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Financial Statements

For the period ended 31 December 2014

27 April 2015

Statement Of Compliance

The Financial Statements on pages 2 to 5 and the Notes from pages 6 to 33 which form an integral part of these statements have been prepared by the Management and approved by the Governing Board of Banco Central de Timor-Leste. I declare that these Financial Statements comply with the requirements of Central Bank Law no 5/2011 and fairly present the true financial position and performance of Banco Central de Timor-Leste as at 31 December 2014.

Dili, 27 April 2015

Abraão de Vasconselos

Governor

Statement of Financial Position
As at 31 December

In thousands of United States dollars	Note	2014	2013
Assets			
Cash and cash equivalents	7	278.205	466.250
Marketable securities	8	93.210	281.003
Investments	10	26.601	24.529
Property, plant and equipment	11	2.152	1.053
Other assets	12	3.966	4.288
Total Assets		**404.134**	**777.122**
Liabilities			
Government deposits	13	180.870	633.776
Other deposits	14,17	163.298	103.313
Provision for transfer of surplus to Government	15	4.493	621
Other Liabilities	16	5.617	12.294
Currency Issued		9.824	6.885
Total Liabilities		**364.102**	**756.888**
Equity	**18**	**40.032**	**20.234**
Total Liabilities and Equity		**404.134**	**777.122**

The above statement is to be read in conjunction with the policies and notes on page 6 to 33

Statement of Comprehensive Income
For the period ended 31 December

In thousands of United States dollars	Note	2014	2013
Operating Income			
Investment income			
Interest income	20	2.496	2.405
Interest expense	20	(53)	(230)
Net Investment Income		**2.443**	**2.175**
Petroleum fund management fee	22	14.922	8.466
Petroleum fund administration expenses	22	(8.750)	(6.423)
Net fee and commission income		**6.172**	**2.403**
Fees and commissions	21	565	5876
Other income		(11)	0
Total Operating Income		**9.169**	**4.794**
Expenses			
Personnel expenses	23	1.743	1.340
Currency distribution expenses		948	1.036
Administration expenses	24	1.947	1.597
Depreciation	11	244	199
Total Expenses		**4.882**	**4.173**
Profit		**4.287**	**621**
Other comprehensive income		–	–
Total comprehensive income		**4.287**	**621**

The above statement is to be read in conjunction with the policies and notes on pages 6 to 33

Statement of Changes in Equity
For the period ended 31 December

In thousands of United States dollars	Note	2014	2013
Capital			
Opening balance		20.000	20.000
Increase in Capital		20.000	0
Closing balance		**40.000**	**20.000**
General Reserve			
Opening balance		237	237
Transfer to Capital Account		0	0
Transfer from retained earnings		621	411
Transfer to Government		(826)	(206)
Closing balance		**32**	**237**
Fair Value Reserve			
Opening balance		(3)	5
Net change in fair value		3	(8)
Closing balance		**0**	**(3)**
Appropriation of Net Income			
Net income for the period		4.287	621
Transfer to General Reserve		0	0
Provision for transfer of balance to Government		(4.287)	(621)
		0	0
Total Equity	**18**	**40.032**	**20.234**

The above statement is to be read in conjunction with the policies and notes on pages 6 to 33

Statement of Cash Flows
For the period ended 31 December

In thousands of United States dollars	2014	2013
Cash Flows from Operating Activities		
Profit for the period	4.287	621
Depreciation	244	199
Net Interest income	(2.443)	(2.175)
Total	**2.088**	**(1.355)**
Changes in receivable, prepayments & stock	321	(190)
Changes in government deposits	(452.906)	(185.165)
Changes in other deposits	59.986	(16.255)
Changes in other liabilities	(6.676)	3.552
	(399.274)	(198.057)
Interest received	2.496	2.405
Interest paid	(53)	(230)
Net cash from operating activities	**2.444**	**2.175**
Cash Flows from Investing Activities		
Acquisitions of investments	(2.073)	(85)
Proceeds from investing in US government securities	187.795	20.977
Acquisitions of property, plant & equipment	(1.343)	(473)
Net cash from investing activities	**184.378**	**20.419**
Cash Flows from Financing Activities		
Currency issued	2.940	2.112
Capital subscription by Government	20.000	0
Transfer of surplus to Government	(621)	164
Net cash from financing activities	**22.319**	**2.275**
Increase In Cash & Cash Equivalents	**(188.045)**	**(174.542)**
Cash & cash equivalents at the beginning of year	466.250	640.792
Cash & Cash Equivalents at the end of year	**278.205**	**466.250**

The above statement is to be read in conjunction with the policies and notes on pages 6 to 33

Notes to the Financial Statements

1. Reporting Entity and Statutory Base

These are the financial statements of Banco Central de Timor-Leste ("the Bank" or BCTL), a distinct autonomous public legal entity established by Organic Law number 5/2011 on the Central Bank of Timor-Leste. The head office of Banco Central de Timor-Leste is at Avenida Bispo Medeiros, Dili, Timor-Leste.

The financial statements of the Bank are for the financial year ended 31 December 2014 and, in accordance with section 58 of the Organic Law no 5/2011, the accounts and records are maintained in accordance with International Accounting Standards.

The primary objective of the Bank is to achieve and maintain domestic price stability. The other objectives of the Bank are to foster the liquidity and solvency of a stable market-based banking and financial system, to execute the foreign exchange policy of Timor-Leste, and to promote a safe, sound, and efficient payment system.

The Bank's role is to function as the central bank of Timor-Leste. The role of the Bank is defined in the organic Law 5/2011 and other laws, and includes the following functions:

- to recommend broad policy guidelines to the government in areas under the Bank's responsibility;
- to issue coins called centavos, that have legal tender status in addition to the United States dollar;
- to formulate and implement measures for, and supervise and regulate, payments and settlement systems for transactions in domestic and foreign currency in Timor-Leste;
- to own, operate, or participate in one or more payment systems;
- to act as banker to the government and related agencies;
- to act as fiscal agent of the government and related agencies;
- to hold and manage all public financial resources, including the official foreign exchange reserves;
- to undertake the operational management of the Petroleum Fund of Timor-Leste;
- to hold foreign currency deposits of Commercial Banks;
- to ensure an adequate supply of banknotes and coins for the settlement of cash transactions;
- to maintain a depository for safe keeping of currency and securities;
- to license, supervise, and regulate commercial banks;
- to license, supervise and regulate currency exchange activities;
- to license, supervise and regulate insurance companies and intermediaries; and
- to conduct regular economic and monetary analysis of the Timor-Leste economy, make public the results, and submit proposals and measures to the government on the basis of such analysis.

2. Basis of Preparation

a) Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB). The financial statements were authorised for issue by the Governing Board on 27 April 2015.

b) Basis of Measurement
The financial statements have been prepared on the historical cost basis except for available-for-sale assets which are measured at fair value.

c) Adoption of International Financial Reporting Standards
These financial statements incorporate all International Financial Reporting Standards in force at 31 December 2014. No standards have been adopted before the effective date.

d) Functional and Presentation Currency
The financial statements are presented in United States dollars, being the official currency of Timor-Leste and the Bank's functional and presentation currency. Financial information is presented in US dollars rounded to the nearest thousand dollars, unless otherwise stated. This may result in minor differences between accounts reported in the Income statement, Balance sheet and detailed supporting notes.

e) Use of Estimates and Judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

f) Comparative amounts opening balances
To ensure consistency with the current year, comparative figures have been restated where appropriate. Certain presentational changes have been made in the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign Currency Transactions

Transactions in foreign currencies are translated into United States dollars at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at balance date into United States dollars at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. The following United States dollar exchange rates have been used to convert foreign currency assets and liabilities to United States dollars for reporting purposes.

	31 Dec 2014	31 Dec 2013
Australian dollars (AUD)	1.2284	1.1292
Special Drawing Rights (SDR)	0.6901	0.6493
Euro (EUR)	0.8224	0.7275

b) Interest

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the profit and loss statement include:

- Interest on financial assets and liabilities at amortised cost on using effective interest rate basis
- Interest on available-for-sale investment securities using an effective interest rate basis

c) Fees

Fee income, including account service fees, cash distribution, and investment management fees, are recognised as the related services are performed. Fee income from government is recognised upon appropriation by parliament, and amortised over the period during which the services are provided.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

d) Operating Profit

Operating profit comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes (with the exception of fair value changes relating to available-for-sale assets).

e) Taxation

The Bank is exempt from taxes on its income under the provisions of Article 72, Organic Law no. 5/2011.

f) Financial Assets and Liabilities

i) Recognition

The Bank recognises loans, advances and deposits on the date at which they are originated. All other financial assets (including assets that are classified as available-for-sale) are initially recognised on the settlement date at which payment is made and title received according to market contractual arrangements.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

The Bank enters into transactions whereby it acquires assets but does not acquire all the risks and rewards of the assets or a portion of them. Such assets, including assets acquired in connection with the Bank's management of the Petroleum Fund, are not recognised on the balance sheet.

ii) Classification

See accounting policies 3 (g), and (h).

iii) De-recognition
Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

iv) Offsetting
Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

v) Amortised cost measurement
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

vi) Fair value measurement
The determination of fair values of financial assets is based on quoted market prices for financial instruments traded in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

vii) Identification and measurement of impairment
At each balance date the Bank assesses whether or not there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows from the asset that can be estimated reliably.

The Bank considers evidence of impairment for held-to-maturity investment securities at both a specific asset and collective level. All individually significant held-to-maturity investment securities are assessed for specific impairment. All individually significant held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Held-to-maturity investment securities that are not individually significant are then collectively assessed for impairment by grouping together held-to-maturity investment securities with similar risk characteristics.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

g) Cash and Cash Equivalents
Cash and cash equivalents includes notes and coins on hand, unrestricted balances held with other banks, which are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments, including the maintenance of a supply of United States currency to ensure an adequate supply of banknotes and coins for the settlement of cash transactions in Timor-Leste.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

h) Investment Securities
Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

i) Held-to-Maturity
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has a positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss, or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method.

ii) Fair value through profit or loss
Fair value through profit or loss investments are assets designated at fair value through profit or loss when:

- The assets are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise result; or
- The assets contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract

Fair value changes of this class of investments are recognised in profit and loss.

iii) Available-for-sale
Available-for-sale investments are non-derivative instruments that are designated as available-for-sale or are not classified as another category of financial asset.

Available-for-sale investments are carried at fair value.

Interest income is recognised in profit and loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit and loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are recognised in profit or loss.

i) Reverse-Repurchase Transactions
The Bank enters into overnight reverse-repurchase agreements in the course of its cash management activities. These transactions are recognised in the balance sheet as cash and cash equivalents, and income is recognised in profit and loss on the transaction date.

j) Other Assets and Liabilities
Local and foreign currency cash, deposits, accounts receivable and payable, are valued at the transaction date, inclusive of any accrued interest.

Accounts receivable are recorded at expected realisable value after making due allowance for doubtful debts.

Unissued currency stocks are recorded as inventory at the cost of acquisition and expensed when issued. They are recorded at the lower of cost or net realisable value. Cost is determined on a weighted average basis.

k) Property, Plant and Equipment
i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are reasonably attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The land and head office occupied by the Bank is recognised at the cost of acquisition in 2000 at nil value. The Bank still carries these assets at zero value pending the establishment of a fair value at a future time when the land and property market in Timor-Leste operates on a sound legal basis and objective valuations can be derived from observable property market transactions.

ii) Subsequent Costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation
Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The Bank categorises its assets into broad groups and depreciates them according to indicative useful lives as follows:

	2014	2013
Buildings and improvements	20 years	20 years
Plant	5 years	5 years
Office equipment	8 years	8 years
Computers and electronic equipment	4 years	4 years
Vehicles	5 years	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

iv) Impairment
The carrying amounts of the Bank's fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

l) Currency in Circulation
Currency issued by the Bank in the form of centavos coins (which are legally a sub-unit of the United States dollar in Timor-Leste) represents a claim on the Bank in favour of the holder. The liability for the value of currency in circulation is recorded at face value on the balance sheet.

The Bank also issues collectors' currency. Although it is unlikely that significant amounts of collectors' currency will be returned for redemption, the Bank records the face value of the collectors' currency sold with currency in circulation.

m) Employee benefits
i) Short term employee benefits
A short term benefits include the full amount of all staff benefits, including salaries and accrued leave. Accruals of personnel costs are recorded in the balance sheet under accounts payable.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

ii) Long-term employee benefits
Employees of the Bank are entitled to a long service cash benefit payable on completion of a defined numbers of years, starting at the fifteenth year of service. An amount of 5% of base salary is set aside monthly by the Bank for this purpose and recognised in the profit and loss statement as a personnel expense, with the associated liability being recognised on the balance sheet and recorded under other liabilities. In the event that an employee leaves prior to qualifying for the benefit, the cumulative amount previously set aside for that employee is credited to personnel expense on the relevant date at which the Bank's obligation to the employee ceases.

There is no pension scheme for employees of the Bank.

4. Financial Risk Management

a) Introduction and Overview
The Banco Central de Timor-Leste has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

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

b) Risk Management Framework
The Governing Board has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Governing Board is guided by the Bank's establishing law (Organic Law 5/2011), which sets broad risk management guidelines, including the following:

- Article 19 states that the Bank may hold in its investment portfolio any or all the following foreign assets: Gold and other precious metals held by or for the account of the Bank, including credit balances on account representing such gold and other precious metals; Banknotes and coins denominated in freely convertible foreign currencies held by or for the account of the Bank; Credit balances and interbank deposits that are payable on demand or within a short term denominated in freely convertible foreign currencies and are held in the accounts of the Bank, on the books of foreign central banks, or international financial institutions; Readily-marketable debt securities denominated in freely convertible foreign currencies issued by, or backed by foreign governments, foreign central banks or international financial institutions; Claims on international financial institutions resulting from repurchase agreements, sale and buy back and securities lending agreements for the foresaid debt securities; Special drawing rights held in the account of Timor-Leste in the International Monetary Fund; The reserve position of Timor-Leste in the International Monetary Fund.
- Article 71.1 prohibits the Bank from granting credit, engaging in commerce, purchasing the shares of any corporation or company including the shares of any Financial Institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking or acquire by purchase, lease, or otherwise any real rights in or to immovable property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations.

- Article 39 authorises the Bank to manage special fund owned by the state on the basis of management contract and maintain earmarked receipts on its books special accounts provided that the assets and liabilities shall be segregated from the other assets and liabilities of the Bank.

The Bank has established an Internal Audit Office, whose duties are to undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Governor, and, at the discretion of the Chief Internal Auditor, the Governing Board.

c) Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meets its contractual obligations, and arises principally in connection with the Bank's investment and banking activities.

All investments above $1 million require the authorisation of the Governor. Regular audits of the divisions responsible for the investment of funds are undertaken by Internal Audit.

The Bank's exposure to credit risk, based on the ratings issued by Fitch Rating, is as follows:

US$ "000	Rating*	Dec 2014	Rating*	Dec 2013
Cash and Cash Equivalents				
Cash	AAA	60.157	AAA	27.546
Deposits at central banks	AAA	96.209	AAA	315.760
Resident banks	B	71.309	B	72.429
Non-resident banks	AA-	50.530	AA-	50.515
		278.205		**466.250**
Marketable securities				
US Government Treasury Bills	AAA	0	AAA	49.990
US Government Treasury Notes	AAA	93.210	AAA	231.013
Investments				
International Monetary Fund	N/A	26.601	N/A	24.529
Fixed and other assets	N/A	6.118	N/A	5.340
Total Assets		**404.134**		**777.122**
Summary by credit rating	**Dec 2013**	**Dec 2014**	**Dec 2012**	**Dec 2013**
AAA	61.76%	249.576	80.34%	624.310
AA-	12.50%	50.530	6.50%	50.515
B	17.64%	71.309	9.32%	72.429
Not applicable	8.10%	32.720	3.84%	29.869
Total Assets	**100.00%**	**404.134**	**100.00%**	**777.122**

*Where a central bank is not rated, the sovereign rating has been used.

There were no impairment losses at balance date. The carrying amount of these assets approximates their fair value.

d) Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk is also the risk that the Bank will have to sell a financial asset quickly at much less than its fair value.

The Bank is responsible for managing the daily liquidity of the banking system. This role includes the management of the clearing system. The Bank is prohibited by statute from advancing funds to the banking system.

The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The investment management function considers the cash flows historically observed in the deposit accounts of both the government and the commercial banks. From this information, decisions are made that determine the size of the physical cash holdings held in Timor-Leste, the amount of cash to be maintained in correspondent bank accounts, and the nature of the investments to be made in short-term United States Treasury Bills, for which a deep and liquid market exists, such that there will always be bills close to maturity that may be sold if necessary without incurring the risk of suffering a material market loss.

The following table sets out the maturity analysis of the Bank's balance sheet.

US$ "000	Total 2014	No fixed maturity	6 months or less	Over 6 months
Cash and cash equivalents	278.205		278.205	
Marketable securities	93.210			93.210
Investments	26.602			26.601
Other assets	3.966		3.966	
Total assets (Excluding PPE)	**401.982**	**–**	**282.171**	**119.811**
Government deposits	180.870		180.870	
Other deposits	163.298		136.697	26.601
Provision for transfer of surplus to Government	4.493		4.493	
Other liabilities	5.617		5.617	
Currency issued	9.824	9.824		
Total liabilities	**364.102**	**9.824**	**327.677**	**26.601**
Net maturity gap	**37.880**	**(9.824)**	**(45.507)**	**93.210**

US$ "000	Total 2013	No fixed maturity	6 months or less	Over 6 months
Cash and cash equivalents	466.250		466.250	
Marketable securities	281.003		49.990	231.013
Investments	24.529			24.529
Other assets	4.288		4.288	
Total assets (Excluding PPE)	**776.070**	**–**	**520.528**	**255.542**
Government deposits	633.776		633.776	
Other deposits	103.313		78.784	24.529
Provision for transfer of surplus to Government	621		621	
Other liabilities	12.294		12.294	
Currency issued	6.884	6.884		
Total liabilities	**756.888**	**6.884**	**725.475**	**24.529**
Net maturity gap	**19.182**	**(6.884)**	**(204.947)**	**231.013**

e) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Bank's approach to the management of market risks is strongly guided by its legislative framework that requires investments to be in high quality financial instruments.

The Bank measures and manages its exposure to market risk in terms of interest rate risk and foreign currency risk, and information on these two risks is provided in the following sections.

i) Interest Rate Risk

Interest rate risk is the risk of loss arising from changes in interest rates.

The Bank's management of interest rate risk is partially governed by the legal framework outlined above, and partly by a management policy of closely matching the re-pricing periods of its assets and liabilities.

The assets and liabilities of the Bank will mature or re-price within the following periods:

US$ "000	Total 2014	Non-Interest Sensitive	6 months or less	Over 6 months
Cash and cash equivalents	278.205		278.205	
Marketable securities	93.210			93.210
Investments	26.601	26.601		
Other assets	3.966	3.966		
Total assets (Excluding PPE)	**401.982**	**30.567**	**278.205**	**93.210**
Government deposits	180.870		180.870	
Other deposits	163.298	26.601	136.696	
Provision for transfer of surplus to Government	4.493	4.493		
Other liabilities	5.617	5.617		
Currency issued	9.824	9.824		
Total liabilities	**364.102**	**46.536**	**317.566**	
Interest Rate Sensitivity Gap	**38.880**	**(15.968)**	**(39.362)**	**93.210**

US$ "000	Total 2013	Non-Interest Sensitive	6 months or less	Over 6 months
Cash and cash equivalents	466.250		466.250	
Marketable securities	281.003		49.990	231.013
Investments	24.529	24.529		
Other assets	4.288	4.288		
Total assets (Excluding PPE)	**776.070**	**28.817**	**516.240**	**231.013**
Government deposits	633.776		633.776	
Other deposits	103.313	24.529	78.784	
Provision for transfer of surplus to Government	621	621		
Other liabilities	12.294	12.294		
Currency issued	6.884	6.885		
Total liabilities	**756.888**	**44.328**	**712.560**	
Interest Rate Sensitivity Gap	**19.182**	**(15.512)**	**(196.319)**	**231.013**

ii) Sensitivity Analysis

In managing interest rate and currency risk the Bank aims to reduce the impact of short-term fluctuations on its net income. At 31 December 2014, it is estimated that a general increase/decrease of one percentage point in interest rates would increase/decrease the Bank's profit by approximately $169 thousands (2013 - $793 thousands).

iii) Foreign Currency Risk
Foreign currency risk is the risk of loss arising from changes in exchange rates.

The management of the Bank maintains a low exposure to foreign currencies, which are maintained at levels sufficient to meet operational settlement obligations. The Bank does not engage in foreign currency intervention activities.

As at 31 December 2014, the Bank's net exposure to major currencies was as follows:

US$ "000	Total 2014	US Dollars	Australian Dollars	SDR	Euro
Cash and cash equivalents	278.205	277.898	277		30
Marketable securities	93.210	93.210			
Investments	26.601	-		26.601	
Other assets	3.966	3.965	0		
Total Assets (Excluding PPE)	**401.982**	**375.073**	**277**	**26.601**	**30**
Government deposits	180.870	180.870			
Other deposits	163.298	136.696		26.601	
Provision for transfer of surplus to Government	4.493	4.493			
Other liabilities	5.617	5.617			
Currency issued	9.824	9.824			
Total liabilities	**364.102**	**337.501**	**0**	**26.601**	**0**
Net Foreign Currency Exposure	**37.880**	**37.573**	**277**	**0**	**30**

US$ "000	Total 2013	US Dollars	Australian Dollars	SDR	Euro
Cash and cash equivalents	466.250	465.877	334		39
Marketable securities	281.003	281.003			
Investments	24.529	-		24.529	
Other assets	4.288	4.287	0		
Total Assets (Excluding PPE)	**776.070**	**751.167**	**334**	**24.529**	**39**
Government deposits	633.776	633.776			
Other deposits	103.313	78.784		24.529	
Provision for transfer of surplus to Government	621	621			
Other liabilities	12.294	12.294			
Currency issued	6.884	6.884			
Total liabilities	**756.888**	**732.359**	**-**	**24.529**	**-**
Net Foreign Currency Exposure	**19.182**	**18.808**	**334**	**-**	**39**

f) Operational Risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal requirements or adverse events in the community at large. Operational risks arise from all the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- Requirements for the appropriate segregation of duties, including independent authorisation of transactions;
- Requirements for the timely reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Written documentation of all major operating procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and development of proposed remedial actions;
- Development of contingency plans;
- Ongoing capacity building and professional development;
- Establishment of ethical standards of behaviour; and
- Risk mitigation, including insurance for high risk operations.

Compliance with these standards is supported by a programme of risk-based periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business area in which they relate, with all findings submitted monthly to the Governor, and a summary of work undertaken submitted quarterly to the Governing Board.

g) Capital Management
The management of the capital of the Bank is subject to organic Law No 5/2011 on the Banco Central de Timor-Leste. In particular, the following requirements are stipulated in the law:

- The capital of the Bank must at least $20,000,000, fully subscribed and paid-up. Following the subscription of an additional $20,000,000 in 2014, the capital may not be reduced below $40,000,000.
- A general reserve account may be established to hold the paid-up capital up to the difference between ten percent of the total financial assets of the Bank.
- The capital of the Bank may not be transferable or subject to encumbrance of any kind.

There have been no material changes in the Bank's management of capital during the period.

The allocation of capital between specific operations and activities is, to a large extent, driven by the need to provide liquidity to the financial and economic systems of Timor-Leste. Accordingly, a significant proportion of capital is allocated to maintaining physical holdings of currency in Timor-Leste, which earn no interest, and cash balances in current accounts at correspondent banks.

5. Critical Accounting Judgements in applying the Bank's Accounting Policies

Critical accounting judgements made in applying the Bank's accounting policies include:

- Although article 39 of the Organic Law no. 5/2011 states that the Bank is authorised to manage and maintain special funds on its books, the assets and liabilities of which shall be segregated from the other assets and liabilities of the Bank, the management of the Bank, having taken advice concerning the provisions of the Petroleum Fund Law and IFRS, has determined that the liabilities and assets of the Petroleum Fund managed and registered in the name of the Bank should for reporting purposes not be presented on the face of the Bank's balance sheet.

6. Segment Reporting

The Bank's primary function is to act as the central bank of a single geographical area – Timor-Leste. The shares of the Bank are not tradable. Accordingly the Bank is not required to present segment information.

7. Cash and Cash Equivalents

Cash and cash equivalents	2014 US$ "000	2013 US$ "000
Cash	60.157	27.546
Deposits at central banks	96.209	315.760
Resident banks	71.309	72.429
Non-resident banks	50.530	50.515
Total	**278.205**	**466.250**

8. Marketable Securities

Marketable Securities	2014 US$ "000	2013 US$ "000
US Government Treasury Bills	–	49.990
US Government Treasury Notes	93.210	231.013
Total	**93.210**	**281.003**

9. Financial Assets and Liabilities

The table below sets out the Bank's classification of each class of its assets and liabilities, identifying the nature and amounts of financial assets and liabilities, with their fair values (excluding accrued interest).

2014 US$ "000	Available-for-Sale	Cash and cash equivalents	Amortised Cost	Other	Total Carrying Amount	Fair Value
Cash and cash equivalents		278.205			278.205	278.205
Marketable securities	93.210				93.210	93.210
Investments			26.601		26.602	26.602
Other assets				3.966	3.966	3.966
Total Assets (Excluding PPE)	**93.210**	**278.205**	**26.601**	**3.966**	**401.982**	**401.982**
Government deposits			180.870		180.870	180.870
Other deposits			163.298		163.298	163.298
Provision for transfer of surplus to Government				4.493	4.493	4.493
Other liabilities			5.617		5.617	5.617
Currency issued			9.824		9.824	9.824
Total liabilities	**–**	**–**	**359.609**	**4.493**	**364.102**	**364.102**

2013 US$ "000	Available-for-Sale	Cash and cash equivalents	Amortised Cost	Other	Total Carrying Amount	Fair Value
Cash and cash equivalents		466.250			278.205	466.250
Marketable securities	281.003				93.210	281.003
Investments			24.529		26.602	24.529
Other assets				4.288	3.966	4.288
Total Assets (Excluding PPE)	**281.003**	**466.250**	**24.529**	**4.288**	**401.982**	**776.070**
Government deposits			633.776		633.776	633.776
Other deposits			103.313		103.313	103.313
Provision for transfer of surplus to Government				621	621	621
Other liabilities			12.294		12.294	12.294
Currency issued			6.884		6.884	6.884
Total liabilities	**–**	**–**	**756.267**	**621**	**756.888**	**756.888**

10. International Financial Institutions

a) International Monetary Fund
The Democratic Republic of Timor-Leste became a member of the International Monetary Fund (IMF) on 23 July 2002. The Bank was designated as the official depository under Article XIII of the IMF Articles of Association. In accordance with article 19 (f) of Organic Law no. 5/2011 the Bank holds the Timor-Leste reserve position subscription in the IMF. The underlying balances of the IMF are denominated as follows:

Subscription in IMF (Asset)	USD	10,800,000
IMF Cash Accounts (Liability)	USD	27,000
IMF Securities Account (Liability)	USD	10,773,000

The IMF Securities Account reflects the value of a Promissory Note payable by the Ministry of Finance as the fiscal agent of the IMF in Timor-Leste held by the Bank in favour of the IMF.

International Monetary Fund	**2014** US$ "000	**2013** US$ "000
IMF No 1 Account	41	32
IMF No 2 Account	1	2
IMF Securities Account	14.659	12.595
Total	**14.702**	**12.628**

b) The World Bank Group
The Democratic Republic of Timor-Leste became a member of three institutions within the World Bank Group on 23 July 2002. Under the relevant Articles of Association, the Bank was designated as the official depository. In accordance with general practice, the Bank records the outstanding balances with the members of the World Bank Group on a net liability basis. The amounts subscribed are in US dollars, as follows:

International Bank for Reconstruction and Development
The Bank records the outstanding balance with IBRD on a net liability basis.

International Development Association
Timor-Leste has subscribed for $349,842, of which $314,858 has been paid in the form of a Promissory Note held at the Bank.

Multilateral Investment Guarantee Agency
Timor-Leste has subscribed to 50 shares with a total value of $541,000, of which $54,100 has been paid on the form of a Promissory Note held at the Bank.

11. Property, Plant and Equipment

US$ "000

2014	Buildings	Plant	Office Equipment	Computer Equipment	Vehicles	Total
Cost						
Opening balance	889	297	374	600	320	2.480
Acquisitions	0	1	443	29	0	473
Balance at 31 Dec 2013	889	298	817	630	320	2.954
Opening Balance	889	298	817	630	320	2.954
Acquisitions	33	9	14	217	237	510
Balance at 31 Dec 2014	923	307	831	846	557	3.463
Depreciation						
Opening balance	510	263	314	545	270	1.901
Depreciation for the period	45	29	83	53	33	244
Balance at 31 Dec 2014	**555**	**292**	**397**	**598**	**303**	**2.145**
Carrying Amounts						
Opening balance	379	35	503	85	51	10.53
Balance at 31 Dec 2014	**368**	**15**	**434**	**248**	**254**	**1.319**
Work in Progress						
R-Timor Payments System Project						557
FMIS Accounting System Project						277
Total WIP cost						834
Balance at 31 Dec 2014						**2.152**

US$ "000

2013	Buildings	Plant	Office Equipment	Computer Equipment	Vehicles	Total
Cost						
Opening balance	889	297	374	600	320	2.480
Acquisitions	0	1	443	29	0	473
Balance at 31 Dec 2013	**889**	**298**	**817**	**630**	**320**	**2.954**
Depreciation						
Opening balance	465	234	248	512	242	1.702
Depreciation for the period	44	28	66	33	27	199
Balance at 31 Dec 2013	**510**	**263**	**314**	**545**	**270**	**1.901**
Carrying Amounts						
Opening balance	424	63	125	89	78	779
Balance at 31 Dec 2013	**379**	**35**	**503**	**84**	**51**	**1.052**
Work in Progress						
Balance at 31 Dec 2013						**1.052**

Pending the establishment of a land and property registration system in Timor-Leste, and the commencement of a property market in which the valuation of commercial and other property can be established by reference to observable transactions, the Governing Board of the Bank has been unable to establish a fair value for the head office land and buildings occupied by the Bank.

There were no impairment losses at balance date.

12. Other Assets

Other assets comprise the following:

Other Assets	2014 US$ "000	2013 US$ "000
Accounts receivable	3.301	3.689
Interest receivable	170	343
Advance payments	4	2
Security deposits	4	4
Prepayments	153	15
Inventories	334	235
Total	**3.966**	**4.288**

Inventories comprise the cost of unissued centavos coins held for circulation. There were no impairment losses at balance date.

13. Government deposits

Government deposits	2014 US$ "000	2013 US$ "000
Consolidated fund	158.548	352.965
Infrastructure fund	19.908	277.586
Human Development Capital fund	2.414	3.225
Total	**180.870**	**633.776**

14. Other deposits

Other Deposits	2014 US$ "000	2013 US$ "000
Domestic financial institutions	136.696	78.784
International financial institutions	26.702	12.628
Total	**163.398**	**91.412**

15. Provision for Transfer of Surplus to Government of Timor-Leste

Article 9 of the organic law no. 5/2011 on the Banco Central de Timor-Leste requires that the net profit of the Bank, after statutory deductions to the General Reserve Account and the Supplementary Reserve Account shall be transferred to the Government of Timor-Leste.

An amount equivalent to 50 percent of distributable earnings shall be credited to the general reserve account until the capital and general reserves equal 10 percent of the total financial assets of the Bank, a transfer to the Government will be made as follows:

Transfer to Government	2014 US$ "000	2013 US$ "000
Balance of General Reserve Account	205	–
Net profit for the year ended 31 December 2014	4.287	411
Transfer to General Reserve Account	–	-205
Total Transfer to Government	**4.493**	**206**

16. Other Liabilities

Other liabilities	2014 US$ "000	2013 US$ "000
Accounts payable	3.470	3.906
Withholding tax payable	157	63
Provision for Long service account	226	189
Letters of Credit	1.249	8.125
Operating accounts	516	11
Total	**5.618**	**12.294**

17. Special Drawing Rights

This item represents the BCTL's liability in relation with Timor-Leste's share of the Special Drawing Rights allocations at the International Monetary Fund of SDRs 7,727,908. The liability amounted to USD 11,800,532 as of December 31, 2014 using the closing exchange rate of USD against SDRs.

Long-Term Liability	2014 US$ "000	2013 US$ "000
IMF SDR allocation	11.801	11.901
Total	**11.801**	**11.901**

18. Capital and Reserves

The capital of the Bank is set at $40,000,000 (2013 - $20,000,000).
The following reserves are established by article 10.1 of the organic law:

- An amount equivalent to 50 percent of distributable earnings shall be credited to the general reserve account until the capital and general reserves equal 10 percent of the total financial assets of the Bank.
- A part of the remaining distributable earnings may, on the proposal of the Governing Board, approved by the Government, be credited to special reserve accounts that may be established by the Bank pursuant to paragraph 4 of Article 8 until such reserve accounts reach a sum that the Governing Board deems appropriate.
- After deduction of the amounts referred to in the previous sub-paragraphs (a) and (b), the remaining distributable earnings shall be used to redeem any securities issued by the Bank, the remainder being transferred to the Treasury as revenue for the general budget of the State.

In addition, the following reserve is established as a consequence of holding assets recognised as available-for-sale:

- A Fair Value Reserve that holds the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

19. Contingent Liabilities

There were no contingent liabilities as at 31 December 2014.

20. Net Interest Income

	2014 US$ "000	**2013** US$ "000
Interest income from Financial Assets		
Interest on deposits at foreign central banks	63	128
Interest from available-for-sale investments	450	914
Interest on deposits at domestic banks	1.983	1.363
Total interest income	**2.496**	**2.405**
Interest paid on Financial Liabilities		
Interest paid on Government accounts	51	228
Interest paid to commercial banks	2	2
Total interest expenses	**53**	**230**

21. Fee and Commission Income

Fees and commissions	**2014** US$ "000	**2013** US$ "000
Currency withdrawal fees	12	20
Licensing and supervision fees	54	55
Government account management fees	500	500
Total fees and commissions	**565**	**576**

22. Petroleum Fund Management Fee

In accordance with the provisions of the Petroleum Fund Law No 9/2005 the Bank is entitled to charge a management fee for the operational management of the Petroleum Fund of Timor-Leste that reasonably represents the cost of managing the Petroleum Fund. The balance of Petroleum Fund at 31 December 2014 (unaudited) was $16, 539 million.

Ministry of Finance agreed to covered internal management fee of BCTL 4 basis points on annual basis. The management fee deducted from Petroleum Fund account was represented 10.0 basis points or $16,451 thousand (2013 – 7.0 basis points) of the average balance of the funds under management during the year. Management fees for custody services, external managers and Investment Advisory Board expenses are directly deducted from the fund with the total cost of $12.305 thousand or 75% of the entire cost. Management fee for internally operational of the fund was $3.116 thousand or 19% of the cost. Thereby, management fee of $14, 922 thousand was charge directly to profit and loss account and $499 thousand was offsetting expenditure accrual. The detail of management fees expenses as shown below.

	2014 US$ "000	**2013** US$ "000
Salary, capacity building and other personnel related costs	857	438
IT services, system and data	402	2.601
Research, consulting and legal fees	928	113
Other costs	5	3
Allocated common costs BCTL	924	628
Fees to Custody and accounting services	3.476	477
Fees to external managers	8.562	2.781
Investment Advisory Costs Offsetting accrual	267 (499)	158 (132)
Total management fees	**14.922**	**8.466**

23. Personnel Expenses

Personnel Expenses	**2014** US$ "000	**2013** US$ "000
Salaries and related payments	881	849
Staff welfare payments	69	70
Capacity building and staff development	170	170
Representation at conferences and meetings	389	252
Total Personnel Expenses	**1.509**	**1.341**

24. Administration Expenses

Administration Expenses	2014 US$ "000	2013 US$ "000
Asset maintenance	42	30
Communications	69	29
Information systems	388	90
General expenses	160	0
Office expenses	188	120
Professional fees	956	913
Other assets management expenses	145	159
Total Administration Expenses	**1.947**	**1.341**

25. Petroleum Fund of Timor-Leste

The Bank is responsible for the operational management of the Petroleum Fund of Timor-Leste in accordance with Law number 9/2005 on the Petroleum Fund Timor-Leste and an Operational Management Agreement signed between the Bank and the Minister of Finance.

Under those arrangements, the following mechanisms have been established by the Bank:

- An "earmarked receipts account" has been opened by the Bank in its own name at the Federal Reserve Bank of New York into which all payments made as petroleum receipts must be made.
- The investments of the Petroleum Fund and related custodial arrangements are made in the name of the Bank.
- The Bank is not liable for losses arising from the operations of the Petroleum Fund unless such losses arise from the negligence of the Bank or its employees.

Taking into account the recognition tests set out in international accounting standards, the assets and liabilities of the Petroleum Fund are not shown on the face of the Bank's balance sheet.

The assets and liabilities of the Petroleum at 31 December 2014* were as follows:

Petroleum Fund Assets	2014 US$ "000	2013 US$ "000
Cash and cash equivalents	66.842	70.190
Other receivables	55.197	47.851
Financial assets at fair value through profit or loss	16.432.458	14.869.088
Less: Pending purchase of securities & account payables	(15.309)	(35.030)
	16.539.189	**14.952.099**
Capital	**16.539.189**	**14.952.099**

Notes: The PF balance sheet is unaudited

26. Related Party transactions

Ultimate Controlling Party

The capital of the Bank is held by the Democratic Republic of Timor-Leste, and carries no voting or other rights of control. The Bank is established as a distinct autonomous public legal entity, accountable to the Government, with control over the financial and operating policies vesting between the Governing Board and the Governor. Article 3.2 of Central Bank law no. 5/2011 gives the Bank complete legal, operational, administrative, and financial autonomy from any other person or entity, including the government and any of its agencies, and subsidiary organs or entities.

Governing Board

There were three members of the Governing Board who were the executive management personnel. The compensation are determined by the Government having consulted the Governing Board based on article 47.1 of Central Bank law no. 5/2011, which is disclosed below.

Executive Board Members Compensation	2014 US$ "000	2013 US$ "000
Board members compensation	228	256
Total	**228**	**256**

Non-Executive Governing Board

There was one members of the Governing Board who was not one of the key management personnel, whose compensation is disclosed below.

Non-Executive Board Members Compensation	2014 US$ '000	2013 US$ '000
Sitting allowance	7	–
Total	**7**	–

Key Management Personnel

The management of the Bank is undertaken by a Management Committee comprising the three senior staff.

Key Management Personnel Compensation	2014 US$ '000	2013 US$ '000
Short-term employee benefits	60	60
Long-term employee benefits	3	3
Total	**63**	**63**

Government-Related Entities

The Bank provides banking services on an arm's-length basis to the Ministry of Finance and other public entities which are exempt from the disclosure requirements of paragraph 18 of IAS 24 – "Related Party Disclosures" in relation to related party transactions and outstanding balances, including commitments. The nature and amount of each individually significant transaction with Government related entities are disclosed in Notes 13,15,22 and 25.

27. Authorisation of the financial statements

These financial statements were authorised for issue by the Governing Board of the Bank on 27 April 2015.

Independent Audit Report

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BOARD OF BANCO CENTRAL DE TIMOR – LESTE

Report on the financial report

We have audited the accompanying financial report of Banco Central de Timor – Leste (the "Bank"), which comprises the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, Notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information.

Governors' responsibility for the financial report

The Governors of the Bank are responsible for the preparation of the financial report that gives a true and fair view in accordance with the International Financial Reporting Standards and the Central Bank Law No. 5 / 2011 and for such internal control as the Governors determine necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Governors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the International Financial Reporting Standards and the Central Bank Law No. 5 / 2011, a true and fair view which is consistent with our understanding of the Bank's financial position, and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's opinion

In our opinion the financial report of Banco Central de Timor – Leste (the "Bank") is in accordance with the requirements of the Central Bank Law No. 5/2011, including:

(a) giving a true and fair view of the Bank's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(b) complying with International Financial Reporting Standards to the extent described in Note 2 and the Central Bank Law No. 5/2011.

KPMG

KPMG

Clive Garland

Partner

Darwin

27 April 2015

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