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AUDITOR'S INDEPENDENCE DECLARATION
UNDER APES 110 CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS
TO THE KAEBAU INVESTMENTU NO FINANSAS, SA

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2025, there have been no contraventions of:

- (a) the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'PKF'.

PKF (GOLD COAST)

A handwritten signature in black ink that reads 'M S Kasmani'.

M S KASMANI
REGISTERED COMPANY AUDITOR
16 APRIL 2026

GOLD COAST

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KAEBAUK INVESTIMENTU NO FINANSAS, SA

Opinion

We have audited the financial report of Kaebauk Investimentu No Finansas, SA (the "Company"), which comprises the statement of financial position as at 31 December 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial report of the Company, is in accordance with the instruction of Banco Central Timor Leste N. 15/2021, including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2025 and of its financial performance for the year then ended; and
- (ii) Complying with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the *Code*.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's director's report for the year ended 31 December 2025 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial report of the Company for the year ended 31 December 2024 was audited by another auditor who expressed an unmodified opinion on that report on 29 April 2025.

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards and comply with instruction of Banco Central Timor Leste N. 15/2021, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' 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 Company'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 Company 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 represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A stylized, handwritten signature of the letters "PKF" in dark blue ink.

PKF (GOLD COAST)

A handwritten signature in dark blue ink, appearing to read "M S Kasmani".

M S KASMANI

REGISTERED COMPANY AUDITOR

16 APRIL 2026

GOLD COAST

Kaebauk Investimentu No Finansas, SA
Financial Statements for the year ended
December 31, 2025

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DIRECTORS' REPORT

The Directors present their report on the affairs of the Kaebauk Investimentu No Finansas, SA ("the Company") for the year ended 31 December 2025.

The Company is an institution registered as joint stock company.

Information on Directors

The names of the directors in office at any time during or since the end of the period are:

Mr. Alvaro Menezes	Board Director - Chairman
Mr. Mohammed Shamim Shaban Khan	Board Director
Mr. Mamadou Aliou Diallo	Board Director
Mr. Neak Niporn	Board Director
Mr. Angelo B.C Soares	CEO - Executive Board Member

All directors have held their office from 1 January 2024 to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the Company during the year were the provision of financial services to clients in the form of taking deposits and giving loans as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating Results

The net profit of the Company for the year was \$2,166,860 (2024: \$1,824,329).

Dividends

A dividend of \$1,000,000 was declared and paid for the year ended 31 December 2025 (2024: \$1,000,000).

Significant Changes in State of Affairs

Apart from disclosures elsewhere in this report, there were no significant changes in the state of the affairs of the Company during the year.

Events Subsequent to the End of the Reporting Period

No other matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the Company in subsequent financial period.

Signed for and on behalf of the directors in accordance with a resolution of the Board.



Alvaro Menezes
Chairman Board of Director

Dated this April 16, 2026

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 -----USD-----	2024 -----USD-----
Interest revenue	8	12,842,014	10,252,917
Interest expense	9	(2,529,015)	(1,706,525)
Net interest income		10,312,999	8,546,392
Credit loss expense on financial assets	10	(442,570)	(236,614)
Other operating income	11	12,086	14,641
Net operating income		9,882,515	8,324,419
Personnel expenses		(5,083,320)	(4,407,337)
Depreciation of property and equipment	17	(203,990)	(196,591)
Depreciation of right-of-use assets	19	(312,532)	(237,308)
Amortisation of intangible assets		(49,353)	-
Other operating expenses	12	(1,826,489)	(1,455,243)
Total operating expenses		(7,475,684)	(6,296,479)
Profit before tax		2,406,831	2,027,940
Income tax expense	37	(239,971)	(203,611)
Profit for the year		2,166,860	1,824,329
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,166,860	1,824,329

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	Note	2025 -----USD-----	2024 -----USD-----
ASSETS			
Cash on hand		151,716	74,555
Due from banks	14	13,397,589	9,327,084
Loan and advances	16	45,101,392	34,106,980
Property and equipment	17	550,633	660,141
Right-of-use assets	19	598,343	788,345
Intangible assets	20	301,503	2,809
Other assets	21	1,622,539	1,165,296
TOTAL ASSETS		61,723,715	46,125,210
LIABILITIES			
Cash collateral	22	6,643,912	5,262,874
Payables due to other financial institutions	23	38,082,316	26,188,815
Subordinated debt	24	2,000,000	1,000,000
Deposits	25	922,600	885,836
Lease liabilities	26	695,944	907,535
Current tax liabilities		244,271	196,885
Other liabilities	27	2,956,625	2,667,778
Deferred tax liabilities	37	6,463	10,763
TOTAL LIABILITIES		51,552,131	37,120,486
NET ASSETS		10,171,584	9,004,724
EQUITY			
Share capital	30	2,000,000	2,000,000
Retained earnings		7,958,701	6,711,254
Other reserves		212,883	293,470
TOTAL EQUITY		10,171,584	9,004,724

The above statement of financial position should be read in conjunction with the accompanying notes.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 -----USD-----	2024 -----USD-----
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit before tax		2,406,831	2,027,940
Adjustments:			
Credit loss expense on financial assets	10	442,570	236,614
Depreciation on property and equipment		203,990	196,591
Depreciation on right-of-use assets		312,532	237,308
Amortization of intangible		49,353	-
Interest expense on lease liability		71,265	73,156
Gain on termination of lease		(9,062)	-
Gain on sale of property and equipment		(2,185)	(13,466)
Changes in assets and liabilities:			
Loan and advances		(11,436,982)	(6,692,002)
Other assets		(457,243)	(518,115)
Deposits, cash collateral and other liabilities		1,706,649	2,214,642
Income tax paid		(196,885)	(203,611)
Net cash used in operating activities		<u>(6,909,167)</u>	<u>(2,440,943)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property and equipment		(303,142)	(298,503)
Payments for Intangible		(130,325)	-
Proceeds from sale of property and equipment		2,185	13,500
Net cash used in investing activities		<u>(431,282)</u>	<u>(285,003)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from debts and borrowings		26,884,483	13,795,178
Repayments of debts and borrowings		(13,990,982)	(8,790,825)
Payment of lease liabilities	26	(405,386)	(304,123)
Cash outflow in respect of dividend		(1,000,000)	(1,000,000)
Net cash generated from financing activities		<u>11,488,115</u>	<u>3,700,230</u>
Net increase in cash and cash equivalents		4,147,666	974,284
Cash and cash equivalents at the beginning of the year		9,401,639	8,427,355
Cash and cash equivalents at the end of the year	15	<u><u>13,549,305</u></u>	<u><u>9,401,639</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025				2024			
	Share capital	Retained earnings	Reserves	Total equity	Share capital	Retained earnings	Reserve	Total equity
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Balance at the beginning of the year	2,000,000	6,711,254	293,470	9,004,724	2,000,000	5,886,925	293,470	8,180,395
Profit for the year	-	2,166,860	-	2,166,860	-	1,824,329	-	1,824,329
Dividend declared	-	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-	(1,000,000)
Transfer to retained earnings	-	80,587	(80,587)	-	-	-	-	-
Balance at the end of the year	2,000,000	7,958,701	212,883	10,171,584	2,000,000	6,711,254	293,470	9,004,724

The above statement of changes in equity should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

The financial statements cover KAEBAUK INVESTIMENTU NO FINANSAS, SA ("Kaeauk" or "KIF" or "the Company") an individual entity. Kaeauk is registered as joint stock company with Company registration No. 1242933A/MCIA/III/2016 with total share capital of USD 2,000,000. Shareholders are Tuba Rai Metin ("TRM") - 51.5%, BOPA Pte Ltd - 16.5%, IFC- World Bank Group - 12.5% and TURAME Holdings - 19.5% . Kaeauk is the first Other Deposit Taking Institution 'ODTI' in the country. Registered office of the Company is situated at 20 Setembro, Bebonuk, Dom Alexio, Dili, Timor-Leste.

Kaeauk is mainly promoted by Tuba Rai Metin which had its firm footing for over 15 years in the country with market leader status among MFIs. TRM has transferred its business to Kaeauk with effect from 1st March 2016. BOPA and IFC's equity with Kaeauk is their 1st investment in Timor Leste to strengthen the microfinance sector in the country running on commercial principles with social mission. Kaeauk has 21 branches to make the easy access to financial services.

2 STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with instruction of Banco Central Timor Leste Instruction No. 24/2023 on reporting and publication. As per these instructions, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS accounting standards) as issued by the International Accounting Standards Board (IASB).

3 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and are based on historical cost except for certain financial assets measured at fair value.

The presentation currency of the financial statements is United States Dollars (USD), which is also the functional currency of the Company. All values are rounded to the nearest dollar, except when otherwise indicated.

The financial statement have been prepared on going concern basis.

The financial statements were authorised for issue in accordance with a resolution of the directors on April 16, 2026.

4 PRESENTATION OF FINANCIAL STATEMENTS

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

5 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 New and amended standards

The following amendment to IAS 21 became effective for annual periods beginning on January 01, 2025:

Lack of exchangeability - amendments to IAS 21

This amendments specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment did not have a material impact on the Company's financial statements.

5.2 Standard issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Company to determine the impact on the financial statements.

5 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *continued*

5.2 Standard issued but not yet effective *continued*

5.2.1 Amendments to the classification and measurement of financial instruments - amendments to IFRS 9 and IFRS 7

On May 30, 2024, the IASB issued Amendments to IFRS 9 and IFRS 7. The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities
- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after January 01, 2026.

The Company does not expect that the amendments will have a material impact on its financial statements.

5.2.2 Contracts referencing nature-dependent electricity - amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity.

The amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments will take effect for annual reporting periods starting on or after January 01, 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Company does not expect that the amendments will have a material impact on its financial statements.

5.2.3 IFRS 18 presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as the entities that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The Company is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements. The Company considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

6.1 Recognition of interest income

6.1.1 The effective interest rate method(EIR)

Interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

6.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held in other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

6.3 Lease

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

6.3.1 Company as a lessee

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

6.4 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying assets.

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

▪ Buildings and leasehold improvements	10-33.3%
▪ Vehicles	20%
▪ Furniture and fixtures and office equipments	20-33.3%

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

6.5 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives. These lives range from 2 - 5 years. Subsequent expenditure is capitalized only when it increase the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

6.5 Taxes

6.5.1 Current tax

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

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

6.5.2 Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

6.5 Taxes *continued*

6.5.2 Deferred tax *continued*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Company also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Company's intention to settle on a net basis.

6.6 Provisions

A provision is recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

6.7 Foreign currency transactions

The financial statements are presented in United States Dollars (USD), which is the Company functional currency. Transactions in foreign currencies are translated into USD at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into USD at the rate of exchange approximating those ruling at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

6.8 Financial instruments - initial recognition

6.8.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Company recognizes balances due to customers when funds are transferred to the Company.

6.8.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

6.8.3 Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through Other comprehensive income (FVOCI), and
- Fair value through profit and loss (FVTPL)

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

6.8 Financial instruments - initial recognition

6.8.4 Financial assets and liabilities

Due from banks, loans and advances to customers

The Company measures due from banks, loans and advances to customers 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.
- 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 Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- 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)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'best case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company 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

As a second step of its classification process the Company assesses the contractual terms of the financial asset 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 Company applies judgement 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 introduce a more than de minimis 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.

6.8.5 Debt instruments at FVOCI

The Company applies the new category under IFRS 9 of debt instruments 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.
- The contractual terms of the financial asset meet the SPPI test .

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale. 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. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

6.8 Financial instruments - initial recognition

6.8.6 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

6.8.7 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

6.9 Derecognition of financial assets and liabilities

6.9.1 Derecognition for substantial modification of Financial assets

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

For financial liabilities, the Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

6.9.2 Derecognition other than for substantial modification Financial assets

A financial asset (or, where applicable, a part of a financial asset) is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

6.9.2 Financial liabilities

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

6.9.3 Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2025.

6.10 Impairment of financial assets

6.10.1 Overview of the ECL principles

IFRS 9 has fundamentally changed the Company's loan loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. The Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

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).

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

6.10 Impairment of financial assets *continued*

6.10.1 Overview of the ECL principles *continued*

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 Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1 When loans are first recognized, the Company recognizes an allowance based on 12month ECLs. 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 Company 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 Loans considered credit-impaired . The Company records an allowance for the LTECLs
- POCI Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

6.10.2 The calculation of ECLs

The Company calculates ECLs based on a 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.

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

- PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- LGD The Loss Given Default (LGD) 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 or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD.
- 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.

When estimating the ECLs, the Company considers three scenarios (a base case, an upside and a downside). The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- Stage 1 The 12mECL is calculated as 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. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

6.10 Impairment of financial assets *continued*

6.10.2 The calculation of ECLs *continued*

Stage 2 When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR

Stage 3 For loans considered credit-impaired, the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI POCI assets are financial assets that are credit impaired on initial recognition. The Company only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

6.10.3 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

6.10.4 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Company only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

6.10.6 Credit enhancements: collateral

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

6.10.7 Write-offs

Financial assets are written off either partially or in their entirety only when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. 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.

6.10.8 Provisioning and Reserves

"BCTL instruction no. 17 / 2021, On Credit Classification, Regulatory Provisions & Reserves" Article 8: Loss allowance for expected credit losses, Clause 6, requires If the Bank's loss allowance based on ECL is less than regulatory amount determined using the standard percentage method, described on Article 7, then the Bank's allowance shall be considered as inadequate, and the difference shall be treated as an appropriation of retained earnings and placed in a non-distributable regulatory loan reserve, not charging the income statement. In line with above mentioned instructions, differential amount between ECL and standard percentage method is allocated to non-distributable reserves accordingly.

7 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the accounting and reporting standards as applicable requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

7.1 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss(ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- The Company's criteria for assessing if there has been a significant increase in credit risk.
- Determination of associations between macroeconomic scenarios and, economic inputs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

7.2 Taxation

The Company takes into account the current income tax law and decisions taken by taxation authorities. Those amounts are shown as contingent liabilities wherein, the Company's views differ from the views taken by the taxation authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law.

7.3 Operating fixed assets / intangible assets / useful life

Estimates of residual values and useful lives of operating fixed assets and intangible assets are reassessed annually and any change in estimate is taken into account in the determination of depreciation / amortization charge and impairment loss. Change in estimates are accounted for over the estimated remaining useful life of the assets.

7.4 Lease term and effective interest rate for recognition of lease contracts

The Company determines the lease term as the non cancellable period of lease, together with periods covered by an option to extend and terminate the lease, if the Company is reasonably certain to exercise that option at the time of entering the contract. Further, the Company uses incremental borrowing rate to discount the lease payments to measure the lease liability at the time of entering the contract.

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		2025 -----USD-----	2024 -----USD-----
8	INTEREST REVENUE		
	Interest income on loan and advances	11,465,477	9,185,028
	Interest income on term deposits	197,042	129,639
	Fee and commission	1,179,495	938,250
		<u>12,842,014</u>	<u>10,252,917</u>
9	INTEREST EXPENSE		
	Interest expense on borrowings	2,456,784	1,632,415
	Interest expense on deposits	966	954
	Interest expense on lease liability	71,265	73,156
		<u>2,529,015</u>	<u>1,706,525</u>
10	CREDIT LOSS EXPENSE ON FINANCIAL ASSETS		
	Expected credit loss on loan and advances	442,570	236,614
		<u>442,570</u>	<u>236,614</u>
11	OTHER OPERATING INCOME		
	Gain on disposal of assets	11,247	13,466
	Other operating income	839	1,175
		<u>12,086</u>	<u>14,641</u>
12	OTHER OPERATING EXPENSES		
	Administrative expenses	347,268	222,586
	Bank charges	16,384	13,184
	Fuel and oil	179,912	185,047
	Legal and professional fee	221,107	140,678
	Repairs and maintenance	325,418	251,252
	Staff training and meeting	231,798	206,152
	Travel and lodging allowance	124,560	90,886
	Utilities	223,368	198,734
	Rent	9,618	13,633
	Other expenses	147,056	133,091
		<u>1,826,489</u>	<u>1,455,243</u>

13 RELATED PARTIES

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties.

		2025 -----USD-----	2024 -----USD-----
Transactions occurred during the year			
IFC	Interest expense on borrowings	30,311	94,156
	Dividend paid	125,000	125,000
	Loan repaid	625,000	500,000
TRM	Dividend paid	515,000	550,000
	Rental expense	252,449	185,989
	Interest expense	91,035	93,909
	Financial literacy program	99,956	-
	Loan received	400,000	-
	Loan repaid	400,000	-
			-
TURAME	Dividend paid	195,000	160,000
Balances at year end			
IFC	Loan	-	625,000
TRM	Sub debt	1,000,000	1,000,000
	Saving deposit	30,567	49,884
TURAME	Saving deposit	14,981	29,331

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13 RELATED PARTIES *continued*

13.1 The Company has entered into agreements with its majority shareholder, TRM, for the leasing of buildings used as the Head Office (HO) and branch locations. These lease agreements are conducted on an arm's length basis and are priced according to prevailing market rates. The Company ensures that the terms of these agreements comply with applicable regulations and industry standards to maintain transparency and fairness in its transactions. Additionally, the Company has received loans from TRM and IFC, which are structured on market commercial terms and reflect market-related pricing. These loans are negotiated to ensure adherence to fair and competitive lending practices, demonstrating the Company's commitment to conducting all financial dealings at arm's length and in line with market norms.

13.2 *Compensation of key management personnels in total and for each of the following categories was as follows:*

	Note	2025 -----USD-----	2024 -----USD-----
Short-term employee benefits		1,354,797	1,106,838
Post-employment benefits		95,765	73,920
		<u>1,450,562</u>	<u>1,180,758</u>

14 DUE FROM BANKS

Current account		4,897,589	3,327,084
Deposits	14.1	8,500,000	6,000,000
	14.2 & 14.3	<u>13,397,589</u>	<u>9,327,084</u>

14.1 The short term deposits carry an interest rate ranging from 3% to 3.4% having maturity ranging from 01 months to 03 months.

14.2 Expected credit loss (ECL) on due from banks is immaterial.

14.3 This includes an amount of USD 1,000,000 held as collateral against a loan facility, as described in note 29.

		2025 -----USD-----	2024 -----USD-----
15 CASH AND CASH EQUIVALENTS			
Cash on hand		151,716	74,555
Due from banks	14	13,397,589	9,327,084
		<u>13,549,305</u>	<u>9,401,639</u>

16 LOANS AND ADVANCES

Gross loan portfolio		45,881,050	34,905,212
Allowance for expected credit losses		(779,658)	(798,232)
		<u>45,101,392</u>	<u>34,106,980</u>

16.1 According to the BCTL Instruction No. 17/2021, an amount of USD 212,883, representing the excess of the amount determined using the standard percentage method prescribed under Article 7 of the Instruction over the expected credit loss calculated in accordance with IFRS 9, has been placed as a non-distributable reserve.

16.2 Loans and advances outstanding by geographical location

Aileu	1,704,238	1,195,480
Ainaro	1,180,093	977,423
Atauro	495,339	355,808
Atsabe	850,488	678,311
Batugade	2,067,407	1,484,521
Baucau	2,482,409	1,842,596
Bazartete	1,722,996	1,274,602
Becora	6,349,911	5,136,662
Comoro	5,071,743	4,103,007
Ermera	1,628,781	1,148,782
Laclubar/ Natarbora	1,008,032	733,733
Liquica	2,509,491	1,781,802
Lospalos	2,665,988	2,141,351
Maliana	3,059,090	2,237,495
Manatuto	1,283,007	932,609
Maubisse	1,036,659	700,698
Oecusse	2,121,270	1,936,152
Same	3,148,074	2,015,739
Suai	2,286,895	1,899,248
Viqueque	1,991,746	1,366,936
Zumalai	1,217,393	962,257
	<u>45,881,050</u>	<u>34,905,212</u>

16 LOANS AND ADVANCES *Continued*

16.3 Loans and advances accounts by geographical location (by number of account holders)

	Note	2025 -----USD-----	2024 -----USD-----
Aileu		1,192	988
Ainaro		875	816
Atauro		410	359
Atsabe		503	464
Batugade		1,093	982
Baucau		1,052	940
Bazartete		1,064	912
Becora		2,318	2,217
Comoro		1,762	1,624
Ermera		849	699
Laclubar/ Natarbora		587	565
Liquica		1,441	1,300
Lospalos		1,465	1,371
Maliana		1,402	1,255
Manatuto		760	678
Maubisse		780	633
Oecusse		1,161	1,062
Same		1,395	1,220
Suai		1,074	960
Viqueque		865	812
Zumalai		513	511
		22,561	20,368

16.4 Movement in gross loan portfolio - 2025

Advances - exposure	Stage 1 -----USD-----	Stage 2 -----USD-----	Stage 3 -----USD-----	Total -----USD-----
Gross carrying amount - opening balance	33,539,960	683,499	681,753	34,905,212
New advances	42,590,711	76,582	36,363	42,703,656
Advances derecognised or repaid	(30,782,688)	(391,780)	(92,206)	(31,266,674)
Transfer to stage 1	73,705	(73,705)	-	-
Transfer to stage 2	(95,009)	95,009	-	-
Transfer to stage 3	(259,158)	(354,174)	613,332	-
	(280,462)	(332,870)	613,332	-
Amounts written off / charged off	-	-	(461,144)	(461,144)
	45,067,521	35,431	778,098	45,881,050

16.5 Movement in allowance for expected credit losses - 2025

Advances - allowance for expected credit losses				
Allowance for expected credit losses - opening balance	201,363	163,194	433,675	798,232
New advances	326,132	24,548	24,580	375,260
Advances derecognised or repaid	(77,781)	(50,879)	(35,026)	(163,686)
Transfer to stage 1	26,207	(26,207)	-	-
Transfer to stage 2	(1,077)	1,077	-	-
Transfer to stage 3	(2,024)	(82,117)	84,141	-
	23,106	(107,247)	84,141	-
Amounts written off / charged off	-	-	(461,144)	(461,144)
Changes in risk parameters	(90,293)	17,553	303,736	230,996
	382,527	47,169	349,962	779,658

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16.6 Aging analysis

The aging analysis and credit classification of loans to customers was as follows:

		2025		2024	
		Outstanding Principal	Cash Collateral	Outstanding Principal	Cash Collateral
		-----USD-----	-----USD-----	-----USD-----	-----USD-----
<i>Credit classification</i>	<i>Days past due</i>				
Standard	0-60	45,067,521	6,489,614	34,172,927	5,110,539
Undersupervision	61-90	35,431	6,610	50,532	8,300
Substandard	91-180	101,787	20,510	99,665	23,078
Doubtful	181-365	322,323	57,718	232,667	45,300
Loss	>365	353,988	69,460	349,421	75,656
		45,881,050	6,643,912	34,905,212	5,262,873

The aging analysis of loans to customers by branch is as follows:

As at December 31, 2025

Branch	Accounts					
	Standard	Undersupervision	Substandard	Doubtful	Loss	Total
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Aileu	1,693,156	551	-	8,642	1,889	1,704,238
Ainaro	1,139,130	2,135	2,228	16,556	20,044	1,180,093
Atauro	495,339	-	-	-	-	495,339
Atsabe	825,303	-	-	7,445	17,740	850,488
Batugade	2,035,063	3,579	5,829	2,695	20,241	2,067,407
Baucau	2,450,982	174	7,849	16,158	7,246	2,482,409
Bazartete	1,716,331	3,188	1,355	-	2,122	1,722,996
Becora	6,155,060	3,617	18,226	67,726	105,282	6,349,911
Comoro	4,920,809	6,578	13,728	44,445	86,183	5,071,743
Ermera	1,604,381	-	2,995	9,288	12,117	1,628,781
Natarbora	994,308	3,773	3,755	896	5,300	1,008,032
Liquica	2,483,447	-	731	20,600	4,713	2,509,491
Lospalos	2,633,772	9,040	11,481	5,903	5,792	2,665,988
Maliana	2,980,472	1,617	11,456	28,950	36,595	3,059,090
Manatuto	1,277,007	-	5,093	276	631	1,283,007
Maubisse	1,021,569	1,080	2,423	9,464	2,123	1,036,659
Oecusse	2,069,549	99	281	46,429	4,912	2,121,270
Same	3,137,420	-	1,554	8,117	983	3,148,074
Suai	2,269,742	-	-	9,884	7,269	2,286,895
Viqueque	1,963,169	-	8,005	9,047	11,525	1,991,746
Zumalai	1,201,512	-	4,798	9,802	1,281	1,217,393
	45,067,521	35,431	101,787	322,323	353,988	45,881,050

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16.6 Aging analysis

As at December 31, 2024

Branches	Accounts					
	Standard	Undersupervision	Substandard	Doubtful	Loss	Total
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Aileu	1,186,823	-	1,707	3,691	3,259	1,195,480
Ainaro	942,916	800	7,340	14,304	12,063	977,423
Atauro	355,646	-	-	162	-	355,808
Atsabe	650,473	-	6,092	7,116	14,630	678,311
Batugade	1,459,357	537	931	6,469	17,227	1,484,521
Baucau	1,812,817	-	11,908	3,712	14,159	1,842,596
Bazartete	1,272,018	304	137	1,388	755	1,274,602
Becora	4,902,726	26,099	27,948	64,301	115,588	5,136,662
Comoro	3,937,208	12,090	19,004	46,879	87,826	4,103,007
Ermera	1,132,121	-	4,651	2,681	9,329	1,148,782
Natarbora	726,644	-	6,372	717	-	733,733
Liquica	1,757,956	3,519	1,223	11,447	7,657	1,781,802
Lospalos	2,127,210	4,181	622	-	9,338	2,141,351
Maliana	2,176,071	-	3,930	47,233	10,261	2,237,495
Manatuto	924,035	-	-	8,074	500	932,609
Maubisse	697,017	-	1,586	1,428	667	700,698
Oecusse	1,923,152	-	-	1,223	11,777	1,936,152
Same	2,015,023	716	-	-	-	2,015,739
Suai	1,886,412	-	907	2,902	9,027	1,899,248
Viqueque	1,330,260	1,487	4,238	8,372	22,579	1,366,936
Zumalai	957,042	799	1,069	568	2,779	962,257
	<u>34,172,927</u>	<u>50,532</u>	<u>99,665</u>	<u>232,667</u>	<u>349,421</u>	<u>34,905,212</u>

KAEBAU INVESTIMENTU NO FINANSAS, SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

17	PROPERTY AND EQUIPMENT	Note	2025 -----USD-----	2024 -----USD-----
	Property and equipment	17.1	459,554	625,855
	Work in process	18	91,079	34,286
			<u>550,633</u>	<u>660,141</u>

17.1 Movement in the property and equipment is as follows:

	2025								
	Cost				Accumulated depreciation				Net book value as at December 31, 2025
	As at January 01, 2025	Additions	Disposals	As at December 31, 2025	As at January 01, 2025	Charge for the year	Disposals	As at December 31, 2025	
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Buildings and leasehold improvements	324,774	42,048	(60,324)	306,498	218,410	57,581	(60,324)	215,667	90,831
Furniture and fixtures and office equipment	1,023,326	175,681	(261,569)	937,438	573,548	109,774	(23,829)	659,493	277,945
Vehicles	211,100	57,700	-	268,800	141,387	36,635	-	178,022	90,778
	<u>1,559,200</u>	<u>275,429</u>	<u>(321,893)</u>	<u>1,512,736</u>	<u>933,345</u>	<u>203,990</u>	<u>(84,153)</u>	<u>1,053,182</u>	<u>459,554</u>

	2024								
	Cost				Accumulated depreciation				Net book value as at December 31, 2024
	As at January 01, 2024	Additions	Disposals	As at December 31, 2024	As at January 01, 2024	Charge for the year	Disposals	As at December 31, 2024	
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Buildings and leasehold improvements	324,774	-	-	324,774	165,520	52,890	-	218,410	106,364
Furniture and fixtures and office equipment	800,418	225,858	(2,950)	1,023,326	474,777	101,721	(2,950)	573,548	449,778
Vehicles	208,100	38,000	(35,000)	211,100	134,407	41,980	(35,000)	141,387	69,713
	<u>1,333,292</u>	<u>263,858</u>	<u>(37,950)</u>	<u>1,559,200</u>	<u>774,704</u>	<u>196,591</u>	<u>(37,950)</u>	<u>933,345</u>	<u>625,855</u>

18	WORK IN PROCESS	2025 -----USD-----	2024 -----USD-----
	Opening balance	34,286	-
	Add : Lease hold improvements	98,841	34,286
	Transfer to leasehold improvements	(42,048)	-
		<u>91,079</u>	<u>34,286</u>

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19 RIGHT-OF-USE ASSETS

RIGHT OF USE ASSETS

2025								
Cost				Accumulated depreciation				Net book value as at December 31, 2025
As at January 01, 2025	Additions	Disposals	As at December 31, 2025	As at January 01, 2025	Charge for the year	Disposals	As at December 31, 2025	
-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Building	1,687,304	319,587	(371,128)	1,635,763	898,959	312,532	(174,071)	1,037,420
	1,687,304	319,587	(371,128)	1,635,763	898,959	312,532	(174,071)	1,037,420
2024								
Cost				Accumulated depreciation				Net book value as at December 31, 2024
As at January 01, 2024	Additions	Disposals	As at December 31, 2024	As at January 01, 2024	Charge for the year	Disposals	As at December 31, 2024	
-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Building	1,590,431	144,139	(47,266)	1,687,304	695,076	237,308	(33,425)	898,959
	1,590,431	144,139	(47,266)	1,687,304	695,076	237,308	(33,425)	898,959

20 INTANGIBLE ASSETS

	2025								
	Cost				Accumulated amortisation				Net book
	As at January 01, 2025	Additions	Disposals	As at December 31, 2025	As at January 01, 2025	Charge for the year	Disposals	As at December 31, 2025	value as at December 31, 2025
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Computer software	46,111	232,722	(46,111)	232,722	43,302	49,353	(46,111)	46,544	186,178
	46,111	232,722	(46,111)	232,722	43,302	49,353	(46,111)	46,544	186,178
	2024								
	Cost				Accumulated amortisation				Net book
	As at January 01, 2024	Additions	Disposals	As at December 31, 2024	As at January 01, 2024	Charge for the year	Disposals	As at December 31, 2024	value as at December 31, 2024
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
Computer software	46,111	-	-	46,111	43,302	-	-	43,302	2,809
	46,111	-	-	46,111	43,302	-	-	43,302	2,809

20.1 WORK IN PROCESS

	2025	2024
	-----USD-----	-----USD-----
Opening balance	-	-
Add : softwares & data center	<u>115,325</u>	<u>-</u>
	<u>115,325</u>	<u>-</u>

KAEBAUK INVESTIMENTU NO FINANSAS, SA
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			2025	2024
	Note		-----USD-----	-----USD-----
21	OTHER ASSETS			
		Advance to vendor and staff	364,775	280,009
		Accrued interest receivables	913,007	756,616
		Prepayments	320,627	128,671
		Other receivables	24,130	-
			<u>1,622,539</u>	<u>1,165,296</u>
22	CASH COLLATERAL			
		Cash collateral	22.1	
			<u>6,643,912</u>	<u>5,262,874</u>
			<u>6,643,912</u>	<u>5,262,874</u>
22.1	The cash collateral represents the compulsory deposits required from loan customers. There are no restrictions on the utilization of these funds.			
	Cash collateral balances by geographical location:			
		Aileu	246,873	181,912
		Ainaro	173,859	141,483
		Atauro	67,837	55,452
		Atsabe	125,485	101,817
		Batugade	294,942	227,772
		Baucau	359,060	286,072
		Bazartete	249,441	183,961
		Becora	907,757	756,351
		Comoro	735,652	633,619
		Ermera	243,505	171,533
		Laclubar/ Natarbora	140,209	106,374
		Liquica	348,519	259,091
		Lospalos	410,588	337,097
		Maliana	459,551	350,241
		Manatuto	187,974	140,401
		Maubisse	150,904	109,215
		Oecusse	309,378	279,312
		Same	448,794	300,971
		Suai	328,442	281,249
		Viqueque	284,992	217,986
		Zumalai	170,150	140,965
			<u>6,643,912</u>	<u>5,262,874</u>

KAEBAUK INVESTIMENTU NO FINANSAS, SA
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23 PAYABLE DUE TO OTHER FINANCIAL INSTITUTIONS

		2025					
	Note	Balance as at January 01, 2025 -----USD-----	Loans received during the year -----USD-----	Loans repaid during the year -----USD-----	Balance as at December 31, 2025 -----USD-----	Current loans -----USD-----	Non-current loans -----USD-----
European Investment Bank-EIB	23.1	667,280	-	(223,640)	443,640	443,640	-
KIVA	23.2	91,916	-	(65,790)	26,126	26,126	-
Incofin	23.3	3,500,000	3,500,000	(2,800,000)	4,200,000	700,000	3,500,000
Triple Jump	23.4	7,500,000	6,750,000	(4,250,000)	10,000,000	3,250,000	6,750,000
Federal Insurance Timor S.A	23.5	1,250,000	2,250,000	(1,250,000)	2,250,000	2,250,000	-
International Financial Corporation-IFC	23.6	625,000	-	(625,000)	-	-	-
Symbiotics S A	23.7	4,750,000	4,000,000	(1,750,000)	7,000,000	1,250,000	5,750,000
BNCTL - Credit Line	23.8 & 29	-	500,000	-	500,000	500,000	-
Tuba Rai Metin - Credit Line		-	400,000	(400,000)	-	-	-
Lendahand	23.9	804,618	484,483	(293,219)	995,883	631,221	364,662
Bank Im Bistum Essen eG	23.10	2,000,000	2,000,000	(333,333)	3,666,667	1,666,667	2,000,000
ResponsAbility	23.11	4,000,000	2,000,000	(1,000,000)	5,000,000	4,500,000	500,000
Cordaid	23.12	1,000,000	-	(1,000,000)	-	-	-
Water Equity - GAFLP	23.13	-	1,000,000	-	1,000,000	-	1,000,000
Enabling Capital	23.14	-	3,000,000	-	3,000,000	-	3,000,000
		26,188,814	25,884,483	(13,990,982)	38,082,316	15,217,654	22,864,662
		2024					
		Balance as at January 01, 2024 -----USD-----	Loans received during the year -----USD-----	Loans repaid during the year -----USD-----	Balance as at December 31, 2024 -----USD-----	Current loans -----USD-----	Non-current loans -----USD-----
European Investment Bank-EIB	23.1	1,112,740	-	(445,460)	667,280	445,460	221,820
KIVA	23.2	620,693	1,383	(530,159)	91,917	68,937	22,980
Incofin	23.3	5,000,000	-	(1,500,000)	3,500,000	2,800,000	700,000
Triple Jump	23.4	2,500,000	5,000,000	-	7,500,000	4,250,000	3,250,000
Federal Insurance Timor S.A	23.5	-	1,250,000	-	1,250,000	1,250,000	-
International Financial Corporation-IFC	23.6	2,125,000	-	(1,500,000)	625,000	625,000	-
Symbiotics S A	23.7	3,000,000	2,000,000	(250,000)	4,750,000	2,250,000	2,500,000
BNCTL - Credit Line	23.8	3,000,000	-	(3,000,000)	-	-	-
Tuba Rai Metin - Credit Line		500,000	-	(500,000)	-	-	-
Lendahand	23.9	326,029	543,795	(65,206)	804,618	271,805	532,813
Bank Im Bistum Essen eG	23.10	1,000,000	1,000,000	-	2,000,000	333,333	1,666,667
ResponsAbility	23.11	-	4,000,000	-	4,000,000	500,000	3,500,000
Cordaid	23.12	2,000,000	-	(1,000,000)	1,000,000	500,000	500,000
		21,184,462	13,795,178	(8,790,825)	26,188,815	13,294,535	12,894,280

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23 PAYABLE DUE TO OTHER FINANCIAL INSTITUTIONS *continued*

- 23.1** The purpose of European Investment Bank (EIB)'s loan is to provide funds to KIF to support micro and small enterprises, self employed entrepreneurs and sole proprietorships in urban and rural areas and also low-income house hold to improve housing & sanitation.
- 23.2** The KIVA Micro funds represents small loans obtained from KIVA web based business which allows website user throughout the world to connect with local lenders that provide small loans to individuals or groups in developing countries.
- 23.3** The Incofin loan is intended for KIF to follow its set growth pattern and consolidate its existing activities of extending small loans to micro-entrepreneurs. The loan term is for 2 years, among others, the loan agreement requires that KIF shall at all times maintain a capital adequacy ratio of not less than 20%, risk coverage ratio of not less than 100% and liquidity ratio of a minimum of 20%.
- 23.4** The loan from "MicroBuild I.B.V (represented by "Triple Jump B.V.)" aims to support the on-lending activities of the Borrower aimed at improving housing condition of low income families in home country. The loan term is for two years from the date of disbursement.
- 23.5** Federal Insurance Timor S.A (FIT) loan is to provide the assistance to credit clients. In order to support this micro credit, (FIT) has provided the loans with amount of USD 2,250,000 to Kaebauk Investimentu no Finansas S.A against cash security deposit of \$350,000.
- 23.6** The purpose of the IFC Loan is to provide the borrower with funding to be used by the borrower for financing its lending operations to micro and small enterprises in the Country. The loan term is for four years from the date of disbursement.
- 23.7** The Symbiotics SA, loan is issued to finance micro, small, or medium enterprises and/or low and middle income households. The loan agreement requires that Kaebauk Investimentu No Finansas, SA to maintain a Capital Adequacy ratio of not less that 20% and all other Regulatory Prudential Ratios.
- 23.8** BNCTL loan represents amounts withdrawn for the revolving loan facility to provide support for capital funding of Kaebauk Investimentu no Finansas, SA. The term for this loan is 3 years. Refer to note 29 for details.
- 23.9** Lendahand is a crowdfunding lender where this institution provided the loan facility with maximum amount of USD 1,500,000 to Kaebauk Investimentu no Finansas S.A.
- 23.10** Bank Im Bistum Essen eG (BIB) loan is to provide the assistance to micro credit clients. In order to support this micro credit, BIB has provided the loans with amount of USD 3,666,667 to Kaebauk Investimentu no Finansas S.A.
- 23.11** ResponsAbility is an existing business partnership which have established the relationship with Kaebauk since 2016. ResponsAbility has provided financial assistance in the form of loan to Kaebauk with amount of USD 5,000,000.
- 23.12** The Stichting Cordaid loan is intended to finance micro-credit loans to expand the microfinance portfolio. The loan is provided for the period of 3 years. The loan agreement requires that Kaebauk Investimentu No Finansas, SA to maintain a Capital Adequacy ratio of not less that 20%.
- 23.13** Water Equity - GAFLP The loan from "Water Equity - GAFLP" aims to support the on-lending activities of the Borrower aimed at improving housing condition of low income families in home country. The main focus is to provide water & sanitation facilities.
- 23.14** The Enabling Capital loan is intended to finance micro & SME loans to expand the microfinance portfolio.

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24 SUB ORDINATED DEBT

		2025				
Note		Balance as at January 01, 2025	Loans received during the year	Loans repaid during the year	Balance as at December 31, 2025	Non-current loans
		-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
	Tuba Rai Metin-TRM	1,000,000	-	-	1,000,000	1,000,000
	EDFI - Agrifi		1,000,000		1,000,000	1,000,000
		1,000,000	1,000,000	-	2,000,000	2,000,000

		2024				
Note		Balance as at January 01, 2024	Loans received during the year	Loans repaid during the year	Balance as at December 31, 2024	Non-current loans
		-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
	Tuba Rai Metin-TRM	1,000,000	-	-	1,000,000	1,000,000
		1,000,000	-	-	1,000,000	1,000,000

- 24.1** Kaebauk secured a convertible subordinated debt facility of USD 1,000,000 from its majority shareholder, Tuba Rai Metin, for a term of five years commencing February 2023. This loan was obtained on an arm's-length basis with competitive pricing. The agreement grants the lender an option to convert the principal into equity during the loan's tenure, subject to Kaebauk raising new equity from its core promoters in single or multiple tranches. The conversion will be executed at a share price mutually agreed upon by all core investors at the time of raising fresh capital.
- 24.2** Kaebauk entered into a subordinated debt agreement with EDFI-Agrifi for a total facility of USD 2,000,000. The first tranche of USD 1,000,000 was received in 2025, and the second tranche of USD 1,000,000 will be received in 2026. The facility carries a tenure of five years and is structured as non-convertible debt. The agreement provides long-term growth capital at competitive pricing, reinforcing Kaebauk's strong capital base as Tier II equity.

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		2025	2024
		-----USD-----	-----USD-----
25	DEPOSITS		
	Deposits	25.1	
		<u>922,600</u>	<u>885,836</u>
		<u>922,600</u>	<u>885,836</u>
25.1	Deposit balances by geographical locations:		
	Aileu	148,659	116,492
	Ainaro	13,862	12,722
	Atauro	704	483
	Atsabe	9,364	8,582
	Batugade	73,246	52,531
	Baucau	44,173	63,343
	Bazartete	4,886	2,757
	Becora	63,220	61,325
	Comoro	155,339	194,820
	Ermera	26,967	34,974
	Laclubar/ Natarbora	2,547	3,231
	Liquica	45,424	52,270
	Lospalos	10,951	10,424
	Maliana	83,686	58,503
	Manatuto	25,851	22,281
	Maubisse	7,817	10,963
	Oecusse	59,643	67,781
	Same	43,628	32,619
	Suai	84,235	60,751
	Viqueque	15,505	16,592
	Zumalai	2,893	2,392
		<u>922,600</u>	<u>885,836</u>
26	LEASES LIABILITIES		
	As at January 01	907,535	1,008,528
	Additions	319,587	144,139
	Interest expense	71,265	73,156
	Paid during the year	(405,386)	(304,123)
	Lease terminated	(197,057)	(14,165)
	As at December 31	<u>695,944</u>	<u>907,535</u>
	Short-term and low value lease expense	<u>9,618</u>	<u>13,633</u>
	Financial liability		
	Current		
	Lease liabilities	365,373	254,064
	Non-current		
	Lease liabilities	330,571	653,471
		<u>695,944</u>	<u>907,535</u>
27	OTHER LIABILITIES		
	Deferred loan processing fee	1,162,301	866,939
	Sundry creditors and accruals	1,794,324	1,800,839
		<u>2,956,625</u>	<u>2,667,778</u>

28 COMMITMENTS

The Company has no commitment as at December 31, 2025. (2024: Nil)

29 BORROWING FACILITIES

The Company has the following borrowing facilities :

		Approved facility	Used at reporting date	Net available
	Note	-----USD-----	-----USD-----	-----USD-----
2025				
<i>Pre-approved loan facility</i>				
BNCTL (Credit line facility)	29.1	5,000,000	500,000	4,500,000
		<u>5,000,000</u>	<u>500,000</u>	<u>4,500,000</u>
29.1	Kaebruk has entered into a credit line facility agreement with Banco Nacional Comercio de Timor Leste (BNCTL) for a total of USD 5,000,000. This facility is secured by cash collateral amounting to USD 1,000,000, with the current bank balance of USD 1,000,000 being locked as collateral for the agreement.			
		Approved facility	Used at reporting date	Net available
		-----USD-----	-----USD-----	-----USD-----
2024				
<i>Pre-approved loan facility</i>				
BNCTL (Credit line facility)		3,000,000	-	3,000,000
		<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
	Note	2025	2024	
		-----USD-----	-----USD-----	
30 SHARE CAPITAL				
Authorised share capital				
200,000 ordinary share of \$10 each	30.1	2,000,000		2,000,000
		<u>2,000,000</u>		<u>2,000,000</u>
Ordinary shares				
Issued and fully paid				
200,000 ordinary share of \$10 each		2,000,000		2,000,000
		<u>2,000,000</u>		<u>2,000,000</u>
30.1	Tuba Rai Metin(TRM) holds 51.5% , BOPA Pte Ltd holds 16.5%, IFC- World Bank Group holds 12.5% and TURAME Holdings holds 19.5% shares.			

31 CONTINGENT LIABILITIES

The Company had no contingent liabilities as at December 31, 2025. (2024: Nil)

32 RISK MANAGEMENT POLICY AND OBJECTIVES

Introduction

The risk philosophy of KIF is to establish a robust risk management system in the Company, with a view to inculcate risk culture, enhance stakeholder value and comply with regulatory guidelines.

The board of Directors (the Board) has endorsed a policy of compliance and risk management and risk appetite to suit the risk profile of the Company.

32 RISK MANAGEMENT POLICY AND OBJECTIVES *continued*

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk management
- Liquidity risk management
- Credit risk management
- Operations risk management including data risk management

Authority flows from the Board to the risk management committee and from there to the audit committee which are integral to the management of risk.

The main elements of risk governance are as follows:

(i) Board

This is the primary governing body and approves the level of risk to which the Company is exposed and the framework for reporting and mitigating those risks.

(ii) Audit committee

As part of the integrated risk framework, a three line defence mechanism has been implemented. Business as the first line of defence defines and adheres to controls. Risk and compliance units act as the second line to monitor and enhance controls. The Internal Audit Department as the third line of defence provides oversight and independent assurance on the effectiveness of the design and operations of the risk control framework.

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with controls, and provides feedback to the Risk Management Committee for their consideration.

(iii) Internal audit

Internal Audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee. On periodic basis Audit Committee reviews reports and recommends for action.

(iv) Risk management committee

This is a key body in the control of risk. It has three representatives from the Board and reports are put up by the Company 's Risk Manager. CEO is not present in the meetings to keep independence of risk reporting. The Risk Management Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Risk Management Committee through monthly review of operational reports. Control assignments are reviewed by the Risk Management Committee monthly to confirm whether risks are within the parameters outlined by Board.

The Risk Management Committee carries out a regular review of all operational areas to ensure that operational risks, credit risks and other risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations. The Risk Management Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

Arrears are strictly controlled. The size of loan book is such that it is possible to monitor each individual exposure to evaluate whether provisions are necessary and adequate. A dedicated credit control team, which reports to the committee, implements the Company credit risk policy.

(v) Risk manager

Risk manager has responsibility for both liaising with the operational function to ensure timely production of information for the Risk Committees and ensuring that instructions passed down from the Board via the Risk Committee are implemented.

32 RISK MANAGEMENT POLICY AND OBJECTIVES continued

(vi) Asset and Liability Committee (ALCO)

This committee meets monthly as financial market in the country is not very dynamic yet and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate GAP. The monthly scrutiny of liquidity position in different time buckets to ensure liquidity risk is well monitored.

The management of market risk is the responsibility of the ALCO Committee whose reports go to the audit committee of the Board and on a monthly basis to Risk Management Committee.

A. Interest rate risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to changes in interest rates. Most ODTIs are exposed to interest rate risk within their Treasury operations but in Timor Leste financial market and control measures are still at infancy stage and local currency is also USD. KIF is putting all interest on fixed rate for lending as well as borrowing. ALCO reporting needs to keep pace of market dynamics as per growth of vibrancy.

B. Credit risk

Credit risk is the risk that customers, financial institutions and other counterparties will be unable to meet to their obligations to the Company which may result in financial losses. Credit risk arises principally from the Company's loan book and investment assets.

Credit risk - loans and advances

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and close monitoring of defaults in the repayment of loans thereafter on a regular basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are credit-worthy (capable of meeting loans repayments).

The Company has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the individual borrowers, ending and concentrations of geographic groups considered a high risk of default;
- Reassessing and review of the credit exposures on loan and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

A loan is past due when the counterparty has failed to make payment when contractually due. Past due does not mean that a counter-party will never pay but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings.

Reports monitor loan repayments or detect delays in repayments and recovery action is undertaken regularly. For loans where repayments are doubtful recovery action is undertaken once the loan is in arrears. The exposures to losses arise predominantly in the personal loans.

Provisions are maintained at a level that the management deems sufficient to absorb probable expected losses in the Company's loan portfolio from homogenous portfolios of assets and individually identified loans.

(i) Expected credit loss

(ia) Definition of default

The Company considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

32 RISK MANAGEMENT POLICY AND OBJECTIVES continued

(ia) Definition of default continued

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate. 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
- The loan has been rescheduled
- A covenant breach not waived by the Company
- the borrower is unable to pay due to any other reason

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the default criteria have been present. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. However, no financial assets is directly classified from stage 3 to stage 1.

(ib) Probability of default

Consumer lending

The Company's entire loans and advances portfolio consist of consumer lending. The Company does not have credit score card model for consumer lendings, therefore, the Company used delinquency (day past due) based model for estimations of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The Lifetime PD is developed by applying a maturity profile to the current 12 months PD.

(ib) Loss given default

The Company segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The Company calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. Effective interest rate or approximate thereof has been used to discount recoveries to date of default.

(ib) Forward looking information

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD and LGD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management analysis of historical default rates. Gross Domestic Product(GDP) growth rate and Consumer prices index (CPI) were considered to be the most suitable for the Company customers.

(ii) Concentration risk - individuals

Concentration risk is a measurement of the Company's exposure to an individual counterparty.

The Company minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers and different sectors. Sector wise portfolio's division as at December 31 is as follows:

	2025	2024
Agriculture water & forestry	15.92%	15.32%
Construction/housing	8.51%	9.83%
Individuals	1.71%	1.76%
Manufacturing	0.12%	0.22%
Others	0.01%	0.01%
Services	19.01%	16.88%
Trade & finance	54.27%	55.50%
Transport & communication	0.46%	0.49%

32 RISK MANAGEMENT POLICY AND OBJECTIVES continued

B. Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board that treasury maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Company manages liquidity risk by:

- Continuously monitoring actual cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and financial liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

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33 MATURITY PROFILE OF FINANCIAL LIABILITIES

The table below shows the periods in which the financial liabilities mature. Contractual cash flows relating to the principal outstanding amounts are shown in the table:

	Carrying amount	Total Cash Flows	Within 1 month	2 - 6 months	7 - 12 months	1 - 5 years	Over 5 years
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
2025							
Cash collateral	6,643,912	6,643,912	430,607	1,734,145	1,772,055	2,707,105	-
Payables due to other financial institutions	38,082,316	38,082,316	365,934	7,399,025	7,452,695	22,864,662	-
Subordinated debt	2,000,000	2,000,000	-	-	-	2,000,000	-
Lease liabilities	695,944	695,944	29,130	148,721	187,521	330,572	-
Other liabilities	2,956,625	2,956,625	717,528	1,455,503	310,007	473,587	-
Deposits	922,600	922,600	92,260	147,616	221,424	461,300	-
	51,301,397	51,301,397	1,635,459	10,885,010	9,943,702	28,837,226	-
2024							
Cash collateral	5,262,874	5,262,874	425,280	840,058	1,233,836	2,763,700	-
Payables due to other financial institutions	26,188,815	26,188,815	282,601	5,861,653	7,150,281	12,894,280	-
Subordinated debt	1,000,000	1,000,000	-	-	-	1,000,000	-
Lease liabilities	907,535	907,535	21,172	105,860	127,032	653,471	-
Other liabilities	2,667,778	2,667,778	120,584	238,192	1,129,921	1,179,081	-
Deposits	885,836	885,836	88,584	97,442	186,026	513,784	-
	36,912,838	36,912,838	938,221	7,143,205	9,827,096	19,004,316	-

To manage liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents. These assets are readily available to meet liquidity requirements.

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34 INTEREST RATE RISK

The Company's exposure to interest rate risk, which is the risk that financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates is set below.

	Floating interest rate	Fixed interest rate maturing			Non-interest bearing	Total
		Within 1 year	1 - 5 years	Over 5 years		
	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----	-----USD-----
2025						
Cash on hand	-	-	-	-	151,716	151,716
Due from banks	-	13,397,589	-	-	-	13,397,589
Loan and advances	-	27,186,520	18,694,530	-	-	45,881,050
Other assets	-	1,086,164	536,375	-	-	1,622,539
Cash collateral	-	-	-	-	(6,643,912)	(6,643,912)
Deposits	-	(461,300)	(461,300)	-	-	(922,600)
Payables due to other financial institutions	-	(15,217,654)	(22,864,662)	-	-	(38,082,316)
Subordinated debt	-	-	(2,000,000)	-	-	(2,000,000)
Lease liabilities	-	(365,372)	(330,572)	-	-	(695,944)
Other liabilities	-	(2,956,625)	-	-	-	(2,956,625)
Interest sensitivity gap	-	22,669,322	(6,425,629)	-	(6,492,196)	9,751,497
2024						
Cash on hand	-	-	-	-	74,555	74,555
Due from banks	-	9,327,084	-	-	-	9,327,084
Loan and advances	-	28,132,692	6,772,520	-	-	34,905,212
Other assets	-	-	-	-	1,165,296	1,165,296
Cash collateral	-	-	-	-	(5,262,874)	(5,262,874)
Deposits	-	(372,052)	(513,784)	-	-	(885,836)
Payables due to other financial institutions	-	(13,294,535)	(12,894,280)	-	-	(26,188,815)
Lease liabilities	-	(254,064)	(653,471)	-	-	(907,535)
Other liabilities	-	-	-	-	(2,667,778)	(2,667,778)
Interest sensitivity gap	-	23,539,125	(7,289,015)	-	(6,690,801)	9,559,309

35 FAIR VALUE MEASUREMENTS

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using the input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Currently, no financial instruments are classified as level 1, level 2 and level 3.

The Company's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels during the year.

36 WORKING CAPITAL

	2025 -----USD-----	2024 -----USD-----
Current assets		
Cash on hand	151,716	74,555
Due from banks	4,897,589	3,327,084
Loans and advances	27,186,520	28,132,692
	<u>32,235,825</u>	<u>31,534,331</u>
 Current liabilities		
Cash collateral	3,936,807	2,499,174
Payables due to other financial institutions	15,217,654	13,294,535
Other liabilities	2,483,038	2,875,426
Deposits	461,300	372,052
	<u>22,098,799</u>	<u>19,041,187</u>
 Net current assets	<u>10,137,026</u>	<u>12,493,144</u>

37 INCOME TAX EXPENSE

Current tax		
Deferred tax	244,271	196,885
	<u>(4,300)</u>	<u>6,726</u>
	<u>239,971</u>	<u>203,611</u>

37.1 Reconciliation

Accounting profit before tax	2,406,831	2,027,940
Donation expense	1,468	1,833
Interest expense on lease liability	71,265	73,156
Depreciation expense - right-of-use assets	312,532	237,308
 Expenses paid		
Actual rent paid for lease	(392,391)	(304,123)
 Taxable profit	<u>2,399,705</u>	<u>2,036,114</u>
 Deferred tax		
Depreciation as per financial statements	253,343	196,591
Addition in property and equipment	(210,338)	(263,858)
 Tax payable profit	<u>2,442,710</u>	<u>1,968,847</u>
 Tax expense (10% of taxable profit)	<u>239,971</u>	<u>203,611</u>
 Tax payable (10% of tax payable profit)	<u>244,271</u>	<u>196,885</u>

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37.1 Assets acquired under property, and equipment , excluding right-of-use assets, have been fully depreciated in the year of purchase for tax purposes, in compliance with Timor-Leste's tax regulations. This depreciation treatment is duly reflected in the tax reconciliation presented above.

IFRS 16 requires to recognise right-of-use assets and lease liability for the long term leases and then depreciate the right-of-use asset over the lease term and simultaneously pay off the liability with interest expense over the lease period.

For tax purpose, the Company add back the depreciation over right-of-use assets and interest expense over lease liability and deduct the actual rent paid for the leases during the year.

38 CORRESPONDING FIGURES

During the year ended December 31, 2025, the Company reclassified certain comparative amounts to conform with the presentation adopted in the current year, in accordance with IAS 1 Presentation of Financial Statements.

The reclassification was made to enhance the relevance and reliability of information presented and to ensure consistency with the current year's presentation format.

The reclassification does not have any material impact on the amounts presented except for the effect on the presentation and disclosure:

STATEMENT OF FINANCIAL POSITION

From	To	2024
		-----USD-----
ASSETS	ASSETS	
Property and equipment	Intangibles	2,809
Property and equipment	Right-of-use assets	788,345
Fixed term deposit	Due from banks	6,000,000
Cash and cash equivalent	Due from banks	3,327,084
LIABILITIES	LIABILITIES	
Other liabilities	Current tax liability	196,885
Other liabilities	Deferred tax liabilities	10,763

STATEMENT OF PROFIT OR LOSS

From	To	
INCOME	INCOME	
Other revenue and income	Interest revenue	129,639
EXPENSES	EXPENSES	
Administrative expenses	Other operating expenses	222,586
Legal and professional fees	Other operating expenses	140,678
Staff training and meeting expenses	Other operating expenses	206,152
Repairs and maintenance expense	Other operating expenses	251,252
Fuel and oil expense	Other operating expenses	185,047
Rent expense	Other operating expenses	13,633
Travel and lodging allowance expense	Other operating expenses	90,886
Utilities expense	Other operating expenses	198,734
Other expenses	Other operating expenses	146,275

39 SUBSEQUENT EVENT

Subsequent to the year-end on January 29, 2026, BCTL granted to Keabauk a preliminary license for banking activities subject to fulfillment of certain conditions prior to granting a definite license.

-----End of notes to the financial statements-----