BNCTL
BANCO NACIONAL DE COMÉRCIO DE TIMOR-LESTE
moris ba imi, buras ho imi

CONSELHO DE ADMINISTRAÇÃO
BOARD OF DIRECTORS

PRESIDENTE DA COMISSÃO EXECUTIVA
CHAIRMAN OF THE EXECUTIVE COMMITTEE

Ref. No.: 547/BNCTL-Sede-PKE/V/2025

Hon. Mr. Helder Lopes
Governor
The Central Bank of Timor-Leste (BCTL)
Avenida Xavier do Amaral
Dili, Timor-Leste

30 May 2025

Subject: **Submission of BNCTL's Audited Financial Report for the Year Ended 31 December 2024**

Honorable Governor,

I am writing to submit Banco Nacional de Comércio de Timor-Leste, S. A. (BNCTL)'s Audited Financial Report for the fiscal year ended 31 December 2024, as required by Central Bank Instruction No. 15, 2021, Article 5.2.C.

The report, prepared in accordance with International Standard Auditing, includes the financial statements, Audit Opinion, and Management Letter. It provides a comprehensive view of BNCTL's financial performance and adherence to regulatory standards.

We believe this submission fulfills our obligations and demonstrates our commitment to transparency and accountability in Timor-Leste's banking sector.

I take this opportunity to renew, Honorable Governor, the assurance of my utmost respect.

Sincerely,

BANCO NACIONAL DE COMÉRCIO DE TIMOR-LESTE
Chairman of the Executive Committee

Marcelo da Cruz Carvalho
Chairman of the Executive Committee

RECEBIDO
DATA: 30 / 5 / 2025
GABINETE DA MINISTRA DAS FINANÇAS

BANCO NACIONAL DE COMÉRCIO DE TIMOR-LESTE
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Cc:

1. H. E. Mr. Francisco Kalbuadi Lay, Vice Prime Minister, Coordinating Minister of Economic Affairs, Minister of Tourism and Environment, BNCTL's Shareholder's Representative;

2. H. E. Mrs. Santina Viegas Cardoso, Minister of Finance.

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BDO Audit (NT)

GPO Box 4640

Darwin NT 0801

Australia

30 May 2025

Dear Sir

AUDIT FOR YEAR ENDED 31 DECEMBER 2024 OF BANCO NACIONAL DE COMÉRCIO DE TIMOR LESTE

This representation letter is provided in connection with your audit of the financial report of Banco Nacional de Comercio de Timor Leste for the year ended 31 December 2024, for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the International Financial Reporting Standards and United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No 2000/8 on Banking and Licensing Supervision.

We confirm that to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purposes of appropriately informing ourselves:

Financial report

1. We have fulfilled our responsibilities, as set out in your engagement letters dated 22 December 2023, 5 March 2025 and 27 May 2025 for the preparation for the financial report in accordance with the International Financial Reporting Standards and United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No 2000/8 on Banking and Licensing Supervision; in particular that the financial report presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable financial report and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them.
4. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.

5. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed, nor has any asset been pledged as collateral.
6. All significant judgments related to accounting estimates have taken into account all relevant information of which management is aware and the selection or application of the methods, assumptions and data used by management in making the accounting estimates are consistent and appropriate.
7. The assumptions used in determining accounting estimates and related disclosures appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity.
8. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and reasonable within the context of the applicable financial reporting framework.
9. The appropriate specialised skills or expertise has been applied in making the accounting estimates as applicable.

Books, records and documentation

10. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
    - All minutes of meetings held by the Board of Directors, Committees and shareholders since the end of the previous reporting period have been given to you for your inspection;
    - Additional information that you have requested from us for the purpose of the audit;
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
11. All transactions have been recorded in the accounting records and are reflected in the financial report.

Uncorrected misstatements

12. We acknowledge that you have brought to our attention uncorrected misstatements detected during the course of your audit (Schedule attached). We have considered the effect of any uncorrected misstatements on the financial statements. We consider the effect of the uncorrected misstatements to be immaterial, individually and in aggregate, to the financial report taken as a whole.

Related parties

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.
14. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the International Financial Reporting Standards and United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No 2000/8 on Banking and Licensing Supervision in the financial report.

Fraud

15. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.

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16. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
17. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others where fraud could have a material impact on the financial report.
18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.

Litigation and claims

19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with the International Financial Reporting Standards and United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No 2000/8 on Banking and Licensing Supervision.

Compliance with laws and regulations

20. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
21. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control.

    There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

Subsequent events

22. All events occurring subsequent to the date of the financial report and for which adjustment or disclosure are required, including but not limited to accounting estimates have been adjusted or disclosed.

Going concern

23. We have performed a going concern assessment as at the date of signing the financial report as required by IAS 10 "Events After the Reporting Period". We have determined that as at this date Banco National de Comercio de Timor-Leste continues to be a going concern and, therefore, it continues to be appropriate to prepare the financial report of Banco Nacional de Comercio de Timor-Leste on a going concern basis in accordance with IAS 1 "Presentation of Financial Statements". We are not aware, as at the date of this letter, of any material uncertainty that casts significant doubt on the ability of Banco Nacional de Comercio de Timor-Leste to continue as a going concern.

Electronic presentation of Financial Report

24. We are responsible for the electronic presentation of the financial report.
25. We will ensure that the electronic version of the audited financial report and the auditor's report on the web site will be identical to the final signed hard copy version.

26. We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation.
27. We have assessed the controls over the security and integrity of data on the web site and that adequate procedures are in place to ensure the integrity of the information published.
28. We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Other matters

29. We have disclosed to you all financial guarantees that we have given to third parties, and we have accounted for these guarantees in accordance with the requirements of IFRS 9 "Financial Instruments".
30. We have reviewed and funded project loans as per the authorised delegation matrix and confirm that all project loans disbursed were under and arm's length transaction for the year ended 31 December 2024 and in accordance with the BNCTL's credit policies.
31. We confirm that there were no changes in the interest rate on deposit products during the year and the interest rates applied on customer accounts was based on the deposit interest rate approved by the board of directors in the prior periods.
32. In relation to the calculation of Expected Credit Loss (ECL), we make the following specific representations:

<u>Methodology</u>

a) The ECL model has been developed in accordance with IFRS 9 Financial Instruments. It incorporates a three-stage impairment framework and reflects expected losses over varying time horizons depending on the credit risk profile of financial assets. We have engaged the services of a Ernst and Young Portugal ("EY") to run collective ECL calculators and prepare Model Overlay Adjustment calculations and perform individual impairment assessments from extracts of loans from Loan Master Data.

<u>Assumptions</u>

b) The ECL estimation is based on reasonable and supportable information that is available without undue cost or effort. Key assumptions include probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are updated periodically to reflect the latest economic conditions.

<u>Inputs</u>

c) The model utilizes both internal and external data sources, including historical loss experience, credit risk ratings, macroeconomic variables, and borrower-specific data. Internal risk classification methodologies and external credit ratings are also considered in determining the likelihood of default.

<u>Loan write off data</u>

d) We confirm that the loan write off data provided to BDO and EY is both complete and accurate representation of all loans written off.

<u>Forward-Looking Information</u>

e) Forecasts of macroeconomic indicators such as GDP growth, inflation rates, and interest rates are incorporated into the ECL calculations. These forecasts are derived from reputable economic research sources and adjusted to align with the Bank's internal risk assessment.

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Collateral Valuation

f) Where applicable, collateral values are considered in reducing expected credit losses. The valuation of collateral is based on independent third-party appraisals and internal assessments. Market conditions and liquidity factors are taken into account when determining the realizable value of collateral.

Write-Offs

g) Loans and receivables that are deemed irrecoverable are written off in accordance with the Bank's established policy and regulatory guidelines. These write-offs are determined after exhausting all collection efforts and evaluating the likelihood of recovery.

Modified Loans

h) Restructured or modified loans are assessed to determine whether they should remain in the ECL model's impairment framework. Appropriate disclosures are made to reflect the financial impact of modifications on expected credit losses.

Re-financing of non-performing loans

i) We confirm that the bank applies a consistent policy of only re-financing performing loans and non-performing loans are not re-financed.

Yours faithfully

Januario da Gama

Chairperson of the Board of Directors

Banco Nacional de Comércio de Timor-Leste

BANCO NACIONAL DE COMÉRCIO DE TIMOR-LESTE
BOARD OF DIRECTORS

Marcelo da Cruz Carvalho

Chairman of the Executive Committee

Banco Nacional de Comércio de Timor-Leste

Uncorrected misstatements

Description of Proposed Audit Adjustment	File Ref	Error Type	Tax Effect Yes/No	Pre-Tax Proposed Audit Adjustments: Assets Dr/(Cr)	Liabilities Dr/(Cr)	Equity Dr/(Cr)	Profit & Loss Dr/(Cr)	Tax Effect (if applicable): Taxes Payable Dr/(Cr)	Equity Dr/(Cr)	Tax Expense Dr/(Cr)
Income tax liability	L.02	Factual	No		106,403		(106,403)			
								-	-	-
								-	-	-
								-	-	-
								-	-	-
								-	-	-
						-		-	-	-
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								-	-	-

BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE

FINANCIAL STATEMENTS
For the Year Ended 31 December 2024

BNCTL AUDITED REPORT –2024

BOARD OF DIRECTORS' STATEMENT
REGARDING THE RESPONSIBILITY FOR
THE FINANCIAL STATEMENT AS OF 31 DECEMBER 2024 FOR
BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE

We, the undersigned:

Name	: Januario da Gama
Office address	: Mandarin, Dili, Timor-Leste
Domicile address	: Zero III, Fatuhada, Dom Aleixo, Dili
Phone number	: +670 3310220
Function	: Chairperson
Name	: António F. Abrantes
Office address	: Mandarin Dili, Timor-Leste
Domicile address	: Lirio, Vera Cruz, Motael, Dili
Phone number	: +670 3310220
Function	: Vice Chairperson
Name	: Cristovão Ribeiro dos Reis
Office address	: Mandarin Dili, Timor-Leste
Domicile address	: Frecat, Bairro Pite, Dom Aleixo, Dili
Phone number	: +670 3310220
Function	: Member of the Board of Directors
Name	: Marcelo da Cruz Carvalho
Office address	: Mandarin Dili, Timor-Leste
Domicile address	: Badiac, Manleuana, Dom Aleixo, Dili
Phone number	: +670 3310220
Function	: Chairman of the Executive Committee
Name	: Joaquim dos Reis Martins
Office address	: Mandarin Dili, Timor-Leste
Domicile address	: Marabia, Lahane Oriental, Nain Feto, Dili
Phone number	: +670 3310220
Function	: Member of the Executive Committee

declare that:

- we are responsible for the preparation and presentation of Banco Nacional De Comércio De Timor-Leste's financial statements;
- Banco Nacional De Comércio De Timor-Leste's financial statements have been prepared and presented in accordance with International Financial Reporting Standards, pursuant to United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No. 2000/8 on Banking and Licensing Supervision;
- all information in the Banco Nacional De Comércio De Timor-Leste's financial statements have been disclosed in a complete and truthful manner;
- Banco Nacional De Comércio De Timor-Leste's financial statements do not contain any incorrect information or material fact, nor do they omit information or material fact;
- we are responsible for Banco Nacional De Comércio De Timor-Leste's Internal control system; and
- we certify the accuracy of this statement.

For and on behalf of the Board of Directors

BANCO NACIONAL DE COMERCIO DE TIMOR LESTE
BOARD OF DIRECTORS

Marcelo da Cruz Carvalho	Januario da Gama
Chairman of the Executive Committee	Chairperson of BOD

BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2024 AND 2023
(Presented in United States Dollar)

Statement of Financial Position

ASSETS	Notes	2024	2023
Cash	6	35,872,490	33,891,185
Current accounts with the Central Bank of Timor-Leste	7	4,886,775	10,803,313
Current accounts with other banks	8	395,997,257	398,577,983
Investment in Securities	9	3,000,000	1,519,029
Loans receivables, net of allowance for impairment	10	419,586,355	275,323,973
Other receivables	11	2,462,046	3,348,023
Other assets	14	4,609,240	3,333,958
Property and equipment	12	8,359,780	5,709,130
Right-of-use assets	15	1,135,527	421,753
TOTAL ASSETS		**875,909,470**	**732,928,347**
LIABILITIES AND EQUITY			
Deposits from customers	16	695,653,319	585,313,839
Taxes payable	17(a)	2,071,443	1,076,157
Deferred tax liability	17(d)	693,107	451,076
Other liabilities	18	19,260,021	11,262,617
Lease Liability	19	1,160,823	441,465
TOTAL LIABILITIES		**718,838,713**	**598,545,154**
NET ASSETS		**157,070,757**	**134,383,193**
Share capital	20(a)	96,000,000	96,000,000
Capital reserve	20(b)	14,519,146	8,847,255
Retained earnings		46,551,611	29,535,938
TOTAL EQUITY		**157,070,757**	**134,383,193**
TOTAL LIABILITIES AND EQUITY		**875,909,470**	**732,928,347**

BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024
(Presented in United States Dollar)

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2024	2023
OPERATING INCOME			
Interest income	21(a)	44,731,299	40,770,314
Interest expense	21(b)	(6,892,305)	(3,473,596)
Net interest income		**37,838,994**	**37,296,718**
Fees and commission income		9,830,576	5,855,948
Fees and commission expense		(1,255,682)	(626,863)
Net fees and commission income		**8,574,894**	**5,229,085**
Other income		512,325	264,989
TOTAL OPERATING INCOME		**46,926,213**	**42,790,792**
OPERATING EXPENSE			
Net impairment loss on financial assets	10(g)	(3,564,447)	9,586,126
Personnel expenses	22	12,092,366	7,558,263
General and administrative expenses	23	6,579,408	4,844,586
Depreciation and amortization	12+14	2,343,593	1,959,751
Other expenses	24	3,985,846	3,235,546
Depreciation charge for right-of-use assets	15	472,359	148,658
TOTAL OPERATING EXPENSE		**21,909,125**	**27,332,930**
PROFIT BEFORE INCOME TAX		**25,017,088**	**15,457,862**
Tax income/(expense)			
Current	17(b)	(2,087,493)	(1,686,655)
Deferred	17(b)	(242,031)	(133,520)
Tax income/(expense)		(2,329,524)	(1,820,175)
PROFIT FOR THE YEAR		**22,687,564**	**13,637,687** ✓
OTHER COMPREHENSIVE INCOME/LOSS FOR THE YEAR		-	-
Deferred Tax 10%		-	-
OTHER COMPREHENSIVE INCOME/LOSS		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,687,564**	**13,637,687**

BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024
(Presented in United States Dollar)

Statement of changes in Shareholder's Equity

		Share capital	Capital reserve	Retained earnings	Total
Balance as of 31 December 2022	Note	**96,000,000**	**5,437,833**	**19,307,673**	**120,745,506**
Capital contribution during the year		-	-	-	-
Transfer directly from Retained earnings (Note 20b)		-	3,409,422	(3,409,422)	-
Profit for the year		-	-	13,637,687	13,637,687
Other comprehensive income/(loss) for the year, net of tax		-	-	-	-
Ending balance as of 31 December 2023		**96,000,000**	**8,847,255**	**29,535,938**	**134,383,193**
Transfer directly from Retained earnings (Note 20b)		-	5,671,891	(5,671,891)	-
Profit for the year		-	-	22,687,564	22,687,564
Other comprehensive income/(loss) for the year, net of tax		-	-	-	-
Ending balance as of 31 December 2024	2a	**96,000,000**	**14,519,146**	**46,551,611**	**157,070,757**

BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2024
(Presented in United States Dollar)

Statement of Cash flow

	Note	2024	2023
Cash flows from operating activities			
Interest, fees, and commission received		55,074,200	45,547,061
Interest paid	21b	(6,781,516)	(3,473,596)
Interest expense on the lease liability	21b	-	
Cash received from/ (used for) payments to other liabilities		13,685,145	(6,246,919)
Payments to employees	22	(12,092,366)	(6,246,804)
Payments to suppliers		(13,692,202)	(8,422,223)
Income taxes paid	17b	(2,329,524)	(1,820,175)
(Increase)/decrease in operating assets:		-	-
Loans to customers		(144,262,382)	(65,583,155)
(Increase)/decrease in operating liabilities:		-	-
Deposits from customers		110,339,481	(52,334,912)
Net cash flows (used in)/ provided in operating activities		**(59,164)**	**(98,580,723)**
Cash flows from investing activities			
Net investment in bonds		(1,480,971)	(1,519,029)
Acquisition of property, equipment, and software	12	(4,398,258)	(2,231,679)
Deposit more than 3 months		63,000,000	(7,017,863)
Net cash flows (used in) investing activities		**57,120,771**	**(10,768,571)**
Cash flows from financing activities			
Capital contribution		-	-
Lease payments		(577,566)	(140,306)
Net cash flows provided in financing activities		**(577,566)**	**(140,306)**
Net increase in cash and cash equivalents		**56,484,041**	**(109,489,600)**
Cash and cash equivalents, at the beginning of the year		189,310,319	298,799,919
Foreign currency translation impact USD		-	-
Cash and cash equivalents, at the end of the year	6	**245,794,359**	**189,310,319**

BANCO NACIONAL DE COMERCIO DE TIMOR-LESTE
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2024
(Presented in United States Dollar)

Cash and cash equivalents, at the end of the financial year, comprises of:	Note	**2024**	**2023**
Cash	6	35,872,490	33,891,185
Current accounts with the Central Bank of Timor-Leste	7	4,886,775	10,803,313
Current accounts with other banks	8	205,035,095	144,615,821
		245,794,359	**189,310,319**

(Presented in United States Dollar)

1. GENERAL

a. Establishment and general information

Banco Nacional de Comercio de Timor-Leste ("the Bank" or "BNCTL"), formerly Instituicao de Micro- Financas de Timor-Leste (the "IMFTL"), operates in the Democratic Republic of Timor-Leste (the "RDTL"). On 26 January 2011, the Government of RDTL issued a Decree Law N.03/2011 to transform IMFTL into a limited liability company under the name of Banco Nacional de Comercio de Timor-Leste. At the same time, the Bank submitted an application to Banco Central de Timor-Leste ("the Central Bank", formerly Banking and Payments Authority of East Timor) for the purpose of transforming its operations into a bank and update its license in accordance with Section 24 paragraph 3 of United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No. 2000/8 on Banking and Licensing Supervision.

On 8 July 2011, the Governing Board of Banco Central de Timor-Leste decided to grant the license (GBR N.02/2011) to the Bank to engage in banking activities established in Section 24 paragraph 2 and 3 of United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No. 2000/8 on Banking License and Supervision. Furthermore, the original license granted on 26 November 2002 was withdrawn.

BNCTL operates primarily as a retail bank, offering a range of financial products and services tailored to individuals, micro, small, and medium-sized enterprises (MSMEs), and rural communities throughout Timor-Leste. Its operations include savings and current accounts, consumer and microfinance loans, remittance services, and access to banking through branches and digital channels. The Bank's objective is to promote financial inclusion and economic development by expanding banking access across all regions of the country.

The Bank's head office is located in Mandarin, Dili, Timor-Leste.

As of 31 December 2024, and 2023, the Bank operated 13 branches in Dili, Gleno, Maliana, Aileu, Oecusse, Baucau, Same, Ainaro, Suai, Viqueque, Lospalos, Liquica and Manatuto. BNCTL also operates four sub-branches in Atauro, Kuluhun Dili Branch and Maubessi - Ainaro branch and Batugade Maliana Branch, Golgota Dili Branch

b. Board of Directors

The composition of the Bank's Board of Directors as of 31 December 2024 and 2023 were as follows:

		2024	2023
Chairperson	:	Lúcia da Cruz Flor	Lúcia da Cruz Flor
Vice Chairperson	:	Antonio F. Abrantes	Antonio F. Abrantes
Member	:	Cristovão R. dos Reis	Cristovão R. dos Reis
Chairman of the Executive Committee/CEO	:	António F. Vítor	António F. Vítor
Member	:	Joaquim Dos Reis Martins	Joaquim Dos Reis Martins

1. GENERAL (CONTINUED)

c. Risk Management Committee

The composition of the Bank's Risk Management Committee as of 31 December 2024 and 2023 were as follows:

		2024	2023
Chairman	:	Antonio F. Abrantes	Antonio F. Abrantes
Member	:	Cristovão R. dos Reis	Cristovão R. dos Reis
Member	:	António F. Vítor	António F. Vítor

d. Audit Committee

The composition of the Bank's Audit Committee as of 31 December 2024 and 2023 were as follows:

		2024	2023
Chairperson	:	Eufrasia dos Reis Fatima	Eufrasia dos Reis Fatima
Member	:	Sara da Silva Barreto Afonso	Sara da Silva Barreto Afonso
Member	:	Estanislau de Sousa Saldanha	Estanislau de Sousa Saldanha

2. BASIS OF PREPARATION

a. Basis for preparation of financial statements

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards, pursuant to United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No. 2000/8 on Banking and Licensing Supervision.

The Bank's Board of Directors is responsible for the presentation and disclosure of the financial statements, for the year ended 31 December 2024, and have authorized them for issue on the May 2025.

The Bank's financial statements have been prepared on a going concern basis and the accrual basis using historical cost basis and presented in United States Dollar (USD), rounded to the nearest dollar, unless otherwise stated. The function currency is also USD. The statement of cash flows is prepared using the direct method by classifying cash flows into operating, investing, and financing activities. For the purpose of statement of cash flows, cash and cash equivalents include cash, current accounts with the Central Bank of Timor-Leste and current account with other banks, as long as they are not being pledged as collateral for borrowing nor restricted.

2. BASIS OF PREPARATION (CONTINUED)

b. Use of judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. Although these estimates are based on management's best knowledge of current events and activities, actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The key estimate in the financial statements relates to allowances for impairment disclosed in Note 10.

The measurement of impairment losses under *IFRS 9 – Financial Instruments ("IFRS 9")* across all categories of financial assets requires judgments, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
The Bank's Expected Credit Loss (ECL) calculations are outputs of models with underlying assumptions. Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and the choice of inputs;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Criteria for assessing if there has been a significant increase in credit risk;
- Probabilities of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank's policy is to regularly review its models in the context of actual loss experience and adjust, when necessary, at minimum on an annual basis.

3. CHANGES TO ACCOUNTING POLICIES AND DISCLOSURES

New and amended IFRS Standards and interpretations

The following amendments which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated) were applied for the first-time and did not have a material impact on the Bank's financial statements.

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1)

Standards issued but not yet effective

The following new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and the Directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Bank in future periods.

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates) – 1 January 2025
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7) – 1 January 2026
- IFRS 18 Presentation and Disclosure in Financial Statements – 1 January 2027

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a. Financial assets and liabilities

The Bank's financial assets mainly consist of cash, current accounts with the Central Bank of Timor-Leste, current accounts with other banks, investments in securities and loan receivables.

The Bank's financial liabilities mainly consist of deposits from customers and other payables.

a.1 Initial recognition

Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVTPL), transaction costs are added to, or subtracted from, this amount.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is usually equal to the transaction price.

b. 2 Classification

a. 2.1 Financial assets

The classification of financial assets is based on BNCTL's business model for managing its assets and the assets' contractual terms.

a. 2.1.1 Amortized cost

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The fair values of financial assets classified and measured at amortised cost approximate their carrying amount.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a. Financial assets and liabilities (continued)
b. 2 Classification (continued)
a. 2.1.1 Amortized cost (continued)

The Bank only measures financial assets at amortized cost if both of the following conditions are met:

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

Business model assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test (Solely Payments of Principal and Interest)
As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgments and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a. 2.1.2 Debt instruments at Fair Value through Other Comprehensive Income (FVOCI)

The Bank classifies debt instruments as measured at FVOCI when both of the following conditions are met:

• The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and

• The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost.

b. 2.1.3 Financial assets at fair value through profit or loss (FVTPL)

The fair value through profit or loss category is used for financial assets that are held for trading purposes (business model objective is to sell the financial assets) and financial assets that have contractual cash flows that are not solely payments of principal and interest. Investments in equity instruments are also required to be recorded at fair value through profit and loss unless management uses the irrevocable election to record them at FVOCI when specific criteria are met.

In 2024 and 2023, the Bank did not have any debt instruments that were held in a business model other than 'held to collect contractual cash flows' or that did not meet the SPPI therefore, all of these instruments are classified and measured at amortized cost which is consistent with the Bank's classification in prior years.

BNCTL does not have any financial assets or equity investments that meet the IFRS 9 criteria for classification as FVOCI or FVTPL.

a. 2.2 Financial liabilities

i. Financial liabilities may be measured at fair value, through profit or loss, when they are designated as such upon initial recognition or as held for trading.

As at 31 December 2024, and in 2023, the Bank has not issued any bonds to raise capital and does not have any financial liabilities measured at fair value through profit or loss.

ii. Financial liabilities measured at amortized cost.

The Bank's deposits from customers and other payables were included in this category.

The fair value of financial liabilities classified and measured at amortised cost approximate their carrying amount.

a.2.3 Financial Guarantees and Undrawn Loan Commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)
a. 2.2 Financial liabilities (continued)
a.2.3 Financial Guarantees and Undrawn Loan Commitments (continued)

The premium received for financial guarantees is initially recorded as deferred income on the balance sheet. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and an ECL provision.

Obligations arising from other types of guarantees such as those relating to performance are recognized in accordance with the provisions accounting standard.

Premiums received for all types of guarantees are recognized in the income statement in the net fees and commission income line item on a straight-line basis over the life of the guarantee.

Approved undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the IFRS 9 Expected Credit Loss (ECL) requirements.

The nominal contractual value of approved undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For other commitments to lend, bid and performance guarantees, the ECL is recognized within Provisions.

The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 10(d).

a. 2.4 Reclassification of financial assets and liabilities

The Bank did not reclassify its financial assets subsequent to their initial recognition in 2024 or 2023.

a.3 Impairment of financial assets

The Bank estimates loan loss impairment 'Expected Credit Loss (ECL)' using an approach that incorporate forward looking information. The allowance for expected credit losses is calculated for all loans, loan commitments and letters of credit.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank performs collective impairment assessments for portfolios of loans with shared credit risk characteristics, which occurs at the loan product level and performs individual assessments for loans that are significant or do not belong to a group.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)
a.3 Impairment of financial assets (continued)

Asset classes where the Bank calculates ECL on an individual basis include:

- Loans that are individually significant to the bank and those loans that cannot be grouped with other loans based on their specific characteristics;
- Letters of credit;
- The treasury and interbank relationships (such as Due from Banks).

The Bank groups its loans into Stage 1, Stage 2, and Stage 3 as described below. The Bank does not have any loans that are defined as Purchased or Originated Credit Impaired.

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Stage 3 loans are in default and the Bank records an allowance for the LTECLs. For Stage 3 loans the Bank calculates interest income by applying the EIR to the net amortised cos of the financial asset.

The Bank determines that there has been a significant increase in credit risk since initial recognition of a loan at each reporting date by taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions (consistent with the overall estimate of ECLs). Unless identified at an earlier stage, all financial assets are deemed to have an increase in credit risk when the financial assets are more than 30 days past due. The bank does not rebut the IFRS 9 presumption that there has been a significant increase in credit risk when loans are 30 days past due.

The Bank used a definition of default that is aligned with the regulatory definition of non-performing loans under in Instruction No. 17/2021 On Credit Classification, Regulatory Provisions and Reserves and the rebuttable presumption under IFRS 9 that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate a more lagging default criterion is more appropriate. The categorises loans as credit impaired when they are 90 days past due and does not rebut the IFRS 9 presumption.

The Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. Such events include:

- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material decrease in the borrower's turnover or the loss of a major customer; and
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection.

The calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)
The calculation of ECLs (continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates; and
- Inflation.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as guarantees, real estate and other non-financial assets. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception. Non-financial collateral, such as real estate, is valued based on data provided by the customers rather than from the independent appraiser.

Write-offs

The Bank's accounting policy is to write off either partially or in their entirety only when there is no reasonable expectation of recovery, and the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Bank considers a loan forborne when concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)
Forborne and modified loans (continued)

calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off. When a loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk.

b. Foreign currency transactions and balances

The financial statements are presented in United States Dollars which is the Bank's functional and reporting currency. Any transaction during the year in currencies other than United States Dollars are recorded at the rates of exchange at the date of the transaction. At the balance date, monetary assets and liabilities denominated in currencies, other than Unites States Dollars, are translated into United States Dollars at the rate of exchange on that date. All exchange gains and losses and currencies translation adjustment are reflected in the statement of profit or loss.

31.12.2024	**Central Bank**	**BRI**	**BCP Portugal**	**BCA AUD**
Exchange Rate	1 USD = 16,235 IDR	1 USD = 16,235 IDR	1 USD =1.0433 EURO	1 USD= 0.6232 AUD
31.12.2023	**Central Bank**	**BRI**	**BCP Portugal**	**BCA AUD**
Exchange Rate	1 USD = 15,658 IDR	1 USD = 15,713 IDR	1 USD =1.0659 EURO	1 USD= 0.6771 AUD

c. Capital Reserve
The Capital reserve is established in accordance with BCTL guidance, according to the Decree-Law 3/2011, article 30, to retain 25% of the Banks annual Profits (after tax) in the capital reserve account.

d. Property and equipment
Property and equipment are stated at cost less accumulated depreciation and impairment asset, if any. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, commencing in the month in which the assets are placed into service.

(Presented in United States Dollar)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

d. Property and equipment (continued)

The estimated useful lives of the assets are as follows:

Group	Depreciation rate	Useful lives
Leasehold improvement	20% – 50%	2 – 5 years
Furniture and fixture	50%	2 years
Equipment	33%	3 years
Vehicles – Car	20%	5 years
Vehicles – Motorcycle	33%	3 years
Non-physical assets	10%	10 years
Buildings	5%	20 years

The costs of maintenance and repairs are charged to current operations expense account as incurred; significant renewals and improvements affecting useful lives are capitalized. The Bank uses the cost method for recognition of property and equipment.

When property and equipment are retired or otherwise disposed, their carrying values and the related accumulated depreciation are removed from the accounts.

Any resulting gains or losses are reflected in the statement of profit or loss.

Right-of-use assets are depreciated over the shorter period of the lease term or useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

e. Other assets

Other assets include prepaid expenses and office stationery supplies.

f. Deposits from customers

Deposits from customers are the funds placed by customers (excluding banks) with the Bank based on a fund deposit agreement. Included in this account are demand deposits, saving accounts and other similar deposit accounts.

Demand deposits represent deposits of customers that may be withdrawn at any time by cheque, or other orders of payment or transfers.

Savings deposits represent deposits of customers that may only be withdrawn over the counter or Automated Teller Machine (ATM) or transferred through Point of sale (POS) terminals when certain agreed conditions are met but may not be withdrawn by cheque or other equivalent instruments.

Time deposits from customers are classified as financial liabilities at amortized cost. See Note 4a.2.2 for the accounting policy for financial liabilities at amortized cost.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

g. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax is provided using the statement of financial position liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for each entity separately.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

h. Interest income and expense

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost that includes fees that are integral to the loan.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability.

i. Fees and commission

Fees and commissions (not integral to loans) include transaction fee, foreign transfer fee, ATM fee, fee from government, fee from bank guarantee, initial fee, urgent fee and OTS fee. The Bank recognizes fee and commission income either at a point in time, or over time, in line with when the performance obligation is satisfied; (see:l)

j. Related parties transaction and balance

The Bank engages in transactions with certain parties which are regarded as having related party relationship in accordance with IAS 24, "Related Party Disclosures" and the Central Bank of Timor-Leste's (BCTL) regulation, Instruction No. CPO/B-2000/6 dated 26 December 2000 concerning "Transaction with Related Persons, Related Banks and Financial Institutions, and Affiliates".

All significant transactions with related party are disclosed in notes to the financial statements. See Note 25.

k. Use of estimates

The preparation of financial statement in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In 2024, there was a change in the methodology used to calculate inputs into the IFRS 9 ECL collective model.

Historical data about loan recoveries after default have been used to provide input into the Loss Given Default assumptions and different LGD assumptions have been applied to each of the economic scenarios. In previous years since implementation, LGDs were based information about collateral requirements and reference to external benchmarks.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

There were other changes to Exposure at Default (EAD) and Probability of Default (PD) calculations with lower impacts. EAD uses an amortisation schedule based on actual remaining time to maturity on individual loans grouped into the collective models which was based on weighted average contractual terms in the prior year and PD calculations include curing that was not previously incorporated.

The impacts of the changes on provision coverage rates are quantified in Note 5 ii. and the impact on the total impairment provision is quantified in Note 10.

l. IFRS 15 Revenue from Contracts with Customers and related amending Standards

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

- 'Unearned fees and commissions' included under 'Other liabilities' (see Note 18) and represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration from the customer. Unearned fees and commissions are recognized as revenue when (or as) the Bank satisfied the performance obligation.

  Fee and commission on loan are recorded under the effective interest rate method (see:i).

m. Leases

The Bank as a lessee - The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

m. Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- The amount expected to be payable by the lessee under residual value guarantees.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

n. Current versus non-current classification

BNCTL 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 realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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 period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

BNCTL classifies all other liabilities as non-current.

5. FINANCIAL RISK MANAGEMENT

a. Introduction and overview

The Bank has exposure to the following risks from financial instruments:

i. Credit risk

ii. Market risk

iii. Liquidity risk

iv. Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies, and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Management Committee (ALCO), and the Risk Management Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have executive and members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, product and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Bank's Audit Committee.

b. Credit risk management

Credit risk is the risk of financial loss from counterparties being unable to fulfill their contractual obligations. To ensure credit deterioration is quickly detected, credit portfolios are actively monitored at each layer of the risk structure and will be mitigated through the implementation of remediation strategies.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit Department, reporting to the Credit Committee, is responsible for management of the Bank's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to Credit Department. Large facilities require approval by Credit Committee or the Board of Directors as appropriate.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Bank's Credit Department on the credit quality of local portfolio and appropriate corrective action is taken.
- Providing advice, guidance, and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Regular audits of business units and Credit Department processes are undertaken by Internal Audit.

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

i. Maximum exposure to credit risk

For financial assets recognized on the statement of financial position, the maximum exposure to credit risk generally equals their carrying amount.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet assets, without taking into account of any collateral held or other credit enhancement. The amounts presented are gross of impairment allowances.

	2024	2023
Current accounts with Central Bank of Timor-Leste	4,886,775	10,803,313
Current accounts with other banks	395,997,257	398,577,983
Investment	3,000,000	1,519,029
Loan receivables	419,586,355	296,540,507
Interest accrued for loans	1,096,382	1,245,594
Interest accrued from deposits in other banks	1,934,796	2,988,072
Other receivables	527,250	359,951
	827,028,815	**712,034,449**

The table below shows the combined external rating of current accounts with other banks and year-end stage classification. The amounts presented are gross of impairment allowances.

	Rating	2024	2023
Domestic Currency			
Current Account:			
Bank Mandiri	BBB-	6,518	1,775,545
Bank BNU	BBB	455,761	500,008
Bank BRI Dili (Local)	AAA	26,067,377	1,341,243
Bank BRI Dili (Local)	AAA	870,846	-
Bank BRI – USD	AAA	883,221	1,783,572
Bank BCA – USD	BBB-	696,872	1,891,925
Bank BNI- USD	BBB-	1,226,025	76,922
BRI NY	AAA	1,459,892	997,103
Bank Turkey-USD	B+	711	303
Bank BNI UK -USD	BBB-	100,000	100,000
Bank BRI – USD	AAA	154,000,000	190,000,000
Bank BNI-USD	BBB-	193,000,000	122,000,000
Bank Mandiri	BBB-	-	15,000,000
Bank BNU	BBB	-	-
BRI NY	AAA	11,000,000	44,000,000
BOC Singapore-USD	A-	-	15,000,000
Bank BRI – IDR	AAA	196,717	5,073

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

i. Maximum exposure to credit risk (continued)

Bank BCA – IDR	BBB-	1,723,959	305,219
BCP-Portugal	BBB-	777,728	589,938
Bank BCA-AUD	BBB-	815,251	289,015
BOC Singapore (Yuan)	A-	1,254,156	1,350,328
BOC Singapore (SGD)	A-	7,807	75,296
Aktif Bank Turkey (EUR)	B+	5,614	3,524
Aktif Bank Turkey (GBP)	B+	5	39
Time Deposit IDR -BRI Jakarta	AAA	923,930	962,162
Bank BNI Jkt– IDR	BBB-	2,969	3,328
Bank BNI UK – GBP	BBB-	271,807	272,334
Bank BNI UK – Euro	BBB-	250,091	255,106
Total		**395,997,257**	**398,577,983**

ii. Collateral and other credit enhancements

BNCTL loans are collateralized as per table below. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

Product	Collateral	Maximum Loan	Gross Amount (Loan)	Collateral Requirements	ECL Coverage rate %[1]
Payroll / Multi-Purpose Loans	Salary[2], Credit Insurance or Salary Guarantor	-	190,127,916; 2023: 138,649,345	Debt service to income ratio: 75% (term up to 5 years) 50% (term 6 to 10 years) 45%% (term over 10 years) Salary guarantor or credit insurance[3]	1.5%; 2023: 2.95%
Asuwa'in Loan	Veteran Pension[1], Salary Guarantor and Life Insurance	USD 25 000	24,286,358; 2023: 26,290,585	Debt service to income ratio: 50% Salary guarantor and life insurance[4]	2.05%; 2023: 4.28%
Other Business	Inventory, Land, Property, Vehicles and Deposits	75% of EBITDA	101,998,227; 2023: 50,859,185	50% - 100% (2023: 40% - 100%)	2.33%; 2023: 4.64%
Project Loan	Project Income[1], Land, Property, Vehicles and Deposits	65% of project cost per contract	62,249,681; 2023: 36,891,963	50% - 100% (2023: 25% - 40%)	6.09%; 2023: 9.61%
Investment Loan	Inventory, Land, Property, Vehicles and Deposits	70% of the project cost. Small investment USD 5,000	31,000,558; 2023: 21,799,729	50% - 100% (2023: 40% - 100%)	5.00%; 2023: 8.67%

(Presented in United States Dollar)

Staff Loan	Salary[2], Property or Insurance	USD 100,000	16,757,684; 2023: 14,375,405	Debt service to income ratio: 45% to 65% Salary guarantor or credit insurance[3]	3.29%; 2023: 5.73%
Seasonal Crop Loan	Valuable asset or sufficient income[2]	USD 2,000	758,174; 2023: 1,711,122	35% to 100%	3.29%; 2023: 5.73%
Bukae Loan	Salary[2] and Insurance	USD 10,000	8,463,317; 2023: 5,596,904	Debt service to income ratio: 75% Salary guarantor or credit insurance[3]	3.29%; 2023: 5.73%
Microfinance Group Loan	Business itself and Mutual guarantee	USD 2,000	6,590; 2023: 10,593	100%	3.29%; 2023: 5.73%
Pensioner Loan	Pension / Salary[2], Salary guarantor and Life Insurance	USD 10,000	138,441; 2023: 58,235	Debt service to income ratio: 45% Salary guarantor and life insurance[4]	3.39%; 2023: 5.73%
Transport Loan	Inventory, Land, Property, Vehicles and Deposits	70% of the loan Project	262,901; 2023: 291,693	50%-100%	5.00%; 2023: 8.67%%

[1] ECL Coverage rate is total ECL divided by total exposure. Total ECL is based on gross amount multiple by PD, EAD and LGD assumptions that incorporate data relating to historical recoveries.
[2] For certain customers and products, it is the Bank's practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than placing primary reliance on collateral and other credit risk enhancements. Depending on the credit decision the Bank will require both cash flow resources and additional collateral and other credit risk enhancements.
[3] Credit Insurance 3 – 6 months of missed payment and Death and Permanent Disability cover with maximum $40,000.
[4] Borrowers over 55 years of age require Life Insurance

In its normal course of business, the Bank does not frequently pursue the physical repossession of properties or other assets in its retail portfolio, but generally will submit claims under guarantees provided. In the event of default, the Group may utilize collateral as a source of repayment.

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

ii. Collateral and other credit enhancements (continued)

Collateral held as security and other credit enhancements for credit impaired loans (Stage 3) for the year ended:

31 December 2024

Product	Collateral	Gross Amount (Loan)	Collateral value[1,2,3]	ECL Coverage Rate %
Payroll / Multi-Purpose[4] Loans	Salary / Insurance or Salary Guarantor	3,891,503	-	35.14%
Asuwa'in Loan[4]	Veteran Pension or Insurance	973,268	-	34.34%
Other Business	Inventory, Land, Property, Vehicles and Deposits	1,728,791	1,414,727	35.14%
Project Loan[5]	Project Income, Land, Property, Vehicles and Deposits	3,696,202	2,950,935	35.14%
Investment Loan	Inventory, Land, Property, Vehicles and Deposits	734,786	1,434,437	35.14%
Staff Loan[4]	Salary, Property or Insurance	293,048	-	34.10%
Seasonal Crop Loan	Valuable asset or sufficient income	105,393	-	34.10%
Bukae Loan[4]	Salary and Insurance	260,039	-	34.10%
Microfinance Group Loan	Business itself and Mutual guarantee	6,590	-	34.10%
Total		11,689,620	5,800,099	

[1] Collateral values are based on valuations performed on loan origination date adjusted for estimated depreciation
[2] Excludes any collateral on loans with balances of less than USD10k
[3] Stage 3 loans originated in 2021 or earlier years have collateral value of zero
[4] Stage 3 loans secured by cash flow resources (Salary, Pension) and Credit Insurance have a collateral value of zero
[5] The value of collateral for Project Loans excludes collateral in the form of cash flow resources (Project Revenue)

31 December 2023:

Product	Collateral	Gross Amount (Loan)	Collateral value[1,2,3]	ECL Coverage Rate %
Payroll / Multi-Purpose[4] Loans	Salary / Insurance or Salary Guarantor	2,835,228	-	70%
Asuwa'in Loan[4]	Veteran Pension or Insurance	987,153	-	70%
Other Business	Inventory, Land, Property, Vehicles and Deposits	1,188,729	2,040,458	50%
Project Loan[5]	Project Income, Land, Property, Vehicles and Deposits	2,741,523	394,904	60%
Investment Loan	Inventory, Land, Property, Vehicles and Deposits	1,011,271	2,772,532	50%
Staff Loan[4]	Salary, Property or Insurance	127,972	-	63.95%
Seasonal Crop Loan	Valuable asset or sufficient income	119,274	-	63.95%

Bukae Loan[4]	Salary and Insurance	153,786	-	63.95%
Micro finance Loan	Business itself and Mutual guarantee	10,428	-	63.95%
Total		9,175,364	5,207,894	

[1] Collateral values are based on valuations performed on loan origination date adjusted for estimated depreciation
[2] Excludes any collateral on loans with balances of less than USD10k
[3] Stage 3 loans originated in 2020 or earlier years have collateral value of zero
[4] Stage 3 loans secured by cash flow resources (Salary, Pension) and Credit Insurance have a collateral value of zero
[5] The value of collateral for Project Loans excludes collateral in the form of cash flow resources (Project Revenue)

iii. Concentration of credit risk analysis

Concentration of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region (all loans are to Timor Leste companies and individuals), or when they have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Bank encourages the diversification of its credit portfolio among a variety of geographies, industries, and credit product in order to minimize the credit risk. The extent of diversification is based on the Bank's strategic plan, target sectors, current economic conditions, government policy, funding sources and growth projections.

The Bank's credit policy satisfactorily established the authority, standards, and framework for managing, operating, monitoring, and administering the credit portfolio. The policy is approved by the Board of Directors and periodically updated to incorporate changes in the marketplace and new banking regulations. Concentration by counterparty:

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

iii. Concentration of credit risk analysis (continued)

2024

	Central Bank	Corporate	Banks	Foreign	Retail	Total
Current account with other banks	-	-	395,997,257		-	395,997,257
Current account with Central Bank of Timor-Leste	4,858,983	-	-		-	4,858,983
Investment	-	-		3,000,000		3,000,000
Loan receivables (gross)	-	195,511,367	-		242,056,105	437,567,472
Total	4,858,983	195,511,367	395,997,257	3,000,000	242,056,105	841,423,712
%	0.6%	23%	47%	0.4%	29%	100%

2023

	Central Bank	Corporate	Banks	Foreign	Retail	Total
Current account with other banks	-	-	398,577,983		-	398,577,983
Current account with Central Bank of Timor-Leste	10,803,313	-	-		-	10,803,313
Investment	-	-		1,519,029		1,519,029
Loan receivables (gross)	-	96,273,014	-		200,266,026	296,539,040
Total	10,803,313	96,273,014	398,577,983	1,519,029	200,266,026	707,439,365
%	2%	14%	57%		28%	100%

c. Market risk

Market risk is the risk changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing their return on risk. Overall authority for market risk is vested with ALCO.

Market risk divided into following risks:

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

i. Currency risk

The Bank is exposed to currency risk through transaction in foreign currencies. The Bank monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transaction and monetary assets and liabilities into US Dollar.

As of 31 December 2024, and 2023, there is no significant exposure to this risk. Management has determined that any foreign currency transaction in the current financial year would be immaterial when translated into US Dollar and these are reflected directly in the statement of profit or loss.

ii. Interest risk

The Bank's exposure to interest rate risk and the effective interest rates of the financial assets and financial liabilities both recognized and unrecognized at the balance sheet date is detailed below.

Interest rate risk in the balance sheet arises from the potential for a change in interest rate to have an adverse effect on revenue balance in the current reporting period and future years. Interest sensitivity of assets and liabilities as at the balance sheet date are as follows

iii. Interest risk

<u>**As of 31 December 2024**</u>

Financial Instruments	Non-interest Bearing	Floating interest	Fixed interest rate maturing in		Total	Weighted average effective interest rate
			1 year or less	Over 1 to 5 years		
Amount in '000s						
Financial asset						
Cash and cash equivalents	35,873	4,887	395,997	-	436,757	4,73%
Loans to customers	-	-	93,151	344,416	437,567	7.5%
Investment	-	-	3,000	-	3,000	4.27%
Financial liabilities						
Deposits from Customers	-	-	(649,087)	(46,566)	(695,653)	0.40%
Interest Sensitivity Gap	35,873	4,887	(156,939)	297,850	181,671	
Interest rate - 1%*	-	(4,838)	-	-	(4,838)	
Interest rate + 1%*	-	4,936	-	-	4,936	

*These are the impact from the interest sensitivity analysis if taking into account the plus/minus 1% of interest rate changes impact to the Bank.

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

c. Market risk (Continued)
ii. Interest risk (Continued)

As of 31 December 2023

Financial Instruments	Non-interest Bearing	Floating interest	Fixed interest rate maturing in		Total	Weighted average effective interest rate
			1 year or less	Over 1 to 5 years		
Amount in '000s						
Financial asset						
Cash and cash equivalents	33,891	10,803	398,579	-	443,273	1%
Loans to customers	-	-	83,938	212,602	296,540	7.5%
Investment	-	-	1,519	-	1,519	5.875%
Financial liabilities						
Deposits from Customers	-	-	(527,559)	(57,755)	(585,314)	0.40%
Interest Sensitivity Gap	33,891	10,803	(43,523)	154,847	156,018	
Interest rate - 1%*	-	(10,695)	-		(10,695)	
Interest rate + 1%*	-	10,911	-	-	10,911	

d. Liquidity risk

Liquidity risk is the risk that the Bank has insufficient capacity to fund increase in assets or is unable to meet its payment obligations as they fall due, including repaying depositors.

The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and may be impacted from internal and / or external events, including credit or operational risks, market disruptions, or systemic shocks. The management of the liquidity and funding positions and risks are overseen by Asset and Liability Committee (ALCO).

The Bank's liquidity management policy defines the responsibilities, management, and strategic approach to be taken to ensure sufficient liquidity is maintained to meet the Bank's contractual or regulatory obligations.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval ALCO.

The Bank relies on deposits from customers as its primary sources of funding. While the Bank's debt securities have maturities of over one year, deposits from customers and banks generally have shorter maturities and a large proportion of them are payable on demand. The short-term nature of these deposits increases the Bank's liquidity risk, and the Bank actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

d. Liquidity risk (Continued)

Maturity gap analysis of financial assets and liabilities

The table on the following page analyses the carrying amount of financial assets and liabilities of the Bank into maturity time bands based on the undiscounted contractual amounts remaining term to contractual maturity as at reporting date:

2024						
Description	**0-30 Days**	**31-90 Days**	**91-180 Days**	**181 Days- 1 Year**	**Over 1 Year**	**Total**
Interest-Earning Assets						
1. Current accounts with Central Bank of Timor-Leste	4,886,775	-	-	-	-	4,886,775
2. Deposits in Commercial Banks	205,035,095	129,962,162	61,000,000	-	-	395,997,257
3. Gross Loans receivable	13,030,795	8,535,002	12,646,289	58,938,457	344,416,929	437,567,472
Total Interest-Earning Assets	**222,952,665**	**138,497,164**	**73,646,289**	**58,938,457**	**344,416,929**	**838,451,504**
Interest-Bearing Liabilities						
4. Deposits from customer	586,083,262	5,920,456	36,284,092	20,798,930	46,566,579	695,653,319
Total Interest-Bearing Liabilities	586,083,262	5,920,456	36,284,092	20,798,930	46,566,579	695,653,319
Net Position	**(363,130,597)**	**132,576,708**	**37,362,197**	**38,139,527**	**297,850,350**	**142,798,185**

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

d. Liquidity risk (Continued)

Maturity gap analysis of financial assets and liabilities (Continued)

	2023					
Description	**0-30 Days**	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Interest-Earning Assets						
1. Current accounts with Central Bank of Timor-Leste	10,803,313	-	-	-	-	10,803,313
2. Deposits in Commercial Banks	144,615,820	162,962,162	70,000,000	21,000,000	-	398,577,982
3. Gross Loans receivable	12,482,683	5,825,845	20,732,614	44,897,071	212,600,827	296,539,040
Total Interest-Earning Assets	**167,901,816**	**168,788,007**	**90,732,614**	**65,897,071**	**212,600,827**	**705,920,335**
Interest-Bearing Liabilities						
4. Deposits from customer	461,923,507	43,589,735	4,601,565	17,444,282	57,754,515	585,313,604
Total Interest-Bearing Liabilities	461,923,507	43,589,735	4,601,565	17,444,282	57,754,515	585,313,604
Net Position	**(294,021,691)**	**125,198,272**	**86,131,049**	**48,452,789**	**154,846,313**	**120,606,732**

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

Short-term Position

The solvency of BNCTL to meet its obligations to the investors/depositors must always be taken into consideration as that is a matter of principle and honoring the trust being deposited in the Bank. Therefore, BNCTL should always monitor its liquidity level very closely to ensure that any point of time it maintains sufficient proportion in liquid assets to fulfill its obligations. BNCTL management monitor its liquidity and assess carefully the investment it is going to pursue to avoid mismatch that could not be tolerated and endanger its reputation as a financial institution.

In assessing the investment, particularly in lending, the Bank undertakes prudent approach, ensuring the capacity and the strong likelihood of the potential borrower to meet its obligations.

As a state-owned bank, BNCTL needs to play a role and stand in the front line in supporting the development in the country by offering loans in various sector through a number of loan products.

e. Operational risk management

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the overall Bank's standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans training and professional development ethical and business standards; and
- risk mitigation.

Compliance with the Bank's standards is supported by a program of periodic reviews undertaken by the Internal Audit function. The results of Internal Audit reviews are discussed with staff of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

e. Operational risk management (continued)

Regulatory capital

The Central Bank of Timor-Leste (BCTL) sets and monitors capital requirements for the Bank. The Bank is required to comply with the prevailing BCTL regulation in respect of regulatory capital.

The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes issued and fully paid ordinary shares, and related capital surplus, issued and fully paid perpetual non-cumulative preferred shares, and related capital surplus, and retained earnings.
- Tier 2 capital, which includes hybrid (debt/ equity) capital instruments, subordinated term debt and limited life redeemable preferred shares, investment in the capital of other banks and financial institutions and total risk weighted assets.

BNCTL's policy is to maintain a strong capital base and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the year. The Bank's regulatory capital position under prevailing BCTL regulation as at 31 December 2024 and 2023 were as follows:

(Presented in United States Dollar)

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

e. Operational risk management (continued)

Regulatory capital (continued)

No.	Description	2024	2023
A.	Tier One Capital		
1.	Issued and fully paid ordinary shares, and related capital surplus	96,000,000	96,000,000
2.	Issued and fully paid perpetual non-cumulative preferred shares, and related capital surplus		
3.	Retained Earnings	45,551,611	29,535,938
4.	Subtotal 4=(1+2+3)	142,551,611	125,535,938
5.	Goodwill	-	-
6.	Total Tier One Capital 6=(4-5)	142,551,611	125,535,938
B.	Tier Two Capital		
7.	Hybrid (debt/equity) capital instruments	-	-
8.	Subordinated term debt and limited life redeemable preferred shares. Limit: 50% of Tier One Capital (line 6).	-	-
9.	Subtotal 9 = (7 + 8)	-	-
10.	Eligible Tier Two Capital. Limit: 100 % of Tier One Capital (line 6).	-	-
11.	Subtotal 11 = (6 + 10)	142,551,611	125,535,938
12.	Inv. In the capital of other banks & financial institutions	-	-
13.	Regulatory Capital 13 = (11 – 12)	142,551,611	125,535,938
14.	Total Risk-Weighted Assets. Sum of all risk-weighted assets and credit equivalents and indicate the total risk- weighted assets here.	512,777,742	370,478,079
15.	**Capital Adequacy Ratio = (13/14) x 100**	**27.80%**	**35.09%**
16.	**Required Capital Adequacy Ratio**	**12.00%**	**12.00%**

(Presented in United States Dollar)

6. CASH

The amount of cash presented in the statement of financial position is detailed as follows:

	2024	2023
United States Dollar	35,872,490	33,891,185
	35,872,490	33,891,185

The reconciliation between cash and cash equivalents, presented in the statement of financial position, and cash and cash equivalent presented on the cash flow statement is as follows. The following should be read in conjunction with Note 5(a).

	2024	2023
Cash	35,872,490	33,891,185
Current accounts with the Central Bank of Timor-Leste (Note 7)	4,886,775	10,803,313
Current accounts with other banks (Note 8)	395,997,257	398,577,983
Total of cash and cash equivalent presented in the cash flow statement	436,756,522*	443,272,481

7. CURRENT ACCOUNTS WITH THE CENTRAL BANK OF TIMOR-LESTE

	2024	2023
United States Dollar	4,858,982	10,406,904
Item in Course of Collection	27,792	396,409
	4,886,775	10,803,313

Current account with the Central Bank is provided to fulfill the Banco Central de Timor-Leste ("BCTL" or "Central Bank") requirements on minimum reserve requirements and as such is treated as restricted cash.

The total liquid funds as per CPO/B2000/3, BNCTL liquid funds as of 31 Dec 2024 was $245,794,359 with total liabilities of $718,838,713. This reflects that BNCTL liquidity as of end of the year was 34.19% (2023: 24%), which exceeded the minimum reserve requirement of 15% according to Central Bank's requirements No. CPO/B-2000/3.
The ECLs relating to current accounts with the Central Bank of Timor-Leste rounds to nil.

* Deposits for 2024 and 2023 with original maturities of more than three months are excluded from cash and cash equivalents

(Presented in United States Dollar)

8. CURRENT ACCOUNTS WITH OTHER BANKS

	2024	2023
Domestic Currency		
Current account		
Bank Mandiri	6,518	1,775,545
Bank BNU	455,761	500,008
Bank BRI Dili (Local)	26,067,376	1,341,243
Bank BRI Dili (Local)	870,846	
Bank BRI – USD	883,221	1,783,572
Bank BCA – USD	696,872	1,891,925
Bank BNI- USD	1,226,025	76,922
BRI New York	1,459,892	997,103
Bank Turkey-USD	711	303
Bank BNI UK-USD	100,000	100,000
Time deposit		
Bank BRI – USD	154,000,000	190,000,000
Bank BNI-USD	193,000,000	122,000,000
Bank Mandiri	-	15,000,000
Bank BNU	-	-
BRI New York	11,000,000	44,000,000
BOC Singapore-USD	-	15,000,000
Foreign Currency		
Current account		
Bank BRI – IDR	196,717	5,073
Bank BCA – IDR	1,723,959	305,219
BCP-Portugal	777,728	589,938
Bank BCA-AUD	815,251	289,015
BOC Singapore (Yuan)	1,254,156	1,350,328
BOC Singapore (SGD)	7,807	75,296
Aktif Bank Turkey (EUR)	5,615	3,523
Aktif Bank Turkey (GBP)	5	39
Time Deposit (IDR) BRI Jakarta	923,930	962,162
BNI Jakarta –IDR	2,969	3,328
BNI UK-GBD	271,807	272,334
BNI UK-Euro	250,091	255,107
	395,997,257	398,577,983

Current accounts with other banks are classified as stage 1 and are standard in terms of credit classification. The ECLs relating to current accounts with other banks rounds to nil. Refer to Note 4(d) for maturity analysis.

(Presented in United States Dollar)

9. INVESTMENT IN SECURITIES

	2024	2023
Investment in Foreign Government Bonds	3,000,000	1,519,029
	3,000,000	1,519,029

The investment in government bonds with a maturity of under 1 year, outlining factors such as risk management, yield considerations, and alignment with the Bank's investment objectives. Investing in Government Bonds through BRI, the aim is to secure short-term stable returns, aligning with our investment strategy emphasizing security and liquidity.

The bonds are held in a held to collect business model. The ECLs relating to investment in bonds rounds to nil.

10. LOAN RECEIVABLES

Details of loans

a. By loan type:

	2024	2023
Seasonal crop loans	758,174	1,711,122
Business loan	101,998,227	50,859,186
Project loan	62,249,681	36,891,964
Investment loan	31,000,558	21,799,729
Transport Loan	262,901	297,438
Agriculture Loan	1,157,158	-
Microfinance group loans	6,590	10,593
Payroll loans	190,127,916	138,649,345
Employee loan	16,756,684	14,375,406
Asuwa'in Loan	24,286,358	26,290,585
Bukae Loan	8,463,317	5,596,904
Pension Loan	138,441	58,235
Fiar Loan	361,468	-
	437,567,473	**296,540,507**
Less: Allowance for impairment losses (note 10(d) and 10(g))	(16,655,122)	(20,219,569)
Less: Unearned fees	(2,422,378)	(2,150,478)
Add: Interest accrued	1,096,382	1,153,513
	419,586,355	**275,323,973**

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

b. By geographical location:

	2024	2023
Dili	228,533,322	157,542,169
Gleno	23,749,922	15,841,071
Maliana	17,423,765	11,583,096
Aileu	13,005,732	10,018,916
Oe-cusse	12,449,023	9,882,374
Baucau	23,970,701	16,725,711
Same	12,396,503	8,502,806
Ainaro	10,577,199	8,164,260
Suai	11,300,295	8,331,195
Viqueque	14,134,834	9,828,568
Lospalos	11,753,990	7,712,115
Liquica	28,883,057	15,454,980
Manatuto	29,389,130	16,953,246
	437,567,473	296,540,507
Less: Allowance for impairment losses (note 10(d) and 9(g))	(16,655,122)	(20,219,569)
Less: Unearned fees	(2,422,378)	(2,150,478)
Add: Interest accrued	1,096,382	1,153,513
	419,586,355	**275,323,973**

c. Other significant information related loans:

a. Market daily loans

These loans are market vendor loans and are available to legitimate store owners and stall holders in the markets. The purpose of these loans is to help them increase their inventory of goods for sale and support their operation.

b. Seasonal crop loans

These loans are short-term agricultural loans available to farmers/growers of rice, corn, vegetables, and cash crops harvested seasonally. The purpose of these loans is to assist these farmers/growers in securing financial support for farm inputs and labor expenses. The loans approved but not yet disbursed as at 31 December 2024 is: $0 (2023: $1000.00)

c. Business loans

These loans are intended for small and medium entrepreneurs to support their acquisition of raw materials, increase inventory, and pay labor expenses. Mostly intended for working capital purposes, these loans may also be used to finance the acquisition of equipment. The undrawn loans as of 31 Dec 2024 is: $ 14,799 million (2023: $ 4.974 million). The loans approved but not yet disbursed as at 31 December 2024 is: $403k (2023: $ 4,520 million).

10. LOAN RECEIVABLES (CONTINUED)

d. Microfinance group loans

These loans are open to rural and urban poor, especially women who are willing to be members of financial groups. As part of the poverty alleviation mission of BNCTL, this loan supports income generating projects and other productive activities at the village level.

Group usually include between 4 and 8 members, with most group consisting of 5 members. Group members are mostly women, and this should be encouraged, since international experience suggests that women borrowers are more responsible than men in meeting their loan obligations. They are also more responsive to the required training and the discipline of weekly meetings.

e. Payroll loans/multi-purpose loans

These loans are granted to employees of the government, non-government organizations (NGO's) and foreign agencies for home improvement, vehicles purchase, health/medical, educational, small business and other. The loans approved but not yet disbursed as at 31 December 2024 is: $136k (2023: $146k).

f. Employee loans

These loans are only for confirmed and permanent staff that are used for home building improvement, household goods purchases, medical expenses, educational expenses, motor vehicles purchase and other purposes. Totals undrawn loan per 31 December 2024 is: $1.614 million (2023: $ 4.193 million).

g. Project finance loan

A contractor or project finance loan is a loan to a contractor who has contract with the government or other reputable employer or party to construct or deliver a particular project. Most contractor finance is for working capital purposes to do the project. This is usually for the period between when the work is done (or even before the start of the project) and the time the next progress payment is received. Although these loans may also be used to finance the acquisition of equipment at the beginning of the contract. For such purpose however the contractor can request an "advance payment" or "down payment" or "mobilization payment" from the employer. The undrawn for project loans as of 31 Dec 2024 is: $29.838 million (2023: $22.106 million). The loans approved but not yet disbursed as at 31 December 2024 is: $16.693 Million (2023: $1 Million).

h. Investment loans

These loans are a credit facility granted to finance capital goods for rehabilitation, modernization, expansion, and establishment of new projects or special needs related to the investment. The undrawn amount as of 31 Dec 2024 is: $534k million (2023: $2.591 million). The loans approved but not yet disbursed as at 31 December 2024 is: $220k (2023: $ 1.474 Million).

i. Asuwa'in Loan

Asuwa'in loan is a consumptive loan that is specially designed for veterans who have fixed subsidies and regular payments based on the Veterans Entitlement Card and notification by Veteran commission. The credit facility for house construction, school financing for children, household needs, car, and motor vehicles purchase, medical expenses, and other consumptive. The loans approved but not yet disbursed as at 31 December 2024 is: $15,901 (2023: $17,000).

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

j. Buka'e Loan

Buka'e loan is a consumptive product diversification specifically for contract and permanent employees who have fixed income and regular payments to financing emergency needs such as education costs, household equipment, maintenance of motorbikes or cars and other emergency needs.

k. Pensioner Loan

Pensioner loan is consumptive product diversification that specifically provided for retired civil servants whose pension payment is regulated by Government Institution is called National Institute of Social Security. The credit facility for education cost, vehicles purchase, medical expenses, etc.

l. Transport Loan

Transport Loan is a form of loan given to individuals or companies to finance the purchase of vehicles or transportation services such as cars, trucks, buses, or even airplanes and boat. These loans usually have a certain period of time and a predetermined interest rate, which must be repaid periodically according to the agreement that has been made.

m. Agriculture Loan

Agriculture Loan is a type of loan provided to farmers, agribusinesses, or individuals involved in agricultural activities to finance various aspects of farming or agricultural operations. The loan is typically used for purposes such as purchasing, seeds, fertilizers, equipment, irrigation systems, livestock, and covering other operational costs related to agriculture.
The loans approved but not yet disbursed as at 31 December 2024 is: $ 1,000.00

n. FIAR Loan

FIAR Loan are financial products designed specifically to support women in various aspects of life, such as starting or expanding a business. These loans are often offered with favorable terms, including lower interest rates or more flexible repayment schedules, to promote women's financial independence and empower them in areas such as entrepreneurship and self-sufficiency.

d. Impairment allowance

	31-Dec-24	31-Dec-23
Loan receivables:		
Collective assessment	12,003,962	14,288,987
Additional provision based on individual assessment	1,506,383	2,378,392
	13,510,345	16,667,379
Collective post model overlay adjustments	2,431,875	3,295,096
Commitments to lend:		
Collective assessment	712,902	257,094
Total	**16,655,122**	**20,219,569**

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)
d. Impairment allowance (continued)

Impairment allowance transfer table for loan receivables from 1 January 2024 to 31 December 2024 (excluding allowance for loan commitments and post model overlay adjustments):

	Non-credit impaired				Credit impaired				
	Stage 1		Stage 2		Stage 3		Total		Net
	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	
At 1 January 2024	**284,124,021**	**(7,337,615)**	**3,251,121**	**(1,822,330)**	**9,165,365**	**(7,507,434)**	**296,540,507**	**(16,667,379)**	**279,873,128**
Transfers to Stage 1	765,197	(213,063)	(465,038)	109,951	(300,159)	103,112	-	-	-
Transfers to Stage 2	(2,042,773)	34,028	2,068,358	(42,918)	(25,585)	8,890	-	-	-
Transfers to Stage 3	(6,382,989)	150,485	(462,654)	105,675	6,845,643	(256,160)	-	-	-
New assets originated	282,309,040	(5,148,891)	829377	(182,953)	284,855	(97,017)	283,423,272	(5,428,861)	277,994,411
Amounts repaid	(136,616,306)	2,385,335	(1,498,501)	367,025	(3,801,482)	566,074	(141,916,289)	3,318,434	(138,597,855)
Amounts written off	-	-	-	-	(479,017)	479,017	(479,017)	479,017	-
Changes to risk parameters and post model adjustments	-	3,058,120	-	28,024	-	830,291	-	3,916,435	3,916,435
Additional ECL – Individual assessment	-	(40,000)	-	549,664	-	362,345	-	872,009	872,009
At 31 December 2024	**422,156,190**	**(7,111,601)**	**3,722,663**	**(887,862)**	**11,689,620**	**(5,510,882)**	**437,568,473**	**(13,510,345)**	**424,058,128**

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)
d. Impairment allowance (continued)

Impairment allowance transfer table for loan receivables from 1 January 2023 to 31 December 2023 (excluding allowance for loan commitments and post model overlay adjustments):

	Non-credit impaired				Credit impaired				
	Stage 1		Stage 2		Stage 3		Total		Net
	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	
At 1 January 2023	223,908,464	(4,163,800)	1,755,992	(754,582)	5,319,154	(2,894,694)	230,983,610	(7,813,076)	223,170,534
Transfers to Stage 1	316,809	(143,608)	(229,303)	86,721	(87,506)	56,887	-	-	-
Transfers to Stage 2	(2,807,151)	107,145	2,823,282	(117,447)	(16,132)	10,302	-	-	-
Transfers to Stage 3	(4,283,637)	141,037	(1,268,459)	613,529	5,552,096	(754,566)	-	-	-
New assets originated	181,497,848	(5,229,164)	608,500	(241,416)	440,802	(313,387)	182,547,150	(5,783,967)	176,763,183
Amounts repaid	(114,508,312)	3,530,099	(438,891)	185,910	(2,043,049)	360,468	(116,990,252)	4,076,477	(112,913,775)
Amounts written off	-	-	-	-	-	874,424	-	874,424	874,424
Changes to risk parameters and post model adjustments	-	(1,628,928)	-	(1,045,381)	-	(3,099,802)	-	(5,774,111)	(5,774,111)
Additional ECL – Individual assessment	-	49,604	-	(549,664)	-	(1,747,066)	-	(2,247,126)	(2,247,126)
At 31 December 2023	**284,124,021**	**(7,337,615)**	**3,251,121**	**(1,822,330)**	**9,165,365**	**(7,507,434)**	**296,540,507**	**(16,667,379)**	**279,873,128**

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

d. Impairment allowance (continued)

ECL Allowance by loan type / product (excluding allowance for loan commitments and post model overlay adjustments) at 31 December 2024:

	Payroll / Multi	Business	Project	Investment	Asuwa'in	Other	Total
At 1 January 2024							
Gross exposure	138,649,345	50,859,186	36,891,964	22,097,167	26,290,585	21,752,260	296,540,507
ECL Allowance	(4,096,936)	(2,941,857)	(5,341,929)	(1,916,469)	(1,124,418)	(1,245,770)	(16,667,379)
At 31 December 2024							
Stage 1							
Gross exposure	185,430,406	99,084,996	58,353,479	29,277,213	23,244,757	26,765,339	422,156,190
ECL Allowance	(1,388,168)	(1,476,470)	(2,441,306)	(1,034,175)	(146,526)	(624,956)	(7,111,601)
Stage 2							
Gross exposure	806,007	1,184,440	200,000	1,251,460	68,333	212,423	3,722,663
ECL Allowance	(152,019)	(296,719)	(52,228)	(311,544)	(17,990)	(57,362)	(887,862)
Stage 3							
Gross exposure	3,891,503	1,728,791	3,696,202	734,786	973,268	665,070	11,689,620
ECL Allowance	(1,319,034)	(607,460)	(2,545,406)	(477,931)	(334,233)	(226,818)	(5,510,882)
Total							
Gross exposure	190,127,916	101,998,227	62,249,681	31,263,459	24,286,358	27,642,832	437,568,473
ECL Allowance	(2,859,221)	(2,380,649)	(5,038,940)	(1,823,650	(498,749)	(909,136)	(13,510,345)

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)
d. Impairment allowance (continued)

ECL Allowance by loan type / product (excluding allowance for loan commitments and post model overlay adjustments) at 31 December 2023:

	Payroll / Multi	Business	Project	Investment	Asuwa'in	Other	Total
At 1 January 2023							
Gross exposure	108,718,878	21,355,266	49,698,772	12,181,549	29,466,450	9,562,695	230,983,610
ECL Allowance	(2,022,244)	(1,094,390)	(2,916,803)	(638,921)	(689,095)	(451,623)	(7,813,076)
At 31 December 2023							
Stage 1							
Gross exposure	135,376,118	48,838,796	33,731,312	19,651,780	25,231,844	21,294,171	284,124,021
ECL Allowance	(1,929,442)	(1,470,358)	(1,653,149)	(926,271)	(396,476)	(961,919)	(7,337,615)
Stage 2							
Gross exposure	437,999	831,661	419,129	1,444,116	71,588	46,628	3,251,121
ECL Allowance	(182,834)	(296,602)	(795,671)	(489,562)	(36,935)	(20,726)	(1,822,330)
Stage 3							
Gross exposure	2,835,228	1,188,729	2,741,523	1,001,271	987,153	411,461	9,165,365
ECL Allowance	(1,984,660)	(1,174,897)	(2,893,109)	(500,636)	(691,007)	(263,125)	(7,507,434)
Total							
Gross exposure	138,649,345	50,859,186	36,891,964	22,097,167	26,290,585	21,752,260	296,540,507
ECL Allowance	(4,096,936)	(2,941,857)	(5,341,929)	(1,916,469)	(1,124,418)	(1,245,770)	(16,667,379)

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

e. Financial Guarantees and Commitments to lend (continued)

To meet the financial needs of customers, the Bank enters into various irrevocable commitments. These consist of financial guarantees in the form of letters of credit and other commitments to lend. Even though these obligations may not be recognized in the statement of financial position, they contain credit risk and, therefore, form part of the overall risk to the bank.
An analysis of changes in the gross carrying amount and the corresponding allowance for impairment losses in relation to letters of credit and other commitments is, as follows:

Financial Guarantees and Commitments to Lend at 31 December 2024:

	Letters of Credit*		Undrawn Commitments							
	Stage 1		Stage 1		Stage 2		Stage 3		Total	
	Gross exposure**	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure **	ECL Allowance
1 January 2024	-	-	7,161,281	(257,094)	-	-	-	-	7,161,281	(257,094)
Movement	-	-	10,292,490	(455,808)	-	-	-	-	10,292,490	(455,808)
At 31 December 2024	-	-	17,453,771	(712,902)					17,453,771	(712,902)

Financial Guarantees and Commitments to Lend at 31 December 2023:

	Letters of Credit*		Undrawn Commitments							
	Stage 1		Stage 1		Stage 2		Stage 3		Total	
	Gross exposure**	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure	ECL Allowance	Gross exposure **	ECL Allowance
1 January 2023	7,895,760	-	44,234,536	(1,454,620)	223,510	(72,570)	242,002	(121,001)	44,700,048	(1,648,191)
Movement		-	(37,073,255)	1,197,526	(223,510)	72,570	(242,002)	121,001	(37,538,767)	1,391,097
At 31 December 2023	-	-	7,161,281	(257,094)	-	-	-	-	7,161,281	(257,094)

From 31 December 2023, undrawn commitments gross exposure is comprised of undrawn loans that have been approved and not yet disbursed. Remaining undrawn facilities are not in scope of IFRS 9 ECL due to the customers' requirement to apply to BNCTL for the initial and each subsequent drawdown under the contractual arrangements which may not be approved when lending criteria are not satisfied.

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

e. Financial Guarantees and Commitments to lend (continued)

* Letters of credit have maturities within 12 months
**Gross exposures are not recognized on the balance sheet under IFRS 9.

ECL Allowance by loan commitment type / product at 31 December 2024:

	Business	Project	Investment	Intr Staff Loan / Other	Total
At 1 January 2024					
Stage 1					
Gross exposure	4,520,472	1,000,000	1,474,159	166,650	7,161,281
ECL Allowance	(136,095)	(49,009)	(69,483)	(2,507)	(257,094)
At 31 December 2024					
Stage 1					
Gross exposure	403,000	16,693,071	220,000	137,700	17,453,771
ECL Allowance	(6,005)	(698,380)	(7,471)	(1,046)	(712,902)

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

e. Financial Guarantees and Commitments to lend (continued)

ECL Allowance by loan commitment type / product at 31 December 2023:

	Business	Project	Investment	Intr Staff Loan / Other	Total
At 1 January 2023					
Gross exposure	15,242,633	21,589,577	3,832,242	4,035,596	44,700,048
ECL Allowance	(647,290)	(736,754)	(150,495)	(113,652)	(1,648,191)
At 31 December 2023					
Stage 1					
Gross exposure	4,520,472	1,000,000	1,474,159	166,650	7,161,281
ECL Allowance	(136,095)	(49,009)	(69,483)	(2,507)	(257,094)
Stage 2					
Gross exposure	-	-	-	-	-
ECL Allowance	-	-	-	-	-
Stage 3					
Gross exposure	-	-	-	-	-
ECL Allowance	-	-	-	-	-
Total					
Gross exposure	4,520,472	1,000,000	1,474,159	166,650	7,161,281
ECL Allowance	(136,095)	(49,009)	(69,483)	(2,507)	(257,094)

f. Post model overlay adjustments

Post model overlays adjustments are adjustments to the impairment allowance that are made outside of the collective impairment model. These adjustments are required to account for characteristics in the loan portfolio data that will not be specifically incorporated in the estimate of expected credit loss using the model's standard configuration, however they are relevant to the estimate. The overlay adjustments in place relate to adjustments to correct known data deficiencies (USD 330k), an additional allowance for loans that are in Regulatory Loss classification for more than one year (USD 1m) and also expert judgement related overlays of USD 1.1m (8,5% additional provision) relating to:

- the impact of macro-economic conditions on the provision considering that the most recent economic data available was published early in the financial year and changes in global economic outlook at the end of the financial year; and
- the identification of significant increase in credit risk prior to 30 days and adjustments to exposure at default where for certain loan products there were differences between modelled EAD and observed EAD.

(Presented in United States Dollar)

10. LOAN RECEIVABLES (CONTINUED)

g. Impairment allowance at 31 December 2024 and 2023

Allowance for impairment losses: Changes in allowance for impairment losses during the year.

	2024	2023
Balance at the beginning of the year	20,219,569	10,633,443
Addition:		
Write offs	(479,017)	(874,424)
Additional provision	(3,085,430)	10,460,550
Balance at the end of the year	16,655,122	20,219,569

h. Sensitivity Analysis

The following table illustrates the impact on the 2024 Impairment Allowance of increasing and decreasing the Loss Given Default assumptions by 5%, applying 100% weighting to each macro-economic scenario and raising and lowering the expected impact of a Downwards economics scenario by 10%.

Loans Collective and Individual Impairment	Impairment allowance	LGD		Macro-Economic Scenarios			Impact of Downside Economic Scenario	
		+5%	-5%	Down	Base	Up	+10%	-10%
Stage 1	(7,111,601)	(7,983,026)	(6,240,178)	(15,499,687)	(3,897,792)	(2,318,852)	(6,461,547)	(7,647,972)
Stage 2	(887,862)	(1,002,284)	(773,441)	(1,736,953)	(581,634)	(371,044)	(871,755)	(901,023)
Stage 3	(5,510,882)	(5,982,323)	(5,039,438)	(6,975,194)	(5,089,424)	(4,617,981)	(5,510,881)	(5,510,881)
Total Loans (C&I)	**(13,510,345)**	**(14,967,633)**	**(12,053,057)**	**(24,211,834)**	**(9,568,850)**	**(7,307,877)**	**(12,844,183)**	**(14,059,876)**
Impact	Change	(1,457,288)	1,457,288	(10,701,489)	3,941,495	6,202,468	666,162	(549,531)
	%	(11%)	11%	(79%)	29%	46%	5%	(4%)
Loan commitments	(712,902)	(800,258)	(712,902)	(1,553,765)	(1,231,597)	(751,148)	(685,983)	(739,751)
Total overlays	(2,431,875)	(2,563,044)	(2,208,301)	(3,601,687)	(1,492,670)	(2,030,843)	(2,324,861)	(2,470,926)
Total ECL	**(16,655,122)**	**(18,330,935)**	**(14,974,260)**	**(29,367,286)**	**(12,293,117)**	**(10,089,868)**	**(15,855,027)**	**(17,270,553)**
Impact	Change	(1,675,813)	1,680,862	(12,712,164)	4,362,005	6,565,254	800,095	(615,431)
	%	(12%)	12%	(94%)	32%	49%	6%	5%

(Presented in United States Dollar)

11. OTHER RECEIVABLES

	2024	2023
Interest accrued (deposit in other banks)	1,934,796	2,988,072
Others	527,250	359,951
	2,462,046	3,348,023

12. PROPERTY AND EQUIPMENT

		2024		
	Beginning	Addition	Deduction	Ending
Cost				
Leasehold improvement	449,995	933,506	115,526	1,267,975
Furniture and fixtures	929,540	444,784	27,467	1,346,857
Equipment	5,797,177	984,551	264,548	6,517,181
Vehicles	2,403,521	960,102	25,210	3,338,413
Building office	3,706,288	1,075,314	-	4,781,602
	13,286,521	4,398,258	432,751	17,252,029

(Presented in United States Dollar)

12. PROPERTY AND EQUIPMENT (CONTINUED)

Accumulated depreciation				
Leasehold improvement	293,842	99,437	117,669	275,610
Furniture and fixtures	829,020	195,389	27,484	996,924
Equipment	4,505,651	865,339	262,891	5,108,099
Vehicles	1,467,393	367,310	25,200	1,809,503
Building office	481,484	220,628	-	702,112
	7,577,390	1,748,103	433,244	8,892,249
Net book value	**5,709,131**			**8,359,780**

2023

	Beginning	Addition	Deduction	Ending
Cost				
Leasehold improvement	608,843	34,128	192,976	449,995
Furniture and fixtures	844,094	124,006	38,559	929,541
Plant and equipment	5,023,239	1,104,857	330,919	5,797,177
Vehicles	2,627,839	329,575	553,893	2,403,521
Building office	3,706,288	-	-	3,706,288
	12,810,303	1,592,566	1,116,347	13,286,522
Accumulated depreciation				
Leasehold improvement	349,903	130,629	186,691	293,841
Furniture and fixtures	724,569	142,168	37,716	829,021
Plant and equipment	3,978,327	855,850	328,526	4,505,651
Vehicles	1,790,893	231,429	554,929	1,467,393
Building office	278,781	202,704	-	481,485
	7,122,473	1,562,780	1,107,862	7,577,390
Net book value	**5,687,830**			**5,709,130**

(Presented in United States Dollar)

14. OTHER ASSETS

	2024	2023
Prepaid expenses	373,554	425,255
Stationery and office supplies	634,016	386,320
Assets in progress	2,257,631	787,657
Office under construction	45,500	388,550
Software cost*	1,298,539	1,346,176
	4,609,240	3,333,958

* As of December 31, 2024, BNCTL reclassed software cost amounting to USD 1,298,539 from intangible assets to other assets based on its nature. These assets are expected to be amortized over a useful life of 60 months on a straight-line basis. The amortization expense recognized for the year ended December 31, 2025, amounted to USD 259,708. Remaining balances of unamortized for the next four years amounted to USD 1,038,831.

(Presented in United States Dollar)

15. RIGHT OF USE ASSET

a. 2024 RIGHT OF USE ASSET

	Building	Totals
Cost		
At 1 January 2024	941,474	941,474
Additions	1,186,134	1,186,134
Other modifications	-	-
At 31 December 2024	2,127,608	2,127,608
Accumulation Depreciation		
At 1 January 2024	(519,721)	(519,721)
Charge for the year	(472,360)	(472,360))
At 31 December 2024	(992,080)	(992,080)
NET RIGHT OF USE ASSET – 1 January 2024	421,753	421,753
NET RIGHT OF USE ASSET – 31 December 2024	1,135,527	1,135,527

15.b. 2023 RIGHT OF USE ASSET

	Building	Totals
Cost		
At 1 January 2023	855,739	855,739
Additions	85,735	85,735
Other modifications	-	-
At 31 December 2023	941,474	941,474
Accumulation Depreciation		
At 1 January 2023	(371,063)	(371,063)
Charge for the year	(148,658)	(148,658)
At 31 December 2023	(519,721)	(519,721)
NET RIGHT OF USE ASSET – 1 January 2023	484,676	484,676
NET RIGHT OF USE ASSET – 31 December 2023	421,753	421,753

(Presented in United States Dollar)

As of 31-12-2024 the impact on the Financial Statements were:

Right of Use (Asset)	Liability	Depreciation	Interest	Actual Cost / Payments 2024
1,135,527	1,160,823	472,359	110,789	557,556

As of 31-12-2023 the impact on the Financial Statements were:

Right of Use (Asset)	Liability	Depreciation	Interest	Actual Cost / Payments 2023
421,753	441,465	148,658	45,018	185,324

16. DEPOSITS FROM CUSTOMERS

	2024	2023
Saving deposits	140,874,670	120,691,012
Demand deposits	282,252,869	340,694,006
Time deposit	272,525,780	123,928,821
	695,653,319	585,313,839

Saving deposits by geographical location:

	2024	2023
Dili	74,564,313	60,943,470
Gleno	5,931,607	5,878,631
Maliana	8,296,364	7,036,337
Aileu	4,224,920	3,816,996
Oe-cusse	3,333,381	2,693,906
Baucau	13,313,581	12,551,471
Same	3,374,249	2,767,069
Ainaro	4,128,067	3,632,960
Suai	4,253,203	3,289,625
Viqueque	5,597,041	5,451,729
Lospalos	5,901,695	5,744,650
Liquica	4,624,122	4,068,861
Manatuto	3,331,128	2,815,306
	140,874,671	120,691,011

(Presented in United States Dollar)

16. DEPOSITS FROM CUSTOMERS (CONTINUED)

Demand deposits by geographical location	2024	2023
Dili	234,706,755	190,592,709
Gleno	4,869,034	10,520,019
Maliana	6,964,377	10,831,854
Aileu	2,202,684	4,941,920
Oe-cusse	6,154,365	68,869,803
Baucau	7,527,578	14,065,070
Same	2,424,879	5,650,416
Ainaro	1,957,401	4,572,412
Suai	4,153,898	7,823,200
Viqueque	2,572,110	7,691,626
Lospalos	3,101,291	4,738,737
Liquica	2,624,166	4,014,420
Manatuto	2,994,331	6,381,820
	282,252,869	340,694,006

Time deposits by geographical location:

	2024	2023
Dili	244,024,777	116,356,335
Gleno	147,553	591,218
Maliana	698,470	708,816
Aileu	853,530	880,331
Oe-cusse	20,368,567	92,227
Baucau	2,194,075	1,625,789
Same	263,768	262,406
Ainaro	255,579	556,722
Suai	893,772	374,390
Viqueque	789,810	664,568
Lospalos	1,511,394	1,426,179
Liquica	194,615	97,024
Manatuto	329,870	292,816
	272,525,780	123,928,821

As of 31 December 2024, an amount of $11,786,889 was set aside as a guarantee as per requirement of the Ministry Commerce, Decree Law No.6/2016 dated 20 April 2016, and has been frozen, i.e. not accessible by the account holders as guarantees (31 Dec 2023: $11,304,725).

(Presented in United States Dollar)

17. TAXES PAYABLE

a. Tax liabilities consist of:

	2024	2023
Corporate income tax	1,717,895	995,455
Collection tax	315,756	63,400
Other tax	37,792	17,302
	2,071,443	1,076,157

b. The components of tax income/(expense) were as follows:

	2024	2023
Current	(2,087,493)	(1,686,655)
Deferred	(242,031)	(133,520)
	(2,329,524)	(1,820,175)

c. Corporate income tax

Reconciliation between profit/(loss) before corporate income tax as shown in the statements of comprehensive income and the Bank's estimated taxable income for the year ended 31 December 2024 and 2023 were as follows:

	2024	2023
Profit before corporate income tax	25,017,089	15,457,862
Total profit/(loss) before corporate income tax	25,017,089	15,457,862
Tax adjustment:		
Bonus accruals	645,907	1,029,460
Other Accruals	493,012	148,988
IFRS 16 – Lease	5,592	8,352
Depreciation and Amortization	233,621	219,186
Other Adjustment	812	2,702
Taxable income (loss)	26,396,033	16,866,550
Corporate income tax expense at rate of 10%	2,639,603	1,686,655

d. Deferred tax liability

	PPE	Right of use assets	Other sundry current liabilities	Total
Opening balance - 01-02-2023	728,298	(10,557)	(400,185)	317,556
Movement for the year 2023	(22,767)	8,585	147,702	133,520
Closing balance - 31-12-2023	705,531	(1,972)	(252,483)	451,076
Movement for the year 2024	260,301	(557)	(17,713)	242,031
Closing balance - 31-12-2024	965,832	(2,529)	(270,196)	693,107

(Presented in United States Dollar)

18. OTHER LIABILITIES

	2024	2023
Restricted deposits*	10,458,432	5,050,490
Bonus and attribution	3,134,744	2,252,579
Audit accruals	360,000	174,375
Other accruals	521,782	379,880
Government aid funds	135,070	269,260
Bolsa da Mae	-	254,698
Others	4,649,994	2,881,335
	19,260,021	11,262,617

* Restricted deposits represent bank guarantees.

(Presented in United States Dollar)

19a. LEASE LIABILITY

Lease Liability	
Opening balance – 1 January 2024	441,465
Additions	1,186,134
Interest expense	110,789
Payments for the year	(577,556)
Adjustment	(8,66)
Closing balance – 31 December 2024	1,160,823

19.b LEASE LIABILITY

Lease Liability	
Opening balance – 1 January 2023	495,380
Additions	92,863
Interest expense	45,018
Payments for the year	(185,324)
Adjustment	(6,472)
Closing balance – 31 December 2023	441,465

19.c Maturity Analysis For Lease Liabilities 2024

BNCTL has recognized lease liabilities in accordance with IFRS 16. Lease liabilities are measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate.
As of 31 December 2024, the maturity analysis of the lease liabilities is as follows:

- Within one year : $ 472,615
- After one year : $ 688,208

The total lease liability amounts to $1,160,823. The Group's weighted average incremental borrowing rate applied to lease liabilities is approximately 10% per annum. The weighted average remaining lease term is 5 years.

20. EQUITY

20a. SHARE CAPITAL

The composition of shareholder for 2024 and 2023 were as follows:

Shareholder	Percentage of Ownership	Nominal value At 2024	Nominal value At 2023
Government of Timor-Leste	100%	96,000,000	96,000,000
	100%	96,000,000	96,000,000

* As of 31 December 2024 the total Capital Shared amounted to $ 96,000,000. There were no movements in share Capital during the year ended December 2024.
All issued shares are fully paid ordinary shares with equal rights to dividends and repayment of capital. There are no restrictions on the distribution of dividends or the transfer of shares. BNCTL has not issued any shares with preferential rights or other restrictions as of the reporting date.

(Presented in United States Dollar)

20. EQUITY (CONTINUED)

20b. CAPITAL RESERVE

	2024	2023
Reserves – beginning balance	8,847,255	5,437,833
Transfer from retained earnings	5,671,891	3,409,422
	14,519,146	8,847,255

The Capital reserve is established in accordance with BCTL guidance, according to the Decree-Law 16/2019, article 42, to retain 25% of the Bank's annual Profits (after tax) in the capital reserve account.

21. NET INTEREST INCOME

21a. Interest income	2024	2023
Placement in Central Bank and other banks	18,845,615	17,231,468
Effective Interest Income Loan receivables	25,885,684	23,538,846
	44,731,299	40,770,314
21b. Interest expense	**2024**	**2023**
Deposits from customers	6,781,516	3,428,578
Interest from lease liabilities	110,789	45,018
	6,892,305	3,473,596
Net Interest Income	37,838,994	37,296,718

22. PERSONNEL EXPENSES

	2024	2023
Salary and wages	8,546,092	5,367,563
Fringe benefits	3,184,565	1,976,521
Employee benefits	361,709	214,179
	12,092,366	7,558,263

The number of the Bank's employees as of 31 December 2024 and 2023 were 469 and 351 persons respectively.

(Presented in United States Dollar)

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
Traveling	1,197,508	473,544
Stationery and office supplies	585,362	581,097
Communication	542,199	486,094
Professional fees	1,516,767	855,596
Advertising and public relation	683,296	315,912
Fuel and lubricants	177,096	126,879
Information system	1,074.468	1,313,219
Repairs and maintenance	151,164	117,624
Power, light and water	287,016	222,143
Representation and entertainment	247,651	251,677
Others	116,881	100,801
	6,579,408	4,844,586

24. OTHER EXPENSES

	2024	2023
Security, janitorial & managerial services	349,812	401,885
Training	1,076,115	1,254,793
Kitchenette	132,010	84,138
Write off of other receivables	657,144	-
Freight and handling	35,348	17,364
Corporate social responsibility expense	87,285	195,164
Cleanliness	173,342	165,618
Health expense	333,231	254,858
Contingency Expense	817,568	
Others	323,991	861,726
	3,985,846	3,235,546

25. RELATED PARTIES TRANSACTION

Key management personnel are included BoD, Audit Committee and Risk Committee, KNAAR). Loans and benefits of key management personnel are made in the ordinary course of business and on normal commercial terms and conditions that are no more favorable than those given to other employees or customers, including the term of the loan, security required and the interest rate. The aggregate of loans and benefits paid, were as follows

	2024	2023
Short term employee benefits	633,200	792,709
Loan balance owing	1,820,918	1,756,950
Other long-term benefit	150,000	282,000
	2,604,118	2,831,659

The caption "Other long-term benefits" related to defined contribution plan.

Government-related entities
The Bank provides banking services on an arm's-length basis to other public entities that are exempt from the disclosure requirements of paragraph 18 of IAS 24 – "Related Party Disclosures" regarding related party transactions and outstanding balances, including commitments.

26. AUTHORIZATION AND APPROVAL OF THE FINANCIAL STATEMENTS

As stated on the Basis of preparation of the financial statements, these financial statements were authorized for issue by the Governing Board of the Bank on May 2025.

27. EVENTS AFTER THE REPORTING PERIOD

On 2 April 2025 U.S. President Donald Trump signed an executive order imposing a minimum 10% tariff on all U.S. imports effective 5 April 2025. and on 20 January 2025 implemented a 90-day freeze on foreign assistance.

The ECL at 31 December 2024 was estimated based on a range of forecast economic conditions as at that date that were not adjusted for these post balance sheet events. The ECL estimate uses forecast economic data that is available for Timor-Leste during 2024 to predict the probability of deterioration or improvement in economic conditions and the estimate includes a post model overlay adjustment relating to the timing of availability of economic data and for potential impacts of global economic issues.

The change in US Aid did not have effects indicating that loans to customers on US Aid funded projects were already at a later stage of impairment at the year-end and the economy is not directly exposed to the U.S. due to not being a major trading partner however, there are possible indirect impacts stemming from USD currency fluctuations.

The most recent forecast outlook for Timor-Leste remains positive with GDP and Inflation data not changing significantly from the data used in the 2024 estimate; downside risks are present due to the uncertainty about how global trade will change resulting from the Tariffs. An estimate of the full financial effect cannot be made at the date of approval of the financial statements due to the period of negotiations being ongoing.

The impact on GDP and other key economic indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under IFRS 9 in 2025.

No other matter or circumstance that have and may occurred in preceding and subsequent year end that has and may significantly affected affect the operations of the Bank, the results of those operations or the state of affairs of the Bank in following financial years.

28. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2024.

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To the shareholders of Banco Nacional de Comercio de Timor Leste

Opinion

We have audited the financial report of Banco Nacional de Timor Leste (the Bank) as at 31 December 2024, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, and the Board of Directors' Statement.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cashflows for the year then ended in accordance with the International Financial Reporting Standards and United Nations Transitional Administration in East Timor Regulation (UNTAET) Regulation No. 2000/8 on Banking and Licensing Supervision.

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 Bank in accordance with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statement. We have fulfilled our other ethical responsibilities in accordance with that Code.

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

Other Matter

The financial report of Banco Nacional de Timor Leste for the year ended 31 December 2023 was audited by another auditor who expressed an unmodified opinion on that report on 29 April 2024.

Responsibilities of Management and Board of Directors for the Financial Report

Management of the Bank is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and UNTAET Regulation No. 2000/8 on Banking and Licensing Supervision and for such internal control as management determine is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 this financial report.

As part of an audit in accordance with the International Standards on Audit, we exercised professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO

BDO Audit (NT)

Casmel Taziwa
Partner

Darwin, 30 May 2025