial statements are presented in Euro ("EUR"), which is the Group's presentation currency, and all financial information is rounded to the nearest thousand Euro (EUR'000), unless otherwise indicated.

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 foreign exchange component of gains or losses arising on the translation of non-monetary items measured at fair value is recognised consistently with the recognition of the underlying fair value gain or loss (i.e. in other comprehensive income or profit or loss, as applicable).

ii) Group companies

On consolidation, the assets and liabilities of foreign operations with functional currencies different from that of the Group are translated into Albanian Lek using the closing exchange rate at the reporting date, while income and expenses are translated using the average exchange rates for the reporting period. Exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the cumulative exchange differences relating to that operation are reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation, together with any fair value adjustments to the carrying amounts of the assets and liabilities arising on acquisition, is treated as an asset or liability of the foreign operation and translated at the closing exchange rate at the reporting date.

Exchange rates of main currencies are presented below:

Currency	2025		2024	
	As of 31 December	Average	As at 31 December	Average
EUR	96.77	97.83	98.15	100.7
BAM	49.37	49.91	50.08	51.38
MKD	1.58	1.6	1.6	1.64
GBP	110.76	114.19	118.16	118.92
USD	82.46	86.7	94.26	93.04
CAD	60.2	62.03	65.56	67.96
MDL	4.89	4.99	5.08	5.23
RSD	0.83	0.83	0.84	0.86
HUF	0.25	0.25	0.24	0.25

2. Significant accounting policies (continued)**2.3 Summary of significant accounting policies (continued)****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.

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 (or 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 assets and current liabilities in the statement of financial position.

Results of discontinued operations are presented separately from continuing operations as a single amount 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 dividends

The Group recognises a liability to pay dividends when the distribution is authorised and is no longer at the discretion of the Group. Under Albanian corporate legislation, a distribution is authorised when approved by the shareholders. The corresponding amount is recognised directly in equity.

k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

2. Significant accounting policies (continued)**2.3 Summary of significant accounting policies (continued)****k) Property, plant and equipment (continued)**

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

Property, plant and equipment are reviewed at each reporting date for indicators of impairment. Where such indicators exist, the assets are tested for impairment. For further information, refer to Note l) Impairment of non-financial assets. Property, plant and equipment are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

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

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

l) Impairment of non-financial asset

The carrying amounts of 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 ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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 calculation of fair value less costs of disposal is based on available data from arm's length sales transactions for similar assets or observable market prices, less incremental costs of disposal.

The calculation of value in use is based on a discounted cash flow ("DCF") model. The cash flows are derived from budgets covering the next three years and do not include restructuring activities to which the Group has not yet committed 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 applied in the DCF model, as well as to the expected future cash flows and the growth rate used for extrapolation purposes.

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

Impairment losses relating to continuing operations are recognised in profit or loss within the relevant expense categories consistent with the function of the impaired asset, except for assets previously revalued, where the revaluation surplus was recognised in other comprehensive income. In such cases, the impairment loss is also recognised in other comprehensive income to the extent of any previous revaluation surplus.

2. Significant accounting policies (continued)**2.3 Summary of significant accounting policies (continued)****l) Impairment of non-financial asset (continued)**

At each reporting date, the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the Group estimates the asset's recoverable amount. A previously recognised 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 recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is recognised in other comprehensive income to the extent that it reverses a previous revaluation decrease.

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. A contract is, or contains, a lease if it 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 a right-of-use asset comprises the initial amount of the lease liability recognised, any initial direct costs incurred, 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 - 5 years
- Motor vehicles and other equipment 2 - 5 years
- Buildings 2 - 10 years

If ownership of the underlying asset transfers to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, depreciation is calculated over the estimated useful life of the underlying asset.

The right-of-use assets are also subject to impairment. Refer to Note 2.3(l) for further details of the impairment policy.

2. Significant accounting policies (continued)**2.3 Summary of significant accounting policies (continued)****n) Leases (continued)***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. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the Group exercising that option.

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. The incremental borrowing rate is determined based on the lease term and the currency in which the lease is denominated. 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 whether the Group is reasonably certain to exercise a purchase, extension or termination option.

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 an 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 from operating leases is recognised on a straight-line basis over the lease term and is presented within revenue in profit or loss, except for contingent rental income, which is recognised when earned. Initial direct costs incurred in negotiating and arranging an operating lease are recognised over the lease term on the same basis as the related lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease incentives granted to tenants are recognised as a reduction of rental income on a straight-line basis over the lease term. 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**

The Group's investment properties primarily comprise shopping malls and are mainly developed internally. 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 carrying amount of the property at the date of the 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 intangible assets, other than capitalised development costs, are not recognised as assets and the related expenditure is recognised in profit or loss as incurred.

The Group's intangible assets have finite useful lives. 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 amortisation period and the amortisation 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 period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

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

- | | |
|---------------------------|------------|
| • License | 3-10 years |
| • Software | 3-10 years |
| • Other intangible assets | 5 years |

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.

For a financial asset to be classified and measured at amortised cost or at 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 the individual 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 assets – 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 whose objective is to hold financial assets in order to collect contractual cash flows.
- 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 (SPPI).

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 also includes investments in equity instruments that the Group has irrevocably elected to classify at fair value through OCI..

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

ii Financial assets – finance operations

The Group's finance operations classify financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics. Financial assets are 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 financial assets in order 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 collecting contractual cash flows and selling financial assets.
- 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 is assessed as a whole 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 loan portfolio within its finance operations, the identified business model is the "Hold to collect" business model. Accordingly, loans classified within this business model are measured at amortised cost, provided that they meet the SPPI criterion. Loans that fail the SPPI test are measured at fair value through profit or loss (FVPL).

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 NPEs and NPLs 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 contractual rights to receive cash flows from the financial 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 continue to be recognised on a basis that reflects the rights and obligations retained by the Group.

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 activities where the Group continues to seek recovery of amounts contractually due, but there is no reasonable expectation of recovery.

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 financial assets measured at amortised cost, debt instruments measured at FVOCI, contract assets, loan commitments and financial guarantee contracts, where applicable in accordance with IFRS 9. 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 applies the simplified approach permitted by IFRS 9 and therefore recognises lifetime ECLs at each reporting date without tracking changes in credit risk. 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 to be in default when contractual payments are more than 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 recognises an allowance for expected credit losses for all loans and other financial assets not held at FVPL, 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).

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 recognizes loss allowances at an amount equal to lifetime ECLs from financial assets, 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 are 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 collect;
- 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, borrowings and financial guarantee contracts, net of directly attributable transaction costs.

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

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 guarantee contracts, are measured at amortised 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

Borrowings represent the most common category of financial liabilities in 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 amortisation of transaction costs using the effective interest method is recognised as finance costs in 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: (i) the loss allowance determined in accordance with IFRS 9; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

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 between the carrying amount of the financial liability extinguished and the consideration paid is recognised in profit or loss.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

q) Financial instruments - initial recognition and subsequent measurement (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 that are directly attributable to the issuance of the debt instrument are included in the initial carrying amount of the liability and are amortised using the effective interest method over the term of the instrument. Interest expense is recognised using the effective interest method 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 determines whether transfers between levels of the fair value hierarchy have occurred at the end of each reporting period and reclassifies instruments accordingly.

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. The cost of inventory properties is determined based on the specific costs attributable to each property.

Cost includes:

- Land acquisition costs and land lease rights
- Amounts paid to construction contractors;
- Borrowing costs arising from a significant financing component under IFRS 15, where applicable; 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 that are intended to be resold 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 uses the lowest of the available valuations in determining the net realisable value of each reposessed 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.

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 purposes of the statement of cash flows:

- Cash and cash equivalents relating to the Group's 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 amortised 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

In the ordinary course of business, the Group is involved in various legal proceedings. 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.

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 Standards adopted as at 1 January 2025

The accounting pronouncements that became effective on 1 January 2025 and were adopted by the Group did not have a significant impact on the Group's financial position, financial performance or disclosures.

- Lack of Exchangeability (Amendments to IAS 21)

Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group include at the reporting date.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss in one of five categories
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, As a result, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* will be renamed *Basis of Preparation and Presentation of Financial Statements*.

IFRS 18 also introduces consequential amendments to other IFRS Accounting Standards, including IAS 7.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

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 7). The amendments apply for annual reporting periods beginning on or after 1 January 2026.
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). Effective for annual reporting periods beginning on or after 1 January 2026
- Annual Improvements to IFRS Accounting Standards—Volume 11. Minor amendments to clarify wording, fix inconsistencies and update guidance. Annual periods beginning on or after 1 January 2026.
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'. effective for annual reporting periods beginning on or after 1 January 2027.
- Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'. The amendments to IFRS 19 will apply for annual reporting periods beginning on or after 1 January 2027.

These Standards and amendments are not expected to have a significant impact on the Group's consolidated financial statements upon initial application. Nevertheless, the Group will continue to monitor their implementation and assess their impact based on future facts and circumstances. An entity should assess the anticipated impact of these new Standards and amendments on their financial statements based on their own facts and circumstances and make appropriate disclosures.

y) Climate-related matters

The Group considers climate-related risks and uncertainties, where relevant, in the preparation of estimates and assumptions used in the consolidated financial statements. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. Based on the information currently available, management believes that 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 2025, 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 assets, liabilities, income and expenses, as well as the related disclosures. 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.

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:

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

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 the contracts contain a significant financing component, considering the period between the customer's payment and the transfer of the completed property, together with prevailing market interest rates.

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

The measurement of expected credit losses (ECLs) is a significant accounting estimate that involves the application of methodologies, 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 Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group'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 2025 the Group does not have assets held for sale.

The assets held for sale at 31 December 2024 relating to Spar sh.p.k., Go Green and Fashion Group were sold during 2025.

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.

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

Classification of investment property

The Group determines whether a property should be classified as investment property or as inventory.

- 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, as decisions about the relevant activities require the unanimous consent of the parties sharing control. 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 (presented as a separate line item in the statement of financial position.) 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 determined the fair value less costs to sell based on the share purchase agreement entered into by the parties since this information was available at the time of the classification.

Estimates and assumptions

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

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

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which those tax losses can be utilised.

Significant management judgement is required in determining the amount of deferred tax assets that can be recognised, based on the expected timing and level of future taxable profits, together with future tax planning strategies. Estimates of future taxable profits are based on forecast cash flows from operations and the application of existing tax legislation. To the extent that future cash flows and taxable profits differ significantly from those estimates, the Group's ability to recover the net deferred tax assets recognised at the reporting date may be affected. Furthermore, future changes in tax legislation in the jurisdictions in which the Group operates may limit the Group's ability to utilise tax deductions in future periods. The carrying amount of recognised tax losses as at 31 December 2025 and 2024 is disclosed in Note 24.

Impairment of non-financial assets

The carrying amounts of 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 a cash-generating unit's fair value less costs of disposal 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 the Group. 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 in the discounted cash flow (DCF) model, as well as to the expected future cash flows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangible assets with indefinite useful lives recognised by the Group. The key assumptions used in determining the recoverable amount for the different cash-generating units (CGUs) are described below.

Discount rate (Weighted Average Cost of Capital ("WACC"))

The Group assesses the recoverable amount of its non-financial assets by measuring their value in use, based on estimated future cash flows discounted to their present value using a pre-tax discount rate (Weighted Average Cost of Capital ("WACC")) that reflects current market assessments of the time value of money and the risks specific to the asset. The WACC is determined in accordance with industry practice using publicly available market 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 the incremental costs of disposing of the asset.

Discounted cash flow (DCF model)

The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the forthcoming years and do not include restructuring activities to which the Group has not yet committed or significant future investments that will enhance the performance of the assets of the cash-generating unit ("CGU") being tested.

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

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. 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 developed 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 may result in different levels of loss allowances.

The Group's ECL calculations for financial assets are the output of complex models that incorporate 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 disclosures of ECL refer to Note 37):

- The internal credit rating model used by the Group's financial activities, which assigns probability of default (PD) estimates for individual assessments;
- The criteria applied by the Group's financial activities for assessing whether there has been a significant increase in credit risk
- 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 indications of unlikelihood 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.

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 their carrying amounts. 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.

Fair value 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 for government securities is determined using specific LGD estimates based on sovereign debt defaults of governments with credit ratings similar to those of the governments issuing the securities held by the Group;
- Counterparty-specific PDs reflect the credit risk of the respective counterparty;
- LGD for other non-sovereign securities represents the LGD applicable to the respective 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, as the time required to develop and sell real estate properties may extend over several years. The time required to complete a project varies significantly from one project to another. The Group generally uses a twelve-month period as its normal operating cycle, and real estate properties expected to be completed over a period significantly longer than twelve months are classified as long-term inventory.

Disaggregation of Revenue information

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

4. Capital management

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

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy, as described below, has remained unchanged since 2025.

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. Over the last decade, the Group has aimed to reinvest its 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 of the financial covenants would entitle the lenders to demand the immediate repayment of the related interest-bearing 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, 2025 the EBITDA of the Group was Eur 161,099 thousand (December 31, 2024: Eur 152,647 thousand).

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2025 and 2024.

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 use of such capital, which cannot be transferred to other group operations to manage liquidity.

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

	December 31, 2025	December 31, 2024
Interest-bearing loans	176,158	134,033
Less: cash and cash equivalents	60,698	53,335
Net debt	115,460	80,698
Net debt/ EBITDA	0.70	0.50
Equity	24,241	24,241
Total capital attributable to parent	817,249	698,739
Capital	841,490	722,980
Capital and debt	1,017,648	857,013
Gearing ratio	12%	10%

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, 2025

(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	
			2025	2024
ACREM Sh.p.k	Albania	Real estate management	100%	100%
Austria WML GmH	Austria	Real estate development	100%(indirect)	100%(indirect)
Alba Distribution	Albania	Electronics wholesale	100%	100%
Alba-Trade Handels	Austria	Electronics wholesale	100%	100%
Alcred Sh.p.k	Albania	Real estate development	100%	100%
Balfin Americans LLC	USA	Real estate management	90%	90%
Resort & Residences	Albania	Real estate management	100%	100%
Balfin B.C. Development	Canada	Real estate management	100%	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%
Orikum Hospitality & Balfin BV	Albania	Hospitality and	100% (indirect)	100%
	Netherlands	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	60% (indirect)	60% (indirect)
East Gate Living	North Macedonia	Real estate development	60% (indirect)	60% (indirect)
East Gate Mall	North Macedonia	Shopping mall	60% (indirect)	60% (indirect)
Elektro Eko Griza	North Macedonia	Retail consumer goods	60% (indirect)	60% (indirect)
Elite Urban Development	Albania	Real estate development	100%	100% (indirect)
Fashion Group Albania	Albania	Retail consumer goods	0%	100%
Go Green	Albania	Renewable energy	10%	100%
Green Coast Sh.p.k	Albania	Real estate development	100%	100%
Green Coast Hotel	Albania	Renewable energy	100%(indirect)	100%
PJ 137 Living	Austria	Real estate development	100% (indirect)	100% (indirect)
Kid Zone Sh.p.k	Albania	Retail of clothes	90%	90%
Kid Zone Kosova	Kosovo	Real estate development	55%	55%
Kid Zone Bosnia and	Bosnia &	Hotel	90%	90%
Kid Zone Montenegro	Montenegro	Renewable energy	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% (indirect)	60% (indirect)
Neptun sh.p.k	Albania	Electronics retailer	90%	90%
Neptun Kosova	Kosovo	Electronics retailer	60%	60%
Neptun Makedonija DOO	North Macedonia	Electronics retailer	60% (indirect)	60% (indirect)
Neptun Bosnia & Hercegovina	Bosnia & Herzegovina	Electronics retailer	60%	60%
New Apollonia	Albania	Real estate development	100%	100%
Happy Sh.p.k	Albania	Loyalty program and customer service	100%	100%
Qendra Tregtare Univers Sh.p.k	Albania	Shopping mall	100%	100%
West Park	Albania	Real estate development	100%	100%
REM SEG	North Macedonia	Real estate development	0%	65% (indirect)
Rolling Hills by the Lake	Albania	Real estate development	100%	100%
Seaside Entertainment	Albania	Hotel and accommodation	100% (indirect)	100% (indirect)
SEG	North Macedonia	Holding company	60% (indirect)	60% (indirect)
Service Makedonija DOO	North Macedonia	Maintenance and repair for electronics equipment	60% (indirect)	60% (indirect)
Spar Albania Sh.p.k	Albania	Retailer of food products	0%	100%
TH&B Immo 2	Austria	Real estate development	65% (indirect)	65% (indirect)
TH&B Immo 3	Austria	Real estate development	65% (indirect)	65% (indirect)
EFG27 GmbH (Effingergasse)	Austria	Real estate development	100% (indirect)	100% (indirect)
Tirana East Gate	Albania	Shopping mall	97%	88%
Tirana Business University	Albania	Education	60%	100%
Tirana Logistic Park	Albania	Logistics center	100%	100%

Balfin Group
Notes to the consolidated financial statements as at and for the year ending December 31, 2025
(All amounts in '000 Eur, unless otherwise stated)
5. Group information (continued)
Information about subsidiaries (continued)

Name	Country of incorporation	Principal activities	% equity interest	
			2025	2024
Tirana Bank Sha	Albania	Banking	100%	100%
Vala Mar 2	Albania	Real estate development	100%	100%
Umea	Albania	Real estate development	100%	100%
Western Balkans Fashion Group	Albania	Retail consumer goods	75%	75%
Aeroporto City Sh.p.k	Albania	Real estate development	100%	100%
Apolonia Hospitality	Albania	Real estate development	100% (indirect)	-
Adriatic Shores Apolonia	Albania	Real estate development	100% (indirect)	-
Dunescape Apolonia	Albania	Real estate development	100% (indirect)	-
Saphire Seas Development	Albania	Real estate development	100% (indirect)	-
Apolonia Lagoon Development	Albania	Real estate development	100% (indirect)	-
Marina Gateway Development	Albania	Real estate development	100% (indirect)	-
Apolonia Oasis Resorts	Albania	Real estate development	100% (indirect)	-
Agora Apolonia Estates	Albania	Real estate development	100% (indirect)	-
Apolonia Golf Estates	Albania	Real estate development	100% (indirect)	-
Apolonia Elysian Estates	Albania	Real estate development	100% (indirect)	-
Apolonia Wetlands Estates	Albania	Real estate development	100% (indirect)	-
Retail Park Shkodra	Albania	Shopping mall	100%	-
Just Fun Balkans	Albania	Retail consumer goods	55% (indirect)	-
Just Fun Distribution	Albania	Retail consumer goods	55%	-
Just Fun M Doo	North Macedonia	Retail consumer goods	55% (indirect)	-
Just Fun Kosovo	Kosovo	Retail consumer goods	55% (indirect)	-
Kid Zone SRL Moldova	Moldova	Retail consumer goods	90%	-
Happy Pay sha	Albania	Microfinance	100%	-
Projektentwicklung Nordbahnstrasse Zwei GmbH	Austria	Real estate management	100%	-
Balfin NBS50 GmbH	Austria	Real estate management	100%	-
Projektentwicklung Nordbahnstrasse 50 OG	Austria	Hospitality and accommodation	100% (indirect)	-
Hold CO	Kosovo	Retail consumer goods	90% (indirect)	-
Fuego International	North Macedonia	Retail consumer goods	70% (indirect)	-
Just Fun LLC Belgrade	Serbia	Retail consumer goods	55% (indirect)	-
Just Fun Montenegro Doo	Montenegro	Retail consumer goods	55% (indirect)	-
Unity	Albania	Retail consumer goods	100%	-
Just Fun BH Doo	Bosnia & Herzegovina	Retail consumer goods	55%	-
UMEA Development Holdings	Albania	Real estate development	100%	-

Information about Joint Ventures

Name	Country of incorporation	Principal activities	% equity interest	
			2025	2024
Aircraft Maintenance	Albania	Services	50%	50%
Belvedere Korce sh.p.k	Albania	Real estate development	50%	50%
Milsped Albania Sh.p.k	Albania	Transportation and logistics	50%	50%
Stella Mare Sh.p.k	Albania	Transportation and logistics	50%	50%
790 East 151st LLC	America	Real estate development	45%	45%
112 East 167 Street LLC	America	Real estate development	45%	45%
304 East 173rd Street	America	Real estate development	45%	45%
1840 East Tremont LLC	America	Real estate development	45%	-
CEE BIG BALFIN Holding	Hungary	Services	50%	-
696 East Fordham Road LLC	America	Real estate development	45%	-

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***5. Group information (continued)****Information about Limited Partnerships**

Name	Country of incorporation	Principal activities	% equity interest	
			2025	2024
575 West 54T Avenue Development	Canada	Real estate development	58%	-
Linwood 2	Canada	Real estate development	80%	-

Information about Associates

Associates Name	Country of incorporation	Principal activities	% equity interest	
			2025	2024
Plus Communications	Albania	Telecommunication	31.83%	31.83%
Perutnina Ptuj Albania	Albania	Food industry	19%	19%
340 MT. Kemble Owner LLC	America	Real estate development	22%	-
CWP Eralb BV	Netherlands	Real estate development	10%	-
Hyperactive Holding	Kosovo	Services	40%	-
Unlimited Gaming (HA Pristina)	Kosovo	Services	40%	-
HyperActive Skopje	North Macedonia	Services	36%	-
CH 2025 LLC (Seattle Townhouse)	America	Real estate development	18%	-
M-ONE Albania	Albania	Services	49%	-
Plus Communications	Albania	Telecommunication	31.83%	31.83%

6. Business combinations and acquisitions of non-controlling interests**Acquisitions in 2025**

On 9 March 2025, the Group acquired an additional 9% equity interest in Tirana East Gate. The company was already part of the Group in 2024, and the acquisition did not result in any changes to the Group's structure. On 2 May 2025, the Group acquired a 90% equity interest in Kid Zone Moldova, a company incorporated in Moldova, for a consideration of EUR 46.01. The company is engaged in the wholesale and retail trade of various goods, both domestically and internationally.

On 27 June 2025, the Group acquired a 50% equity interest in Projektentwicklung Nordbahnstrasse Zwei GmbH, a company incorporated in Austria, engaged in asset management activities. The initial acquisition cost of the interest was EUR 1,905.

On 30 June 2025, the Group acquired a 100% equity interest in OE SASR Beta Neunzigs, which was subsequently renamed Balfin NBS 50 GmbH, a company incorporated in Austria and engaged in asset management activities. The initial acquisition cost of the acquired interest was EUR 10,000.

The assets and liabilities of the acquired entity as at 30 June 2025 were measured at fair value as follows:

	June 30, 2025
Net Book Value of Total Property, Plant and Equipment	40,103,391
Fair Value uplift	2,129,547
Net working capital	(3,203)
Loans Payable	(39,535,080)
Net assets identified	2,694,655
Consideration Paid	(2,450,577)
Investment in equity	(19,049,423)
Repayment of shareholder loan	(20,748,672)
Goodwill / (Bargain Purchase)	(244,077)
Deferred Tax Liability	489,796
Net Goodwill	245,719

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***6. Business combinations and acquisitions of non-controlling interests
(continued)****Acquisitions in 2024**

During 2024, the Group entered into a partnership agreement with the Slovenian company Perutnina Ptuj, which is engaged in the production and processing of poultry products. Under this agreement, Perutnina Ptuj holds 81% of the shares, while the Balfin Group holds the remaining 19%.

7. Discontinued operations**a) Discontinued operations 2025**

On the date of disposal, the Group derecognised the net assets of the disposed subsidiaries: SPAR Sh.p.k, Fashion Group Sh.p.k and Go Green Sh.p.k.

The gain on disposal of the subsidiaries is presented below:

	Spar	Fashion Group	Go Green	
	30 June 2025	31 July 2025	30 June 2025	Total
Total Net Assets	5,537	2,629	55	8,221
<i>Less: Payment receipts</i>	36,755	7,612	-	44,367
<i>Translation differences</i>	(338)	(54)	-	(392)
Gain/(loss) from the disposal of the subsidiary	30,880	4,929	(55)	35,754

The Group recognised a gain on the disposal of subsidiaries amounting to EUR 35,754 thousand. Control over Spar was lost on 30 June 2025, over Fashion Group on 31 July 2025 and over Go Green on 30 June 2025.

The results of the discontinued operations included in the profit for the year are presented below:

	Spar	Fashion Group	Go Green	
	30 June 2025	31 July 2025	30 June 2025	Total
Statement of profit or loss				
Revenue	66,060	6,458	-	72,518
Expenses	(64,574)	(6,379)	(82)	(71,035)
Operating profit/(loss)	1,486	79	(82)	1,483
Financial expenses, net	(453)	(49)	-	(502)
Loss before tax from discontinued operations	1,033	30	(82)	981
Tax benefit/(expense):				
Related to profit/(loss) from the ordinary activities for the period	(146)	(6)	-	(152)
Profit/(loss) for the period from discontinued operations	887	24	(82)	829
Other comprehensive income	-	-	-	-
Total comprehensive income	887	24	(82)	829
Related party transactions	1,337	713	-	2,050
Total comprehensive income after consolidation eliminations	2,224	737	(82)	2,879

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***7. Discontinued operations (continued)****b) Assets held for sale 2025**

For the year ended 31 December 2025, the Group did not have any assets held for sale.

c) Discontinued operations 2024

In April 2024, the Group completed the disposal of its 33% equity interest in Wind Stream to a third party for a purchase price of EUR 1. The Group had previously recognised a full impairment provision against the investment amounting to EUR 170 thousand. The investment had a carrying amount of ALL 73,974,191 (net of the impairment provision). Upon liquidation, proceeds of ALL 59,267,502 were received and the resulting difference was recognised as an expense in profit or loss.

During 2024, the Group completed the liquidation of NKL Limited. The investment, with a carrying amount of EUR 753,685, generated liquidation proceeds of EUR 603,846, and the resulting difference was recognised as an expense in profit or loss for the year.

In August 2024, Albanian Energy Supplier was liquidated and the Group's investment in the entity was recognised as an expense in profit or loss for the year.

d) Assets held for sale 2024

As at 31 December 2024, the Group had assets held for sale relating to Spar sh.p.k., Go Green and Fashion Group. The disposal process for these entities was initiated in March 2025 and is expected to be completed within one year from the reporting date.

The results of the companies are presented as follows:

	Spar	FGA	Go Green	Total
Current assets	26,570	3,541	26	30,137
Non-current assets	28,467	1,603	51	30,121
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	122,519	11,554	-	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 assets are measured at the lower of carrying amount and fair value less costs to sell, in accordance with the requirements of IFRS 5.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***8. Subsidiaries with material non-controlling interests**

Financial information relating to subsidiaries that have material non-controlling interests is presented below:

Proportion of ownership interests held by non-controlling interests:

Name	Country of incorporation and operation	2025	2024
Neptun Kosova	Kosovo	40%	40%
Kid Zone KS	Kosovo	45%	45%
TEG	Albania	3%	11,91%
Balfin Americans LLC	America	10%	10%
Neptun MK	North Macedonia	40%	40%
SEG	North Macedonia	40%	40%
EGM	North Macedonia	40%	40%
EGL	North Macedonia	40%	40%

	Accumulated balances of net assets attributable to material non-controlling interests		Profit or loss allocated to material non-controlling interests	
	2025	2024	2025	2024
Neptun Kosova	2,114	2,062	2,157	1,883
Neptun MK	3,332	3,040	1,081	877
Kid Zone KS	1,807	1,467	1,778	1,368
Balfin Americans LLC	1,928	2,145	(95)	(40)
TEG	1,664	5,605	316	956
SEG	2,298	2,317	59	84
EGM	18,960	3,587	2,091	1,254
EGL	3,350	(1,069)	3,981	(122)

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

December 31, 2025

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

8. Subsidiaries with material non-controlling interests (continued)

Summarised financial information relating to these subsidiaries is presented below. This information is based on the amounts before intercompany eliminations.

Summarized statement of profit or loss for 2025:

	Neptun Kosova	Kid Zone KS	TEG	Neptun MK	SEG	EGM	EGL
Revenue from contracts with customers	94,006	21,331	3,741	97,219	688	5,664	31,780
Rental Income	47	-	14,370	83	11	11,647	6
Cost of sales	(75,922)	(10,426)	(574)	(78,640)	-	(4,726)	(20,428)
Administrative expenses	(10,858)	(6,315)	(7,062)	(14,464)	(532)	(4,350)	(800)
Net finance income/(expenses)	(1,130)	(199)	(973)	(1,144)	1	(2,400)	413
Profit before tax	6,143	4,391	9,502	3,054	168	5,835	10,971
Income tax expense	(748)	(439)	(1,321)	(351)	(20)	(609)	(1,019)
Other comprehensive income	(60)	(43)	-	(34)	(2)	(65)	(124)
Total comprehensive income	5,335	3,909	8,181	2,669	146	5,161	9,828
Attributable to non-controlling interests	2,157	1,408	985	903	86	2,091	3,981
Dividends paid to non-controlling interests	1,875	1,380	166	800	-	-	-

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	-
Rental Income	47	-	13,505	29	6	11,679	7
Cost of sales	(66,857)	(9,274)	(348)	(68,661)	(43)	(4,871)	-
Administrative expenses	(9,314)	(5,649)	(6,529)	(12,866)	(479)	(5,218)	(538)
Net finance income/(expenses)	(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	(569)	(326)	(1,575)	(259)	(28)	(363)	-
Income tax expense	(119)	(77)	-	(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	-	-	-

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2025

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

8. Subsidiaries with material non-controlling interests (continued)

Summarized statement of financial position as at December 31, 2025:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMK	SEG	EGM	EGL
Property plant and equipment	2,715	1,288	318	2,497	5,034	6,853	90
Other non-current assets	8,831	2,345	63,653	5,099	2,939	82,704	-
Inventory	21,065	2,756	16	23,544	3,063	182	2,372
Trade receivables	2,740	57	3,837	8,529	318	2,332	13
Cash and short-term deposits	4,430	1,746	2,193	1,549	136	6,022	99
Other current assets	1,162	49	1,318	81	820	2,112	12,804
Trade and other payables	15,167	1,594	1,074	15,142	366	1,284	198
Interest-bearing borrowings	11,814	-	27,672	11,819	-	51,133	-
Other liabilities	8,519	2,695	1,977	6,392	6,200	911	3,847
Total equity	5,443	3,952	40,612	7,946	5,744	46,877	11,333
Equity holders of parent	2,939	2,071	39,322	4,609	3,083	27,293	8,081
Non-controlling interest	2,504	1,881	1,290	3,337	2,661	19,584	3,252

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)

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Notes to the consolidated financial statements as at and for the year ending
December 31, 2025

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

8. Subsidiaries with material non-controlling interests (continued)

Summarized cash flow information for year ended December 31, 2025:

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMMK	SEG	EGM	EGL
Operating	(3,649)	4,372	9,970	(775)	1,748	6,624	2,850
Investing	(1,211)	(486)	(1,321)	(2,161)	(727)	264	(3,403)
Financing	8,341	(3,778)	(8,614)	4,164	(1,030)	(6,858)	321
Net increase/ (decrease) in cash and cash equivalents	3,481	108	35	1,228	(9)	30	(232)

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

	Neptun Kosova	Kid Zone KS	TEG	Neptun NMMK	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)

Balfin Group

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

December 31, 2025

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

9. Interest in Joint Ventures

The Group's interest in its joint ventures is accounted for using the equity method in the consolidated financial statements. Summarised financial information relating to the Group's material joint ventures, based on their IFRS financial statements, together with a reconciliation to the carrying amount of the investments in the consolidated financial statements, is presented below.

	2025				2024			
	Stella Mare	Milsped	Bellevedere	Aircraft Maintenance	CEE BIG BALFIN Holding	Stella Mare	Milsped	Bellevedere
Summarized statement of profit or loss:								
Revenue from contracts with customers	2,498	22,581	4,391	40	-	3,181	17,799	3,881
Cost of goods sold	(1,495)	(50)	(3,878)	(35)	(23)	(1,648)	(42)	(3,512)
Administrative expenses	(156)	(21,212)	(87)	(30)	-	(816)	(17,097)	(147)
Net finance income/(expenses)	-	(137)	(484)	(4)	(10)	(47)	(38)	147
Profit before tax	847	1,182	(58)	(29)	(33)	670	622	369
Income tax expense	(132)	(255)	(52)	-	-	(140)	(104)	(55)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	715	927	(110)	(29)	(33)	530	518	314
Group's share of profit for the year	358	463	(55)	(15)	(17)	265	259	157

	2025				2024			
	Stella Mare	Milsped	Bellevedere	Aircraft Maintenance	CEE BIG BALFIN Holding	Stella Mare	Milsped	Bellevedere
Summarized statement of financial position:								
Current assets	1,641	5,098	8,246	76	2,343	3,332	3,090	12,060
Non-current assets	90	2,742	1	126	2,366	59	3,102	3
Current liabilities	841	5,228	529	24	4,687	2,704	4,236	1,476
Non-current liabilities	36	1,096	6,955	6	57	3	853	9,724
Total equity	854	1,516	763	172	(35)	684	1,103	863
Group's share in equity	428	758	382	86	-	342	551	432

The Group has no goodwill or other adjustments relating to its joint ventures.

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2025

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

10. Investment in associates

The Group holds an investment in Perutnina Ptuj Albania. The investment is accounted for using the equity method in the consolidated financial statements.

The Group has no goodwill or other adjustments relating to this associate.

11. Segment Information

Basis for segmentation

In accordance with IFRS 8 *Operating Segments*, the Group is required to disclose segment information if debt or equity securities are publicly traded or if the Group is in the process of filing its financial statements with a securities regulator for the purpose of issuing any class of instruments in a public market. Although the Group is not required to comply with IFRS 8, management has elected to voluntarily provide the following explanatory disclosures in these consolidated financial statements. For management purposes, the Group is organised into six strategic reportable segments. These reportable segments offer distinct products and services and are managed separately. 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 consumer and electronic goods, and retail sale of toys and fashion products
Service	Maintenance and repair of electronic equipment and the provision of commercial and property management services for shopping malls and residential complexes
Banking	Banking services
Other	Investment activities and consulting services

The Vice Presidents responsible for each industry, as described in Note 1, monitor the performance of the companies within their respective industries, establish strategic objectives and are fully accountable for ensuring that the Group is organised and managed effectively. 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 Mali i Zi (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 determined on an arm's length basis in a manner consistent with 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.

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2025

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

11. Segment Information (continued)

Segment Information by Industry for the Year Ended 31 December 2025		Real Estate	Retail	Service	Other	Banking	Total Segments	Adjustments & Eliminations	Consolidated
Revenue from contracts with customers	161,505	469,262	8,449	7,925	13,394		660,535	(107,141)	553,394
Rental income	33,841	215	-	388	2,198		36,642	(4,104)	32,538
Cost of sales	(91,752)	(360,361)	(1,582)	(1,114)	(2,517)		(457,326)	77,326	(380,000)
Net profit from financial operations	2	-	-	-	59,821		59,823	2,171	61,994
Gross profit	103,596	109,116	6,867	7,199	72,896		299,674	(31,748)	267,926
Other operating income	7,844	2,578	175	36,106	900		47,603	(35,814)	11,789
Selling and distribution expenses	(17,608)	(13,858)	(573)	(460)	(1,625)		(34,124)	12,425	(21,699)
Administrative and other operating expenses	(14,194)	(18,728)	(1,248)	(6,420)	(17,209)		(57,799)	7,053	(50,746)
Employee expenses	(19,070)	(33,264)	(4,262)	(9,827)	(16,127)		(82,550)	6,051	(76,499)
Depreciation and amortization expense	(11,985)	(11,615)	(508)	(1,565)	(5,479)		(31,152)	3,027	(28,125)
Expected credit losses from financial operations	(215)	(72)	(29)	(1,608)	(1,261)		(3,185)	-	(3,185)
Operating profit	48,368	34,157	422	23,425	32,095		138,467	(39,006)	99,461
Segment assets	936,287	226,201	4,429	537,627	1,914,756		3,619,300	(557,288)	3,062,012
Segment liabilities	500,453	176,763	5,353	18,221	1,711,591		2,412,381	(198,836)	2,213,545

Segment Information by Industry for the Year Ended 31 December 2024		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	33,191	98	-	1,242	1,824		36,355	(4,655)	31,700
Cost of sales	(82,825)	(319,770)	(1,919)	(965)	(1,769)		(407,248)	74,084	(333,164)
Net profit from financial operations	1	-	-	-	54,660		54,661	2,074	56,735
Gross profit	134,807	94,511	6,435	6,868	65,802		308,423	(27,741)	280,682
Other operating income	2,662	1,520	163	36,191	3,041		43,577	(37,559)	6,018
Selling and distribution expenses	(11,600)	(11,580)	(562)	(304)	(1,672)		(25,718)	11,082	(14,636)
Administrative and other operating expenses	(14,190)	(14,789)	(1,380)	(6,299)	(12,773)		(49,431)	7,014	(42,417)
Employee expenses	(14,961)	(27,373)	(3,746)	(7,908)	(13,597)		(67,585)	5,121	(62,464)
Depreciation and amortization expense	(9,580)	(10,151)	(457)	(1,551)	(4,304)		(26,043)	2,669	(23,374)
Expected credit losses from financial operations	(409)	(46)	(13)	(944)	(4,320)		(5,732)	1	(5,731)
Operating profit	86,729	32,092	440	26,053	32,177		177,491	(39,413)	138,078
Segment assets	768,832	231,251	3,899	454,168	1,628,915		3,087,065	(487,358)	2,599,707
Segment liabilities	395,693	183,840	4,638	7,608	1,461,268		2,053,047	(182,709)	1,870,338

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***11. Segment Information (continued)**

Reconciliation of Reportable Segment Information to the Amounts Reported in the Consolidated Financial Statements

Reconciliation of operating profit with net profit

	2025	2024
	99,461	138,078
Finance costs	(13,048)	(16,268)
Finance income	7,534	5,229
Gain/(Loss) on disposal of a subsidiary	35,754	-
Share of profit of an associate and a joint venture	342	667
Profit before tax	130,043	127,706
Income tax expense	(19,846)	(12,313)
Deferred tax income/(expense)	(1,541)	(10,611)
Profit for the year	108,656	104,782
Profit/(Loss) for the year from discontinued operations	2,879	8,556
Profit for the year	111,535	113,338
Other comprehensive income/(expense)	7,231	1,555
Total comprehensive income	118,766	114,893

	2025	2024
i. Revenues		
Total revenue for reportable segments	757,001	715,671
Elimination of inter-segment revenue	(109,075)	(101,824)
Consolidated revenue	647,926	613,847
ii. Operating profit		
Total operating profit for reportable segments	138,468	177,490
Elimination for inter-segment profit	(39,007)	(39,412)
Consolidated profit before tax from continuing operations	99,461	138,078
iii. Assets		
Segment assets	3,267,344	2,742,745
Deferred tax assets	334,128	276,473
Assets held for sale	-	60,259
Investments in associates and joint ventures	17,827	7,589
Elimination of inter-segment balances	(557,287)	(487,360)
Consolidated total assets	3,062,012	2,599,706
iv. Liabilities		
Segment liabilities	2,166,055	1,828,303
Deferred tax liabilities	23,561	20,588
Current tax payable	4,189	914
Interest-bearing loans and borrowings	218,575	152,175
Liabilities held for sale	-	51,067
Elimination of inter-segment liabilities	(198,835)	(182,709)
Consolidated total liabilities	2,213,545	1,870,338

Balfin Group
Notes to the consolidated financial statements as at and for the year ending December 31, 2025
(All amounts in '000 Eur, unless otherwise stated)
11. Segment Information (continued)
Segment information by geography

	Revenue		Operating profit	
	2025	2024	2025	2024
Albania	365,755	398,025	97,421	150,750
North Macedonia	149,240	104,783	22,895	10,543
Kosovo	117,086	102,244	11,894	9,746
Bosnia & Hercegovina	31,023	23,513	2,159	2,784
Other countries	93,897	87,105	4,099	3,668
Montenegro	13,404	11,790	3,068	3,004
Austria	80,491	75,314	824	658
Netherlands	-	-	974	499
Canada	2	1	(12)	(96)
USA	-	-	(717)	(397)
Moldova	-	-	(2)	-
Serbia	-	-	(36)	-
Total segments	757,001	715,671	138,468	177,491
Eliminations	(109,075)	(101,825)	(39,007)	(39,413)
Total for continuing operations	647,926	613,846	99,461	138,078

12. Revenue from Contracts with Customers

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

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Retail sale of consumer electronics	324,854	288,610
Retail sale of toys	95,960	83,972
Retail sale of clothing	1,425	-
Retail segment subtotal	422,239	372,582
Energy trading	-	84
Energy and Mining Segment Subtotal	-	84
Sale of real estate	67,374	110,544
Sale of construction works	21,486	8,476
Real estate segment subtotal	88,860	119,020
Other sales of goods	900	339
Total revenue from sale of goods	511,999	492,025
Marketing income and franchise fees	2,083	1,197
Maintenance and repair services	2,438	2,308
Fee and commission income	13,826	12,504
Other service revenue	23,048	17,377
Total service revenue	41,395	33,386
Total revenue from contracts with customers	553,394	525,411

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***12. Revenue from Contracts with Customers (continued)**

Geographical Markets	2025	2024
International Markets	75,126	68,903
Domestic Market	478,268	456,508
Total Revenue from Contracts with Customers	553,394	525,411

Timing of Revenue Recognition	2025	2024
Transferred at a point in time	542,390	519,608
Transferred over time	11,004	5,803
Total revenue from contracts with customers	553,394	525,411

Contract balances

Contract balances	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Trade receivables	50,331	42,277
Non-current contract assets	204,261	170,896
Current contract assets	12,465	17,267
Non-current contract liabilities	(171,583)	(130,793)
Current contract liabilities	(91,010)	(61,702)

Trade receivables are non-interest-bearing and are generally subject to payment 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 comprise current and non-current advances received for the sale of real estate units under construction and obligations arising from the loyalty points programme.

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

Transaction Price Allocated to Remaining Performance Obligations	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Within one year	56,061	9,682
More than one year	89,391	79,823
Total	145,452	89,505

The remaining performance obligations expected to be recognised after more than one year mainly relate to contracted sales of real estate units that are under development. Refer to Note 2.3 for the related accounting policy. All other remaining performance obligations are expected to be recognised within one year.

Loyalty Points Programme

The Group operates a loyalty points programme under which customers accumulate points that may be redeemed for free products. The stand-alone selling price of the loyalty points is measured as the proportion of the nominal value of the related sales. In estimating the stand-alone selling price, the Group considers the likelihood that customers will redeem the points.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***12. Revenue from Contracts with Customers (continued)**

As at 31 December 2025, the estimated liability relating to unredeemed loyalty points was as follows:

Loyalty Points Programme	2025	2024
At 1 January	822	750
Recognized as revenue during the year	(880)	(895)
Deferred during the year	1,377	1,407
Expired during the year	(511)	(473)
Translation differences	9	33
At 31 December	817	822

Performance obligations

Information about the Group's performance obligations is summarised below:

Retail sale of consumer electronics and 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

Retail sale of toys, clothing and 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 service charges 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 service charges relating to guarantees, franchise arrangements, real estate development projects and financial consulting services.

13. Rental income

The Group has entered into operating lease arrangements in respect of its investment property portfolio, which comprises retail stores and warehouses. Rental income recognised by the Group during the year amounted to EUR 32,538 thousand (2024: EUR 31,700 thousand).

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***14. Net interest income from financial operations**

The major components of interest income from banking activities for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Income from loans to customers	49,243	42,343
Income from financial assets at FVOCI	27,507	24,748
Income from balances with banks	3,061	3,713
Total Interest Income from Banking Activities	79,811	70,804
Interest expense on amounts due to customers	(14,083)	(11,416)
Interest expense on amounts due to banks	(3,734)	(2,653)
Total Interest Expense from Banking Activities	(17,817)	(14,069)
Net Interest Income from Banking Activities	61,994	56,735

15. Cost of sales

The major components of cost of sales for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Cost of goods for resale	340,066	281,467
Cost of real estate sold	4,886	33,310
Cost of energy production	-	-
Cost of providing bank services	2,517	1,769
Other cost of sale	32,531	16,618
Total	380,000	333,164

16. Selling and distribution expenses

The major components of selling and distribution expenses for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Marketing expenses	10,725	8,023
Transport expenses	1,581	1,407
Other selling and distribution expenses	9,393	5,206
Total	21,699	14,636

Marketing expenses primarily relate to promotional campaigns undertaken by subsidiaries operating in the respective industries, including Balfin Real Estate, QTU, TEG, Green Coast, Neptun entities, Tirana Bank and KidZone entities, which accounted for a significant portion of the Group's marketing expenditure during 2025.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***17. Administrative and other operating expenses**

The major components of administrative and other operating expenses for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Communication expenses	4,723	3,603
Franchise expenses	4,103	3,405
Electricity expenses	3,962	3,158
Maintenance and repair expenses	3,314	3,050
Deposit insurance fees (ASD)	3,124	2,750
Security expenses	3,025	3,409
Taxes other than income tax	2,934	2,152
Impairment/(reversal of impairment) of repossessed inventory properties	2,859	962
Audit and consultancy services	2,594	1,271
Travel and per diem expenses	2,583	3,451
Other administrative expenses	2,507	2,025
Representative expenses	2,295	1,974
Miscellaneous services from third parties	2,200	1,887
Rental expense	2,053	1,442
Bank commissions and charges	1,734	1,434
Card related expenses	1,515	798
Cleaning expenses	1,074	916
Miscellaneous expenses	1,012	954
Bank Resolution Fund contribution	706	605
Inventory write-down	546	191
Provisions and impairments	542	567
Legal services	482	481
Fees and other expenses	368	310
Loss on disposal of inventory properties	269	93
Penalties and fines	212	190
Write-off of trade receivables	10	1,339
Total	50,746	42,417

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***18. Expected Credit Losses from Financial Operations**

The major components of expected credit losses for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Expected credit losses		
From loans and advances to customers	1,262	4,320
From balances with banks, debt securities and off-balance-sheet exposures	1,568	929
From trade receivables	355	482
Total	3,185	5,731

19. Employee expenses

The major components of employee expenses for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Employee salaries	62,065	50,014
Employee social and health contributions	11,020	9,274
Employee training expenses	725	774
Personnel reimbursement expenses	264	459
Other employee expenses	2,369	1,812
Other employee contributions	56	131
Total	76,499	62,464

20. Depreciation and Amortisation Expenses

The major components of depreciation and amortisation expense for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Depreciation of right of use asset	10,398	9,228
Depreciation of property, plant and equipment	8,695	6,441
Depreciation of investment property	7,245	6,531
Amortisation of intangible assets	1,787	1,174
Total depreciation and amortisation expense	28,125	23,374

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***21. Other operating income**

The major components of other operating income for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Other operating income	9,411	4,040
Gain on disposal of assets	1,905	184
Reversal of provisions	473	1,794
Total	11,789	6,018

As at December 31, 2025 and 2024, 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 primarily comprise commission income, franchise fee income, penalty income, reimbursements from customers, service income from suppliers, dividend income from subsidiaries and other miscellaneous operating income.

22. Finance costs

The major components of finance costs for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Interest expenses	7,294	7,907
Other financial expenses	2,820	3,471
Finance costs on lease liabilities under IFRS 16	1,882	1,743
Finance costs relating to related parties	718	22
Foreign exchange losses	334	3,045
Loss on disposal of securities	-	80
Total	13,048	16,268

As at December 31, 2025 and 2024, interest expenses comprise interest incurred on borrowings from financial institutions. Finance costs on lease liabilities recognised under IFRS 16 are presented separately. Other financial expenses mainly comprise bank charges, guarantee fees and other financing-related costs incurred in the ordinary course of business.

23. Finance income

The major components of finance income for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Interest income from third parties	5,752	4,603
Other finance income	1,782	626
Total	7,534	5,229

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***24. Income tax expense**

The major components of income tax expense for the years ended 31 December 2025 and 2024 are as follows:

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Current tax expense	19,846	12,313
Deferred tax expense (Note 33)	1,541	10,611
Total tax expense for the year	21,387	22,924

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

The income tax rate applicable to the majority of the Group's taxable income for 2025 is 15% (2024: 15%).

	For the year ended on December 31, 2025	For the year ended on December 31, 2024
Consolidated profit before tax	130,043	127,706
Consolidation eliminations	47,365	41,253
Unconsolidated profit before tax	177,408	168,959
Non-deductible expenses		
Non-deductible expenses	15,086	19,131
Provisions	540	503
Tax depreciation adjustments	1,206	333
Inventory impairment	583	369
Interest expense – IFRS 15	2,573	2,225
Fiscal impact of the maximum selling price	59	47
Profit/(loss) realised before acquisition	25	49
Total non-deductible expenses	20,072	22,657
Utilization of tax credits	-	(50)
Tax rate		
Current income tax (based on taxable income)	19,860	12,294
Income Taxes (Prior Period Adjustments)	(14)	19
Current income tax	19,846	12,313
Effective current tax rate	15.26%	9.64%
Total income tax (current and deferred)	21,387	22,924
Effective total tax rate	16.45%	17.95%

Utilisation / creation of tax losses and tax 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.

24. Income tax expense (continued)

Uncertain income tax positions

Current income tax liabilities do not include any amounts relating to uncertainties associated with tax deductions claimed in respect of expenses. Management estimates that there will not be any material exposure requiring settlement if challenged by the tax authorities. Income tax liabilities will be fully assessed once the relevant tax authorities complete their review of the respective tax returns.

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

As at 31 December 2025, the Group had investments in Eurobonds and corporate bonds issued by the Government of Albania. For the year ended 31 December 2025, the Group recognised a fair value gain of EUR 2,530 thousand (2024: EUR 6,818 thousand).

Balfin Group

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

December 31, 2025

(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 31 December 2025 and 2024 are as follows:

Cost	Building	Land	Machinery and technical installations	Vehicles and other transport	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Assets under construction	Total
As at January 1, 2024	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)
Transferred to 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
Additions	28,552	7,134	962	21,501	3,835	7,309	4,769	1,069	3,106	78,237
Acquisition of subsidiary (Note 8)	25,972	-	-	-	-	-	-	-	-	25,972
Prior year adjustments	(30)	-	-	12	-	(13)	-	-	-	(31)
Disposals	(25)	(3,349)	(161)	(11,989)	(1,256)	(306)	(4,094)	(122)	(346)	(21,648)
Transferred to assets held for sale	-	10,472	-	12	1	(12)	-	-	(3,081)	7,392
Exchange difference	409	170	23	279	297	147	228	33	17	1,603
As at December 31, 2025	62,087	20,241	2,481	24,200	23,526	21,228	20,751	12,780	2,815	190,109

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

December 31, 2025

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

26. Property, plant and equipment (continued)

	Building	Land	Machinery and technical installations	Vehicles	Computers and Electronic Equipment	Furniture and fixtures	Leasehold Improvements	Other tangible assets	Asset in progress	Total
Accumulated Depreciation										
As at January 1, 2024	(4,843)	-	(5,851)	(2,755)	(16,038)	(8,728)	(15,224)	(4,288)	-	(57,727)
Depreciation charge	(245)	-	(183)	(811)	(1,373)	(1,480)	(983)	(1,366)	-	(6,441)
Disposals	559	-	56	168	657	269	47	36	-	1,792
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 differences	(241)	-	(188)	(126)	(878)	(216)	(787)	(57)	-	(2,493)
As at December 2024	(4,236)	-	(731)	(3,422)	(16,730)	(7,666)	(15,117)	(4,806)	-	(52,708)
Prior year adjustments	(6,144)	-	2	-	8	(8)	4	(2)	-	(6,140)
Depreciation charge	(1,266)	-	(264)	(571)	(1,677)	(2,133)	(1,361)	(1,423)	-	(8,695)
Disposals	316	-	87	2,140	1,188	511	3,889	127	-	8,258
Transfers	-	-	4	-	11	68	-	(8)	-	75
Exchange differences	(78)	-	(8)	(20)	(229)	(47)	(159)	(14)	-	(555)
As at December 2025	(11,408)	-	(910)	(1,873)	(17,429)	(9,275)	(12,744)	(6,126)	-	(59,765)
Carrying amount										
As at December 31, 2024	2,973	5,814	926	10,963	3,919	6,437	4,731	6,994	3,119	45,876
As at December 31, 2025	50,679	20,241	1,571	22,327	6,097	11,953	8,007	6,654	2,815	130,344

The Group's total assets increased as at 31 December 2025, primarily as a result of the acquisition of subsidiaries and transfers from construction in progress to building. During the year 2025 Green Coast Hotel started operation and due to this there is a significant increase in the category of building and other classes of property plant and equipment.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***27. Investment property**

The major components of investment property as at 31 December 2025 and 2024 are as follows:

	Land	Building	Building in progress	Total
Cost				
At January 1, 2024	33,715	199,874	139	233,728
Additions	132	18,292	147	18,571
Disposals	(87)	(3)	-	(90)
Transfers	-	(7)	(132)	(139)
Exchange differences	1,450	7,989	8	9,447
At December 31, 2024	35,210	226,145	162	261,517
Additions	21,195	800	278	22,273
Disposals	-	(45)	-	(45)
Transfers	(4,314)	2,509	-	(1,805)
Exchange differences	349	2,283	6	2,638
At December 31, 2025	52,440	231,692	446	284,578
Accumulated depreciation				
As at January 1, 2024	-	(48,063)	-	(48,063)
Depreciation charge for the year	-	(6,531)	-	(6,531)
Impairment	-	156	-	156
Prior year adjustment	-	45	-	45
Exchange differences	-	(2,682)	-	(2,682)
As at December 31, 2024	-	(57,075)	-	(57,075)
Depreciation charge for the year	-	(7,245)	-	(7,245)
Impairment	-	290	-	290
Disposals	-	7	-	7
Exchange differences	-	(770)	-	(770)
At December 31, 2025	-	(64,793)	-	(64,793)
Carrying amount				
At December 31, 2024	35,210	169,070	162	204,442
At December 31, 2025	52,440	166,899	446	219,785

The Group's investment properties consist primarily of commercial properties, including QTU, TEG, TLP and EGM. Management has determined that the investment properties comprise two classes of assets—land and buildings—based on the nature, characteristics and risks associated with each property.

As at 31 December 2025 and 2024, management believes that the fair value of the investment properties exceeds their carrying amount, as most of the properties are relatively new or have been recently renovated.

Balfin Group
Notes to the consolidated financial statements as at and for the year ending
December 31, 2025
(All amounts in '000 Eur, unless otherwise stated)
28. Right of use assets and lease liabilities

The major components of Rou as at December 31, 2025 and 2024 are:

Cost	Buildings	Plant	Equipment and Vehicles	Total
At 1 January 2024	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)
Prior year adjustment	1,450	-	-	1,450
Translation difference	1,757	101	417	2,275
At 31 December 2024	58,005	1,821	8,189	68,015
Additions	13,937	-	856	14,793
Disposal	(6,321)	-	(687)	(7,008)
Translation difference	199	26	111	336
At 31 December 2025	65,820	1,847	8,469	76,136
Accumulated depreciation				
At 1 January 2024	(26,206)	(124)	(3,018)	(29,348)
Charge for the year	(8,394)	(14)	(820)	(9,228)
Disposal	2,809	-	485	3,294
Assets held for sale	6,901	-	249	7,150
Translation difference	(640)	(8)	(174)	(822)
At 31 December 2024	(25,530)	(146)	(3,278)	(28,954)
Charge for the year	(9,358)	(14)	(1,026)	(10,398)
Disposal	4,219	-	373	4,592
Adjustments prior year	15	-	-	15
Translation difference	(37)	(2)	(50)	(89)
At 31 December 2025	(30,691)	(162)	(3,981)	(34,834)
Carrying amount				
At 31 December 2024	32,475	1,675	4,911	39,061
At 31 December 2025	35,129	1,685	4,488	41,302

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***28. Right of use assets and lease liabilities (continued)**

Lease liabilities under IFRS 16 are detailed below as at 31 December 2025 and 2024:

	2025	2024
Lease liability	39,152	49,178
Additions to lease liabilities	14,792	12,262
Disposal	(2,345)	(2,325)
Transferred to assets held for sale	-	(13,671)
Exchange differences	(289)	(1,125)
Decrease in lease liabilities	(9,479)	(8,106)
<i>Principal lease payments</i>	<i>(11,361)</i>	<i>(9,850)</i>
<i>Interest on lease liabilities</i>	<i>1,882</i>	<i>1,743</i>
Translation differences	349	2,939
Total lease liabilities	42,180	39,152
 <i>Current portion</i>	 9,752	 9,326
<i>Non-current portion</i>	32,428	29,826
	42,180	39,152
 Maturity analysis	 2025	 2024
Year 1	9,752	9,326
Year 2	8,004	8,335
Year 3	6,326	6,046
Year 4	4,739	4,547
Year 5	3,188	2,823
Thereafter	10,171	8,075
Total	42,180	39,152

Balfin Group

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

December 31, 2025

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

29. Intangible asset

The major components of intangible assets as at December 31, 2025 and 2024 are:

	License	Software	Other intangible assets	Development expenses	Intangible asset in progress	Goodwill	Total
As at January 1, 2024	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)	(48)	-	(428)	-	(478)
Transfers	31	28	99	(8)	(62)	-	88
Exchange difference	135	548	37	49	13	34	816
As at December 31, 2024	2,569	11,638	772	880	278	42	16,179
Additions	10	1,801	1,096	-	3,633	202	6,742
Disposals	-	(61)	(116)	(882)	(39)	-	(1,098)
Transfers	-	1,070	-	-	(1,070)	-	-
Adjustments prior year	(4)	(1)	-	-	-	-	(5)
Exchange difference	36	187	21	2	30	2	278
As at December 31, 2025	2,611	14,634	1,773	-	2,832	246	22,096
Amortization							
As at January 1, 2024	(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)
Amortization charge for the year	(210)	(1,518)	(59)	-	-	-	(1,787)
Disposals	-	52	-	882	-	-	934
Adjustments prior year	(192)	(1)	-	-	-	-	(193)
Exchange difference	(6)	(104)	(10)	(2)	-	-	(122)
As at December 31, 2025	(573)	(8,258)	(739)	-	-	-	(9,570)
Carrying amount							
At December 31, 2024	2,404	4,951	102	-	278	42	7,777
At December 31, 2025	2,038	6,376	1,034	-	2,832	246	12,526

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***30. Investments in associates and joint ventures**

The major components of investments in associates and joint ventures as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Investment in joint ventures	1,654	695
Investment in associates	16,918	1
	18,572	696
Net increase under the equity method	-	6,917
Total	18,572	7,613

The movements in investments in associates and joint ventures for the years ended 31 December 2025 and 2024 are as follows:

	2025	2024
Opening balance 1 January	7,613	1,031
Increase/(decrease) in share capital	10,534	6,190
Share of profit from continuing operations	342	667
Dividends received	(539)	(735)
Investment in joint venture/associate with negative equity	510	-
Translation differences	112	460
Closing balance 31 December	18,572	7,613

31. Investments in limited partnerships

During 2025, the Group has investments in limited paid partnership for the development of real estate and construction projects in international markets (Canada). Through these limited partnership investments the Group is a passive investor. As at December 31, 2025 the Group has investments in limited paid partnership in the amount 7,051 thousand Eur (2024: 5,507 thousand Eur).

32. Inventory

The major components of inventories as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Electronics and household appliances	81,506	61,294
Consumer goods	447	127
Fast-moving consumer goods	12,961	10,237
Fashion and online retail goods	635	-
Real estate for sale	3,363	21,547
Other materials	3,332	4,278
Allowance for impairment of finished goods	(1,264)	(1,018)
Translation differences	(14)	(26)
Inventory from non-financial operations	100,966	96,439
Properties under development	106,967	64,183
Real estate and mining work in progress	56,773	36,471
Total inventory under development	163,740	100,654
Inventory of repossessed collateral	15,765	16,360
Allowance for impairment of inventory from financial operations	(11,123)	(8,629)
Translation differences	(122)	(224)
Inventory from financial operations	4,520	7,507
Total inventory	269,226	204,600
Current portion	157,739	132,910
Non-current portion	111,487	71,690

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***32. Inventory (continued)**

Non-current inventory amounting to EUR 106,967 is mainly composed of properties under development in the real estate sector and repossessed collateral in the banking sector amounting to EUR 4,520. Inventory from financial activities represents real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of the assets in the foreseeable future.

Inventory from financial activities is classified as inventory in accordance with IAS 2, *Inventories*.

	December 31, 2025	December 31, 2024
At January 1	7,507	9,165
Acquisitions through legal proceedings in settlement of loans to customers	155	24
Disposals	(953)	(1,893)
Allowance for impairment from financial activities	(2,271)	(315)
Effect of foreign exchange rate changes	82	526
Total	4,520	7,507

As at 31 December 2025 and 2024, the inventory provision relates to finished goods, other materials and raw materials. The movements in the provision for impairment are presented below:

	2025	2024
At January 1	9,647	8,836
Charge for the year from financial operations	2,973	971
Charge for the year from non-financial operations	374	43
Reversal of impairment from financial operations	(884)	(800)
Reversal of impairment from non-financial operations	-	(79)
Exchange differences	277	676
At December 31	12,387	9,647

As at 31 December 2025, pledged inventory has been provided as collateral for working capital financing facilities to secure 130% of the related financing exposure. The pledged inventory is also used as additional collateral for the approved revolving credit facility (see Note 49).

33. Deferred Tax Assets and Liabilities

	December 31, 2025	December 31, 2024
Deferred tax asset	3,637	3,059
Deferred tax liabilities	(24,637)	(21,208)

Deferred tax assets and liabilities are not offset in the consolidated statement of financial position due to the number and nature of the entities within the Group. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profits will be available against which those losses can be utilised. The balance of deferred tax assets and liabilities in the current year relates primarily to Tirana Bank.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***33. Deferred Tax Assets and Liabilities (continued)**

The movements in deferred tax assets and liabilities are as follows:

<i>Deferred tax assets</i>	2025	2024
As at January 1	3,059	3,514
Net movement during the year	491	(490)
Recognised in profit or loss:	866	507
- Property plant and equipment	(94)	(25)
- PPA deferred tax	4	7
- Other temporary differences	957	525
Recognised in other comprehensive income	(375)	(997)
Discontinued operations	-	(154)
Exchange differences ⁴	87	189
December-31	3,637	3,059
<i>Deferred tax liabilities</i>	2025	2024
As at January 1	21,208	9,499
Net movement during the year	2,407	11,118
Release of deferred tax liability through profit and loss for:		
- Property plant and equipment	2,874	10,933
- Others	3,629	9,305
- Others	(755)	1,628
Effect from acquisition of subsidiary	(170)	-
Transfer to deferred tax liability	859	(263)
Effect of foreign exchange rate	333	854
December-31	24,637	21,208
<i>Deferred tax charge to profit and loss</i>	2025	2024
Deferred tax asset income/(expense) of the year	866	507
Deferred tax liability (income)/expense of the year	(2,407)	(11,118)
December-31	(1,541)	(10,611)

34. Interest-bearing loans given

The major components of interest-bearing loans as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Interest-bearing loans	39,290	37,163
Other financial assets	-	-
	39,290	37,163
Current	16,270	22,451
Non-current	23,020	14,712
Total	39,290	37,163

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***34. Interest-bearing loans given (continued)**

Interest-bearing loans as at 31 December 2025 are detailed below:

December 31, 2025					
Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Short term loans	1.90%	5.15%	13/01/2026	31/12/2026	16,270
Long term loans	2.00%	6.5%	24/01/2026	10/12/2034	23,020
					39,290

Interest-bearing loans as at 31 December 2024 are detailed below:

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

35. Financial assets

	December 31, 2025	December 31, 2024
Financial assets held at FV through OCI	290,371	282,598
Financial assets held at amortized cost	566,858	480,763
Total	857,229	763,361
<i>Current portion</i>	<i>247,223</i>	<i>223,252</i>
<i>Non-current portion</i>	<i>610,006</i>	<i>540,109</i>

Financial assets held at fair value through OCI

Financial assets of the Group's banking operations consist of the following:

	December 31, 2025	December 31, 2024
Treasury bills	152,385	121,842
Government bonds	137,986	160,756
Total	290,371	282,598
As at January 1,	2025	2024
Purchase	282,598	286,409
Matured	187,569	128,279
Gain/(Loss) from change in fair value	(182,130)	(146,354)
Other (foreign exchange)	172	281
	2,162	13,983
As at December 31,	290,371	282,598

Balfin Group**Notes to the consolidated financial statements as at and for the year ending****December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***35. Financial assets (continued)****Financial assets measured at amortised cost**

	December 31, 2025	December 31, 2024
Treasury bills	58,499	24,467
Government bonds	406,045	337,323
Long term deposits	65,976	117,144
Short term deposits in financial institution (third party)	14,895	-
Accrued interest (third party)	138	1,829
Short term deposits in financial institution (related party)	20,874	-
Accrued interest (related party)	431	-
Total	566,858	480,763

36. Equity instruments

The Group invested in equity instruments for the future acquisition of shares in other entities. The total investment in equity instruments as at 31 December 2025 amounted to EUR 1,238 thousand (2024: EUR 1,093 thousand).

37. Loans to customers from financial activities

	December 31, 2025	December 31, 2024
Corporate lending	542,684	436,982
Mortgage	183,391	174,207
SME lending	156,426	117,930
Consumer lending	91,153	59,956
Credit cards	4,873	3,302
Accrued interest	3,577	3,324
Overdrafts	3,033	4,244
Deferred loan fees under the effective interest method	(4,959)	(3,645)
Gross loans and advances	980,178	796,300
Less: Allowance for impairment losses	(27,295)	(25,728)
Translation differences	(299)	(670)
Total	952,584	769,902
<i>Current portion</i>	<i>316,526</i>	<i>285,286</i>
<i>Non-current portion</i>	<i>636,058</i>	<i>484,616</i>

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

	2025	2024
At 1 January	25,728	20,583
Write off	(287)	(261)
Charge for the year	998	4,320
Exchange rate effect	(163)	1,086
Other movements (payment from WO)	263	-
Translation differences	756	-
Total	27,295	25,728

In accordance with IFRS 9, the changes in the loss allowance for loans and advances to customers are presented below. 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, 2025, and December 31, 2024.

Balfin Group
Notes to the consolidated financial statements as at and for the year ending December 31, 2025
(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 2025	7,117	3,698	14,913	-	25,728
Movements with profit or loss impact	-	-	-	-	-
Transfers:					
Transfers from Stage 1 to Stage 2 and 3	(606)	698	(92)	-	-
Transfers from Stage 2 to Stage 1 and 3	(1,633)	1,543	90	-	-
Transfers from Stage 3 to Stage 1 and 2	1,021	(1,327)	306	-	-
New financial assets originated or purchased	6	482	(488)	-	-
Changes in PDs/LGDs/EADs	2,311	814	2,212	-	5,337
Write-offs	1,532	(2,064)	(3,830)	-	(4,362)
FX and other movements	-	-	23	-	23
	208	109	438	-	755
Total net profit or loss charge during the period	3,237	(552)	(1,687)	-	998
Other movements with no profit or loss impact	(5,182)	2,256	2,740	-	(186)
Loss allowance as at December 31, 2025	5,380	5,511	16,404	-	27,295

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

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2025	722,840	26,086	27,208	-	776,134
Transfers:					
Transfers from Stage 1 to Stage 2 and 3	(9,443)	6,934	2,509	-	-
Transfers from Stage 2 to Stage 1 and 3	(22,658)	19,575	3,083	-	-
Transfers from Stage 3 to Stage 1 and 2	13,213	(14,018)	805	-	-
New financial assets originated or purchased	2	1,377	(1,379)	-	-
Increase/(decrease) in balances of the existing loan portfolio	318,569	2,854	3,213	-	324,636
Write-offs	(135,178)	(5,699)	(6,933)	-	(147,810)
FX and other movements	-	-	(287)	-	(287)
	25,652	939	914	-	27,505
Total as at December 31, 2025	922,440	31,114	26,624	-	980,178

Balfin Group

Notes to the consolidated financial statements as at and for the year ending December 31, 2025

(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	1,313	(1,329)	16	-	(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	1,360	(1,615)	395	-	140
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	3,699	3,777	14,194	-	21,670

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)
	44,734	1,840	2,122	-	48,696
Total as at December 31, 2024	741,621	26,763	27,914	-	796,298

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***38. Prepayments and deferred expenses**

Prepayments and deferred expenses as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Deferred expenses	8,566	12,587
Lease agreement incentive (lessor)	622	228
Other prepayments	22,278	11,643
Total	31,466	24,458
<i>Current portion</i>	<i>17,373</i>	<i>10,840</i>
<i>Non-current portion</i>	<i>14,093</i>	<i>13,618</i>

Deferred expenses include deferred expenses for construction works.

Lease agreement incentives relate to long-term upfront cash incentives, 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 made to suppliers 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 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Trade receivables	47,922	40,319
Other receivables	31,098	36,862
Total	79,020	77,181

The major components of trade receivables as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Trade receivables from third parties	50,164	41,919
Trade receivables from JVs and associates	167	358
Less: loss allowance (expected credit losses)	(2,383)	(1,909)
Translation differences	(26)	(49)
Total trade receivables from third parties, net	47,922	40,319

The movement in the expected credit loss allowance for trade receivables from third parties is presented below:

	2025	2024
As at January 1	1,909	1,885
Expected credit loss expense	557	175
Reversal of expected credit loss allowance	(109)	(78)
Write-offs	(22)	(178)
Translation difference	48	105
As at December 31	2,383	1,909

Balfin Group**Notes to the consolidated financial statements as at and for the year ending****December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***39. Trade receivables and other receivables (continued)**

The Group categorises its trade receivables based on ageing and recognises 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 analysis	December 31, 2025	December 31, 2024
0 - 30 days	38,903	29,102
31 - 60 days	2,487	1,359
61 - 90 days	2,118	1,400
91 - 180 days	2,080	1,466
Over 180 days	2,334	6,992
Total	47,922	40,319

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 receivables are not considered credit-impaired or overdue in substance.. 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 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Tax receivables	11,684	11,125
Accruals and other receivables	8,307	6,513
Advance payments	3,601	9,615
Other assets (finance operations)	3,203	5,342
Other receivables from customers	2,145	2,575
Other debtors, net	1,579	-
Dividend receivable	589	1,442
Other assets from real estate guarantees	1	250
Allowance for ECL-other receivable	(11)	-
Total	31,098	36,862

40. Cash and balances with banks

The major components of cash and balances with banks as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Non-financial Sector		
Cash at banks	58,730	52,185
Short term deposits	577	-
Cash on hand	1,391	1,149
Cash in transit	823	527
Restricted cash	-	-
Total	61,521	53,861
Financial Sector		
Compulsory reserve with Central Bank	113,658	94,009
Cash in vault and balances with banks	-	4,103
Total	113,658	98,112
Total cash	175,179	151,973

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***40. Cash and due from banks (continued)**

As at 31 December 2025 and 2024, the Group classified current deposits with an original maturity of less than three months as cash and cash equivalents.

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

For the purposes of the statement of cash flows, cash and cash equivalents comprise:

	December 31, 2025	December 31, 2024
Non-Financial Sector	61,521	53,861
Financial Sector (excluding compulsory reserve)	-	4,103
Total cash and cash equivalents	61,521	57,964

41. Other assets

	December 31, 2025	December 31, 2024
Guarantee deposits	1,938	1,209
Long term guarantees	-	1,554
Net investment on sublease, finance lease	710	690
Total	2,648	3,453

Guarantee deposits relate to guarantees provided to the original landowners in connection with construction projects under development.

42. Share capital and other reserves

The total number of ordinary shares as at 31 December 2025 was 100 (2024: 100), with a par value of EUR 241,410 per share.

Other reserves as at 31 December 2025 and 2024 comprise mainly legal reserves and other reserves, as presented below.

	Legal reserve	Other reserves	Total
Balance as at January 1, 2024	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
Release of reserve to retained earnings	-	-	-
Transfer from retained earnings to other reserves	-	1,773	1,773
Balance as at December 31, 2025	11,562	8,136	19,698

Other reserves generally comprise 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.

Balfin Group**Notes to the consolidated financial statements as at and for the year ending****December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***43. Interest-bearing borrowings**

The major components of interest-bearing borrowings as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Loans from financial institutions	140,309	116,709
Overdrafts	33,160	16,390
Loans from third parties	1,839	678
Other financial liabilities from shareholders	-	2
Other financial liabilities	2	(1)
Accrued interest	848	255
Total	176,158	134,033
<i>Current portion</i>	<i>70,909</i>	<i>36,090</i>
<i>Non-current portion</i>	<i>105,249</i>	<i>97,943</i>

Other financial liabilities mainly comprise amounts due to shareholders of certain subsidiaries held with partners.

Loans from financial institutions as at 31 December 2025 are detailed below:

December 31, 2025					
Type	Min Interest Rate	Max Interest Rate	Min Maturity Date	Max Maturity Date	Outstanding
Loans	1.90%	6.50%	12/06/2026	10/12/2034	140,309
Overdraft	3.40%	5.93%	13/01/2025	31/12/2026	33,160
					173,469

Loans from financial institutions as at 31 December 2024 are detailed below:

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	15/11/2032	116,709
Overdraft	3.40%	5.64%	08/02/2025	30/09/2026	16,390
					133,099

Balfin Group**Notes to the consolidated financial statements as at and for the year ending****December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***44. Due to customers and banks from financial activities**

	December 31, 2025	December 31, 2024
Corporate customers		
Current accounts	157,136	183,695
Term deposits	157,542	30,826
Other deposits	31,390	34,970
	346,068	249,491
Retail customers		
Current / Savings accounts	371,133	323,407
Term deposits	670,342	555,150
Other deposits	11,653	1,432
	1,053,128	879,989
Due to banks		
Current accounts due to banks	186	1,126
Treasury bills sold under repurchase agreements	159,139	159,218
	159,325	160,344
Accrued interest	6,312	-
Cheques payables and remittances	-	8,120
Total	1,564,833	1,297,944
<i>Current portion</i>	<i>1,406,204</i>	<i>1,129,450</i>
<i>Non-current portion</i>	<i>158,629</i>	<i>168,494</i>

The following interest rates were applied to customer deposits during 2025:

Currency	Saving accounts:		Term deposits	
	Minimum	Maximum	Minimum	Maximum
LEK	0.00%	2.50%	0.30%	5.60%
USD/EUR	0.00%	2.10%	0.10%	4.06%

45. Provisions

The major components of provisions as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Operational risk provisions from financial activities	1,642	2,120
Expected credit losses on off-balance-sheet items	472	596
Provision for restoration and decommissioning	537	524
Provision for tax audits and other legal cases	368	360
Post-employment benefits	290	114
Other benefits	-	14
Total	3,309	3,728
<i>Current portion</i>	<i>510</i>	<i>488</i>
<i>Non-current portion</i>	<i>2,799</i>	<i>3,240</i>

Balfin Group**Notes to the consolidated financial statements as at and for the year ending
December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***45. Provisions (continued)**

The movements in other provisions for the years ended 31 December 2025 and 2024 are presented below:

	2025	2024
At January 1	3,729	3,566
Provision/(reversal) for tax audits and other legal cases	3	-
Provision/(reversal) for employee benefits	181	(4)
Provision/(reversal) for off-balance-sheet items	(128)	(292)
Provision/(reversal) for operational risk	(509)	260
Provision/(reversal) for restoration and decommissioning	(2)	33
Provision/(reversal) for other benefits	(2)	(24)
Translation differences	37	189
Total	3,309	3,728

46. Trade payables and other payables

The major components of trade payables and other payables as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Trade payables	79,596	70,323
Other payables	40,662	47,504
Total	120,258	117,827

The major components of trade payables as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Trade payables to third parties	78,714	69,454
Trade payables to joint ventures and associates	882	869
Total	79,596	70,323

Balfin Group**Notes to the consolidated financial statements as at and for the year ending****December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***46. Trade payables and other payable (continued)**

The major components of other payables as at 31 December 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Non-current		
Residual guarantees from tenants	1,556	1,702
Obligations under finance leases	453	523
Government grants	63	109
Other liabilities	306	114
	2,378	2,448
Current		
Other liabilities related to suspense accounts	13,732	17,008
Accrued expenses	11,345	8,968
Tax liabilities	7,479	7,087
Deferred revenue (other than CL)	1,331	9,016
Payables to employees	729	742
Other payables to third parties, net	394	445
Prepayments received	3,130	871
Obligations under finance leases	158	165
Other payables to related parties	(14)	754
	38,284	45,056
Total	40,662	47,504

47. Subordinated debt

	December 31, 2025	December 31, 2024
Subordinated debt	14,400	14,400
Accrued interest	50	50
Total	14,450	14,450

During 2025, Tirana Bank did not issue any subordinated debt instruments. The decrease in value of subordinated debt is due to payments made during the year.

The subordinated debt has an original maturity of seven 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. Risk-taking is fundamental to the Group's financial activities, 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 six months, each member of the Management Board reviews the risk management report for each identified segment, as described in Note 11. The Management Board reviews the report and provides guidance on financial risks, risk mitigation plans and the appropriate risk management framework for the Group. The Board of Directors reviews and approves the policies for managing each of these risks, which are summarised 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 exposed to market risk include loans and borrowings, deposits 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 2025 and 2024.

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 changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by maintaining a balanced portfolio of fixed- and variable-rate loans and borrowings and by obtaining cross-border financing from countries offering lower interest rates.

Interest rate sensitivity

As at 31 December 2025 and 2024, the sensitivity of variable-rate loans and borrowings to a reasonably possible 1% change in interest rates, with all other variables held constant, indicates that the Group's profit before tax would increase or decrease by EUR 1,333 thousand (2024: EUR 993 thousand), respectively.

48. Financial risk management (continued)**Foreign currency risk**

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

As a result of the international markets and business activities Balfin Group is involved in, the Group is exposed to 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 present the sensitivity of the Group's profit before tax to reasonably possible changes in the EUR and USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in rate	Effect on profit before tax
2025		
Euro	5% / (5%)	(10,498) / 10,498
USD	5% / (5%)	(4,434) / 4,434
MKD	5% / (5%)	104 / (104)
BAM	5% / (5%)	616 / (616)
	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)

48. Financial risk management (continued)**b) Credit risk***i. Non-financial 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 arising from trade 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 other receivables, the Group's exposure to credit risk arises from the default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group obtains monthly reports and monitors the collection of receivables within the normal collection cycle of 30–60 days.

c) Trade receivables and contract assets

Customer credit risk is managed by each individual Group company in accordance with the Group's established policies, procedures and controls 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 arising from the real estate sector are indirectly secured.

d) Interest-bearing loans granted

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 using the effective interest rate. Historically, the Group has not incurred any significant losses on interest-bearing loans granted 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 Group's risk appetite.

48. Financial risk management (continued)

Credit risk measurement

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

(a) Loans to customers from financial operations

In measuring the credit risk of loans to customers from financial operations and banks at the 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 expected recovery on defaulted obligations (loss given default – LGD).

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 categories

Excellent

Satisfactory

Weak

Special mention

Defaulted

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

(b) Debt securities and treasury bills

For debt securities and other bills, the Risk Department for managing credit risk exposures uses ratings depending on the issuer. Investments in Albanian Government Bonds and Treasury Bills are viewed as a means of achieving a stronger credit quality profile while maintaining a readily available source of liquidity to meet funding requirements.

Risk limit 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 an ongoing 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.

48. Financial risk management (continued)

Measurement of Expected Credit Losses (ECL)

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

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

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

Timing of Expected Credit Loss 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.

If, 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 shall be measured at an amount equal to 12-month expected credit losses.

Issues related to the calculation of Expected Credit Losses

Derecognition

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.

48. Financial risk management (continued)

Credit-impaired financial assets

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

Collective versus individual assessment

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

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

Probability-weighted outcome

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

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

	Carrying amount as at December 31, 2025	Carrying amount as at December 31, 2024
Financial assets at FV through OCI and AC	857,229	763,361
Equity instruments	1,238	1,093
Loans to customers from financial operations	952,584	769,902
Trade receivables	79,020	77,181
Cash and due from banks	175,179	151,973
Interest-bearing loans given	39,290	37,163
Contract assets	216,726	188,163
Prepayments	31,466	24,458
Total Financial Assets	2,352,732	2,013,294

Balfin Group**Notes to the consolidated financial statements as at and for the year ending December 31, 2025***(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, 2025				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers from financial operations					
Standard	313,378	6,169	402	-	319,949
Excellent	7,411	20	-	-	7,431
Satisfactory	489,778	11,673	-	-	501,451
Weak	111,246	4,469	-	-	115,715
Special monitoring	627	8,783	755	-	10,165
Doubtful and Lost	-	-	25,468	-	25,468
Total Gross Balances	922,440	31,114	26,625	-	980,179
Standard	2,994	1,642	90	-	4,726
Excellent	18	-	-	-	18
Satisfactory	1,853	434	-	-	2,287
Weak	570	1,135	-	-	1,705
Special monitoring	4	2,362	254	-	2,620
Doubtful and Lost	-	-	16,239	-	16,239
Total Allowance	5,439	5,573	16,583	-	27,595
Balances Net of Impairment	917,001	25,541	10,042	-	952,584
Due from banks					
Standard	75,112	-	-	-	75,112
Total Gross Balances	75,112	-	-	-	75,112
Standard	1	-	-	-	1
Total Allowance	1	-	-	-	1
Balances Net of Impairment	75,111	-	-	-	75,111
Cash and Balances with Central Bank					
Standard	115,518	-	-	-	115,518
Total Gross Balances	115,518	-	-	-	115,518
Standard	-	-	-	-	-
Total Allowance	-	-	-	-	-
Balances Net of Impairment	115,518	-	-	-	115,518
Total Gross Balance	1,113,070	31,114	26,625	-	1,170,809
Total Allowance	5,440	5,573	16,583	-	27,596
Total Balances Net of impairment	1,107,630	25,541	10,042	-	1,143,213

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

	As at December 31, 2024				
Internal rating grade	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	-	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	-	-	-	-	-
Total Allowance	-	-	-	-	-
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

The impairment allowance recognised in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment allowance relates to the two lowest internal rating grades. The table below presents the percentage of the Group's on-balance-sheet loans and advances and the related impairment allowance for each of the Group's internal rating categories:

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Bank's rating

	As at December 31, 2025		As at December 31, 2024	
	Loans and advances (%)	Impairment provision level (%)	Loans and advances (%)	Impairment provision level (%)
Investment Grade			-	-
Standard (only Retail)	33%	1%	32%	1%
Excellent	1%	0%	4%	1%
Satisfactory	51%	0%	47%	1%
Weak	12%	1%	13%	3%
Special mention	1%	26%	1%	26%
Default	3%	64%	3%	58%
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 2025:

	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	838,335	117,172	24,671	980,178	(27,594)	952,584
Financial assets at fair value through OCI	-	-	704,162	704,162	(90)	704,072
Due from banks	-	-	-	-	(1)	(1)
Cash and balances with Central Bank	113,657	-	-	113,657	-	113,657
	951,992	117,172	728,833	1,797,997	(27,685)	1,770,312
Non-Financial Sector						
Trade receivables	71,704	3,890	4,089	79,683	(663)	79,020
Interest-bearing loans given	39,290	-	-	39,290	-	39,290
Financial assets at amortized cost	155,694	-	-	155,694	(2,536)	153,158
Contract assets	215,503	-	1,223	216,726	-	216,726
Cash and cash equivalents	61,521	-	-	61,521	-	61,521
	543,712	3,890	5,312	552,914	(3,199)	549,715
Total	1,495,704	121,062	734,145	2,350,911	(30,884)	2,320,027

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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
	1,385,356	89,485	26,319	1,501,160	(26,397)	1,474,763
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
	508,327	4,529	303	513,159	(177)	512,982
Total	1,893,683	94,014	26,622	2,014,319	(26,574)	1,987,745

48. Financial risk management (continued)

	2025	2024
Credit risk exposures relating to off-balance sheet items are as follows:		
Loans Commitment	95,912	73,468
Letters of Guarantees	41,214	43,525
At 31 December	137,126	116,993

Liquidity risk**Liquidity risk from non-financial 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 rolling forecasts of the Group's cash flows on a monthly basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Given the Group's high degree of concentration in the retail industry, short term liabilities are due to working capital operational needs. The Group is able to meet its short-term obligations using 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 financial 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 maturities and interest 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).

Funds are raised using a broad range of instruments. The management of the Group's financial operations seeks to maintain a balance between continuity of funding and flexibility by using liabilities with a range of maturities. 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 daily to the heads of the relevant 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 withstand severe deposit withdrawal scenarios while maintaining adequate liquidity.

48. Financial risk management (continued)

The Group's financial operations are regulated by the Bank of Albania (BoA) and are required to submit periodic reports to the Bank of Albania. The Group is not subject to such reporting requirements, nor does it fall within the category of entities whose activities are regulated by the Bank of Albania. However, the Group is required to abide by the restrictions imposed by the Bank of Albania on credit risk concentration within the Group.

For the liquidity risk relating to the Group's non-financial operations, please refer below.

As at December 31, 2025	Carrying amount	less than 3 months	3 to 12 months	1 to 5 years	over 5 years
Interest-bearing borrowings	176,158	29,019	65,135	54,276	27,728
Lease liabilities	36,147	1,224	7,157	24,543	3,223
Trade payables	102,111	75,998	25,035	1,045	33
Income tax payable	3,682	3,560	122	-	-
Dividend Payable	938	938	-	-	-
Total Liabilities	319,036	110,739	97,449	79,864	30,984

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	134,034	1,691	32,889	60,848	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	265,846	67,761	69,489	86,405	42,191

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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, 2025	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	113,657	-	-	-	-	113,657
Due from banks	(1)	-	-	-	-	(1)
Loans and advances to customers, net	52,452	72,904	278,823	265,598	282,805	952,582
Financial assets at FVOCI	75,566	59,760	17,060	100,704	37,281	290,371
Financial assets at AC	12,793	33,036	11,544	223,889	132,438	413,700
Other assets	2,152	-	-	-	-	2,152
Total financial assets	256,619	165,700	307,427	590,191	452,524	1,772,461
Liabilities liquidity						
Due to customers and banks from finance op.	819,047	107,233	421,044	213,907	3,604	1,564,835
Other liabilities	18,482	-	1,809	3,400	-	23,691
Subordinated debt	-	-	-	-	14,450	14,450
Loan commitments	40,324	-	55,588	-	-	95,912
Total financial liabilities	877,853	107,233	478,441	217,307	18,054	1,698,888
Net liquidity gap finance operations	(621,234)	58,467	(171,014)	372,884	434,470	73,573

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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	94,023	-	-	-	-	94,023
Due from banks	4,088	-	-	-	-	4,088
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	282,599
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	185,153	140,540	272,196	508,712	370,737	1,477,338
185						
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	31,122	-	42,345	-	-	73,467
Total financial liabilities	688,011	71,172	447,845	186,434	18,014	1,411,477
Net liquidity gap finance operations	(502,858)	69,368	(175,649)	322,278	352,723	65,862

All customer current accounts arising from the Group's financial operations are included in liabilities maturing in less than one month. Current accounts are classified as such due to their contractual terms, however these balances are assessed by Bank Management on a systematic basis using historical experience and expectations and the actual liquidity gap is significantly lower than the negative gap presented for maturities of less than one month. Any issue arising from liquidity mismatch is managed through interbank activities (borrowing and 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.

49. Fair value of financial assets and liabilities

Management assessed that, for the non-financial sector, 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 contractual interest rates approximate market interest rates as at 31 December 2025 and 2024.

Management assessed, for the 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 measured at fair value are investment securities classified within Levels 1 and 2 of the fair value hierarchy in accordance with IFRS 13 and the respective carrying amount is Eur 213,633 thousand (2024: Eur 171,278 thousand) and EUR 76,737 thousand (2024: EUR 110,870 thousand).

50. Commitments and contingencies**Legal proceedings and claims**

On the reporting date, the Group is not involved in any material outstanding legal claims or litigation. 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 the provisions recognised in these consolidated financial statements.

Operating lease commitments – Group as lessor

The Group has entered into operating lease agreements relating to its investment property portfolio consisting of office premises and retail space in shopping centres.. 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 lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	2025	2024
Within one year	15,279	59,201
After one year but not more than five years	-	166,343
More than five years	-	-
Total	15,279	225,544

The Group has entered into collateral agreements with banks and guarantees with third parties during 2025 and 2024 as follows:

Collaterals:	December 31, 2025	December 31, 2024
Land and buildings	67,982	95,002
Inventory	10,041	16,223
Trade receivables	-	1,366
Total	78,023	112,591

As at December 31, 2025 and 2024, the pledged inventory is offered as collateral on working capital financing lines in order to cover 130% of the financing exposure.

50. Commitments and contingencies (continued)

Pledges over the 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 over inventories may secure a single credit facility or may also form part of cross-collateralisation and cross-default arrangements covering different facilities financed by the same bank.

The Group's financial operations grant letters of credit and guarantees to its customers, which would require the Group to make payments if the clients default on their obligations to 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 recognised as loans to customers from financial operations when committed funds are disbursed to the customers.

Commitments and contingencies as at 31 December 2025 and 2024 are as follows:

	As at December 31, 2025	As at December 31, 2024
<i>Granted</i>		
Loan commitments	95,912	73,468
Letters of Guarantees	41,214	43,525

Balfin Group

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

December 31, 2025

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

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 presents the total amount of transactions entered into with related parties during the relevant financial year. Payment terms for related parties are consistent with the Group's policy, with settlement terms ranging from 30 to 60 days. Amounts outstanding as at 31 December 2025 were settled during the first quarter of 2026.

	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:					
2025	1,737	2,393	8,181	1,436	-
2024	1,720	3,515	435	616	-
Associates:					
2025	383	314	1,823	257	-
2024	1	-	-	-	-
Ultimate Controlling Holder and close family members:					
2025	1,790	-	-	-	3,490
2024	5,201	34,904	598	3,574	1,652

Balfin Group**Notes to the consolidated financial statements as at and for the year ending****December 31, 2025***(All amounts in '000 Eur, unless otherwise stated)***51. Related party disclosures (continued)***Compensation of key management personnel of the Group*

Expenses	2025	2024
Salary, compensations and social and health contributions	1,645	1,347
Bonus payment	1,845	305
Total	3,490	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.