



ANNUAL REPORT 2024

Operations, Activities and Financial Statements of BCTL



30434
22101.98
Sales
Series plan
Weekly
Monthly
Annual
92671
6813
6398.48
461

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Foreword

It is with great satisfaction, we present the **Annual Report on Operations, Activities and Financial Statements of the Central Bank of Timor-Leste (BCTL) for the financial year 2024**. This report summarizes and presents the evolution of the various activities carried out by BCTL throughout the year, including the disclosure of relevant financial information. The Organic Law of the Central Bank establishes the annual reporting duties of the Central Bank before the President of the Republic, the National Parliament, the Prime Minister and the Minister of Finance.

The Bank remains committed to promoting monetary and financial stability, as well as promoting financial inclusion, through important initiatives. One of its greatest efforts has been the development of a digital payments system. In 2024, BCTL launched the implementation of the Instant Payment System (IPS) and eCentavos. In addition, in partnership with the R-TiMOR provider, the Central Bank has started discussions on upgrading the existing system to R-TiMORv2. This updated version introduces support for ISO 20022 messaging, Multi-Factor Authentication (MFA), and key improvements such as automatic list updates. On the other hand, BNCTL in collaboration with BCTL and its service provider launched UnionPay issuer International, allowing UnionPay cardholders to access BNCTL ATMs and POS devices in Timor-Leste and abroad.

At the same time, the Central Bank continued to make every effort to always maintain sufficient liquidity buffers to meet the needs of cash payments and to ensure the modernization and full functioning of the national interbank payment and settlement system, the R-Timor.

As part of its efforts to promote financial inclusion, BCTL celebrated the 10th anniversary of National Savings Day on November 29, 2024, along with the 4th anniversary of the digital village program, by launching its updated website with a new financial education e-learning platform. At the same time, the new BRIMO and MANDIRI LIVIN mobile apps were launched.

To further develop and strengthen the Timorese financial system while promoting the modernization of banking supervision, the Bank's Board of Directors approved several initiatives and granted a preliminary license to a company to conduct banking activities in Timor-Leste. And to promote credit growth, BCTL started drafting three important laws in 2024: the Insurance Transactions Act, the Insolvency Act, and the Banking Act.

The BCTL continued to work with the Ministry of Finance as well as the Petroleum Fund Investment Advisory Committee on the ongoing reassessment of the Petroleum Fund's



investment strategy as well as its rigorous implementation. The value of the Fund's capital was estimated at USD18,274 million.

In the 2024 fiscal year, BCTL's accounts recorded a positive net result of \$16.5 million, primarily generated by interest earned from the investment of BCTL's reserves and revenue derived from management fees for the Petroleum Fund.

The Bank continued to strengthen its internal policy aimed at enhancing the quality and capacity of its staff, allocating significant financial resources for this purpose.

Finally, as is customary, I, in my capacity as Governor of BCTL, wish to extend my sincere gratitude to all the employees of the Central Bank, as well as to our partners and stakeholders at various junctures, whose continued contributions have been instrumental in the consolidation of the Central Bank and the economic development of our nation.

Hélder Lopes
Governor
Dili, March 27, 2025

1

CHAPTER

The BCTL:

Mission and Core Mandates, Organization, Governance and Activities



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The BCTL main mission consists of continuing to ensure and improve the quality of the services it provides to the community, while maintaining a stable monetary system, as well as promoting a robust and functional financial system.

This mission is pursued by maintaining: a low and stable inflation rate; a secure and efficient payment system; a credible functioning of all financial institutions through the implementation of appropriate regulation, banking supervision and financial education of the population; and, finally, conducting studies on the national economy, supported by rigorous and accurate statistics.

Taking into account the BCTL's mission, this chapter provides an overview of the institution's mandates and functions, its governance structure and the relevant activities of 2024 and the action plan for 2025. This brief summary of annual activities also details the main initiatives developed throughout the year by each of the various functional areas of the BCTL.



Core Mandates and Functions

The BCTL is a legal person governed by public law, endowed with administrative and financial autonomy and its own assets. The BCTL, its entities, employees and agents, enjoy independence and cannot receive instructions from external entities, and its Organic Law guarantees the necessary independence of the Central Bank vis-à-vis the Government.

The main objective of the BCTL, as is common in most international central banks, is to achieve and ensure domestic price stability. Other equally important objectives are the promotion and maintenance of the stability of a financial system based on the principles of a free-market economy and thus fair economic competition. With these objectives and principles as its guiding line, the Central Bank should also support the Government's overall policy in the economic area.





In order to achieve its objectives, the functions of the BCTL are, in accordance with the law:

- a) Define and implement the country's monetary policy;
- b) Define and adopt the exchange rate regime as well as the associated exchange rate policy;
- c) Carry out operations in foreign currency;
- d) Hold and manage the country's official foreign reserves;
- e) Hold and manage the State's gold reserves;
- f) Issuing and managing the official currency of Timor-Leste;
- g) Collect and publish statistical information on the areas of its competence, namely monetary, financial and balance of payments statistics;
- h) Inform the National Parliament, the Government and the general public about the policies it implements;
- i) Establishing, promoting and supervising the national payment system, in order to guarantee the efficient and secure execution of payments;
- j) Regulate, license and supervise financial institutions operating in the country;
- k) To advise the Government on matters within its competence;
- l) Act as fiscal agent of the Government;
- m) Participate in international organizations and meetings that concern the above-mentioned points;
- n) Be a part to contracts and establish agreements and protocols with national or foreign, public or private entities; and
- o) Perform any other activities as defined by law.

Currently, some of these functions are not yet fully performed by the BCTL, due to the adoption of the US dollar (USD) as the country's official currency.



BCTL Organization and Governance

The highest authority of the BCTL is its Board of Directors, which is responsible for formulating the institution's strategies and policies and overseeing their implementation, including supervision of the Bank's executive management and operational activities.

The Governor is the highest executive body of the BCTL, or its Chief Executive Officer, and is assisted by two Vice-Governors and a Management Committee composed of the Directors and heads of various departments of the Bank. At the end of 2024, the Board of Directors was composed of the Governor, two Vice-Governors and four non-executive members. The composition of the Board of Directors and the Management Committee is presented at the end of the chapter.

The BCTL is organized into five main departments: it is department of Financial System Supervision; Banking Payment and Systems; Petroleum Fund; Administration; and Economics Research and Statistics. Some Divisions and Units report directly to the Governor, namely: the Legal Unit, the Internal Audit, the Institutional Cooperation Affairs Unit, the Human Resources Division and the Financial Information Unit. The Accounting and Budget Division is under the responsibility of the Vice-Governor responsible for the supervision of the financial system. The Central Bank is also in charge of the Secretariat of the Investment Advisory Committee of the Petroleum Fund.

The Board of Directors of BCTL continues to adopt the motto abbreviated by the acronym **TIMOR**, representing **T**ransparency, **I**ntegrity, **M**obilization, **O**bligation and **R**esponsibility, essential slogans in the day-to-day life of the institution and its employees.



Valores Institucionais

T ransparency

We are a role model for society and for the institutions, our procedures and rules are clear and applied in a rigorous, universal and consistent way, both internally and externally.

I ntegrity

We exercise our business with honesty, high ethical and moral standards, respecting the confidentiality and legality in all actions and decisions involving our interests and resources.

M obilization

We mobilize to provide the best service to the Timorese community, through the ability to consult, listen and learn so committed.

O wnership

We exhibit a sense of belonging and involvement, establishing as priority the objectives of the institution and showing availability to perform activities beyond the scope of our role.

R esponsibility

We invest in expanding our technical and professional skills, deliver on the responsibilities that are assigned to us and that we proactively seek, through ongoing monitoring of the consequences of our decisions and actions.

A code of ethics is also in force at the BCTL applicable to all employees and external entities that relate to the Bank. The code of ethics includes strict rules on various aspects of the behavior of those to whom it applies. For example, the obligation for each employee of the Bank to perform his or her duties taking into account only the interests of the general public and the BCTL and not his or her individual interests, which includes not taking instructions whatsoever from entities other than those of the Central Bank's legal structures.

Bank employees are also, of course, prohibited from receiving any monetary or other remuneration from any person or institution that may have an interest in influencing their decisions.

1.3

2024

BCTL Activities in 2024

The BCTL has implemented several activities in accordance with the plan defined in 2024, mainly those related to its mission to promote monetary and financial stability, develop the financial system and promote a secure and effective payment system.

BCTL remains committed to its mission to modernize the national payment system. As part of this effort, BCTL carefully monitored the performance of the R-TiMOR system to ensure that it met the needs of stakeholders, its members and participants, in the country's payments ecosystem. These services not only facilitate the seamless movement of transactions for customers, but also provide public institutions, particularly the Ministry of Finance, with real-time access to historical account and sub-account statements, enabling effective treasury management and cash flow forecasting. BCTL continues to work diligently to implement the necessary improvements to the R-TiMOR service system, maintaining close collaboration with the service provider and system participants. In 2024, the Central Bank, in collaboration with the supplier R-TiMOR, started discussions on migrating the current system to an updated version, R-TiMORv2.

The BCTL continued to ensure the full operation of the Real-Time Gross Settlement (RTGS) systems in order to carry out financial transactions with the purpose of meeting the needs of the public, namely the state and commercial banks. For this reason, BCTL also ensures sufficient cash reserves.

The BCTL maintained its commitment to improving the digital payment system and customer service. In partnership with P24 financial institutions and service providers, it has successfully interconnected the tax payment system, the e-wallet system and the BNU

POS. BNCTL has added the acquisition of Union Pay International, allowing Union Pay cardholders to use BNCTL ATMs and POS devices in Timor-Leste. These measures not only increase the efficiency of paying taxes through the e-wallet, ATM, and POS, they also facilitate cardholders at ATMs or POS internationally. In 2024, the BCTL also started the process of implementing the Instant Payment System (SPI) and eCentavos.

To further develop and strengthen the Timorese financial system while promoting the modernization of banking supervision, the Bank's Board of Directors approved several initiatives and granted a preliminary license to a company to conduct banking activities in Timor-Leste. They aim to strengthen public confidence in the financial system and promote the competitiveness of the sector.

And to promote credit growth, expand access to finance, and improve the development of Timor-Leste's financial system, BCTL started drafting three important laws in 2024: the Insurance Transactions Law, the Insolvency Law, and the Banking Law.

Also in 2024, the BCTL and the Ministry of Education (ME) continued working together in implementing the financial literacy program in public elementary schools. The program was carried out in 144 public primary schools, with the commitment and full support of the Ministry of Education, in particular the General Directorate of Education and Teaching.

The celebration of the 10th anniversary of the National Savings Day, on November 29th, 2024, took place at the Dili Convention Centre, Dili municipality. The program consisted of the celebration of the 4th anniversary of the "Digital Village" program. The event was attended by the President of the Republic and the Prime Minister, members of the Board of Directors of BCTL, representatives of financial institutions, and directors of primary and secondary schools. During the session, the new BRIMO and MANDIRI LIVIN mobile applications were launched, and BCTL presented its updated website, with the new financial education e-learning platform.

At the end of 2024, the value of the capital of petroleum found was USD 18,274 million, a slight decrease of 0.12% compared to the previous year. Annual oil revenues from taxes and royalties amounted to \$85 million in 2024, marking a sharp decline of 80% compared to 2023.

In order to maintain the relationship and increase information sharing, the BCTL continued to deepen cooperation with its counterparts and other national and international institutions through the Institutional Cooperation Affairs Unit (ICAU).

Cooperation activities in 2024 have mainly focused on the areas of training, seminars, meetings and technical assistance.

These and other BCTL activities carried out in 2024 are described in more detail in the following section.

1.3.1. National Payment System

1.3.1.1. Interbank Clearing and Settlement System

During 2024, the BCTL continued to act in order to ensure adequate cash reserves for the needs of pecuniary payments, both of the State and of commercial banks. In order to carry out the respective financial transactions, the BCTL ensured the full operation of the RTGS systems.

In view of the social distancing measures introduced in 2020 and 2021 to mitigate the impacts of the Covid-19 pandemic, the BCTL introduced a circular that defines that the activities of the Automatic Clearing House (CCA) system should start to be processed directly by commercial banks. This measure extended through 2022 until now, so commercial banks only make credit notes, and there is no clearing check by the BCTL. For this reason, it has not been possible to record the movements and values in the Central Bank's Interbank Clearing and Settlement System (CEL) since the implementation of this circular.

1.3.1.2. The SWIFT and R-Timor Systems (RTGS)

BCTL provides national and international payment services to the public. International payments are made from the country to abroad and vice versa, always using the SWIFT system and also using the non-SWIFT resource. National payments are, in turn, of two types: high-value and retail. National payments, mainly with regard to retail payments, are directly executed by the CCA, processing payments related to salaries, veterans' benefits, payments to suppliers, which, among others, are processed and transferred to commercial banks. Meanwhile, payments of large amounts, above 200 thousand USD, are always made through RTGS. The RTGS system accepts all transaction amounts, on the contrary, the CCA system does not accept payments exceeding 200 thousand USD.

Table 1.1.

Domestic and International Payments

(Value in millions of USD, Quantity in 10³)

	2023		2024		Change (%)	
National Payments	Quantity	Value	Quantity	Value	Quantity	Value
Automatic Clearing						
House	1,275.85	644.61	1,291.49	1,646.36	1.2	155.4
RTGS-FICT	29.25	6,256.72	26.83	8,216.46	-8.3	31.3
RTGS-SCCT	83.44	1,365.19	92.56	1,646.36	10.9	20.6
Sub Total	1,388.54	8,266.52	1,410.88	11,509.17	1.6	39.2
International Payments						
Outgoing Transfers -SWIFT	2.8	1,585.7	2.1	1,888.1	-24.6	19.1
Incoming Transfers-SWIFT	0.2	381.8	0.3	483.8	29.7	26.7
Sub Total	3.05	1,967.51	2.42	2,371.89	-20.6	20.6
Total	1,391.59	10,234.03	1,413.30	13,881.06	1.6	35.6

Source: BCTL

Table 1.1 shows the statistics value of the national and international payments in 2024. With regard to national payments, 1.411 million transactions were processed, corresponding to a total of \$11.508 million, representing a growth of 1.6% in number of transactions and 39.2% in value compared to 2023. Outgoing payments through RTGS continues to be the main driver of growth in operations, with a year-on-year increase of 31% compared to an increase of 12% last year. At the same time, there is a significant number of operations in CCA, with a weight of 92% in the total operations in RTGS, although, in value, the participation is 14%, due to the fact that CCA only processes low-value operations.

On the other hand, 2,400 international transactions were processed, in the amount of \$2,372 million. This represented a 21% decline in volume, but a 21% increase in value in year-on-year base. The decrease in the volume of international payments was mainly due to the decrease in transfers made abroad, which accounted for 81% of international payments made in 2024. That year, transfers to abroad decreased by 25% in number and increased by 19% in tradable value compared to 2023.

Table 1.2 also shows the data on international transactions, corresponding to transfer and receipt transactions carried out by commercial banks in 2024, so only transactions carried out via SWIFT are included.

Table 1.2.

SWIFT Transfers Incoming and Outgoing

(Value in millions of USD, Quantity in 10³)

	2023		2024		Change (%)	
Transfer Incoming	Quantity	Value	Quantity	Value	Quantity	Value
SWIFT	44.7	506.4	40.8	460.0	-8.9	-9.2
Non-SWIFT	36.9	217.8	54.6	263.7	48.1	21.1
Sub-Total	81.6	724.2	95.4	723.7	16.9	-0.1
Transfer Outgoing						
SWIFT	23.3	1,384.9	32.3	821.1	38.4	-40.7
Non-SWIFT	75.6	1,008.4	55.7	1,158.0	-26.3	14.8
Sub-Total	98.9	2,393.3	88.0	1,979.1	-11.0	-17.3
Total	180.5	3,177.6	183.4	2,702.8	1.6	-13.3

Source: BCTL

The number of external transfers received and carried out in 2023 via SWIFT amounted to a total of 41 thousand and corresponded to the value of \$460 million, so they decreased by 8.9% in number and 9.2% in value. On the other hand, transfers made outside the SWIFT (non-SWIFT) system reached a volume of 55 thousand, which corresponded to a value of \$264 million, which translated into an increase of 48% and 21%, respectively. Meanwhile, transfers abroad totaled 88,000 transactions, with a value of \$1,979 million, which resulted in a decrease of 11% in terms of quantity and 17% in value transferred. Transfers through the SWIFT system were the main driver of the drop-in activity, with a 41% decrease in value despite a 38% increase in volume. By contrast, transfers outside the SWIFT system contributed to the decline in terms of volume, decreasing by 26%, while their value increased by 15%.

1.3.1.3. The P24 System

The P24 system makes use of the R-TiMOR interbank network, allowing you to automatically settle the net value of each bank's transactions on a daily basis, 24 hours a day and 7 days a week. The implementation of the P24 electronic system has as its main objective is to reduce the use of physical money (cash) in population's daily transactions. P24 has allowed people without bank accounts, and those who are far from banks, to access electronic means of bank transfers and payments that are accepted in local markets and shops.

Table 1.3 summarizes the evolution of transactions carried out in the P24 system in the country during 2024.

Table 1.3.

P24 System

(Value in millions of USD, Quantity in 10³)

	Financial Transactions				Non-Financial Transaction
	Cash Withdrawal		Transfer		Balance Inquiry
	Quantity	Value	Quantity	Value	
2023	2,136	529.4	18.2	8.365	1.9
2024	4,441	576.7	38.0	11.107	1.8

Source: BCTL

The numbers show a significant growth in financial transactions in P24. In 2024, 4.4 million cash withdrawals were carried out through the P24 system, corresponding to a value of \$577 million, which resulted in an increase of 7.4% in quantity and 9% in value. Regarding the level of transfers made in the P24, 38 thousand operations were registered, totaling \$11 million, which corresponds to an increase of 109% and 33%, respectively, compared to 2023.

1.3.1.4. The E-Wallet System Service

The Mosan and T-Pay system are the electronic wallet (E-Wallet) services providers that allow their users to make money transfers, withdraw and deposit money in their wallets, top up mobile phone balances, make electricity prepayments and consult the balances and transaction histories made.

For prudential reasons, limits have been imposed on the Mosan and T-Pay systems. In the case of the Mosan system, a maximum balance per account of \$500 and a maximum deposit balance of \$300 per day has been stipulated. For the T-Pay system, the maximum transaction is 300 USD per day, and the maximum balance per account is 300 USD. Mosan and T-Pay Agents, which function as ‘transaction points’, allow your customers to:

- Transfer and receive funds;
- Deposit and withdraw money;
- Make purchases (use the QR-Code), including topping up mobile phone balance and electricity payment; and register the user/account and update the customer’s information.



Mosan and T-Pay thus allow access to basic financial services to citizens of sucos and villages who live far from the main urban centers and to citizens who still do not have access to formal financial services in Timor-Leste.

Table 3.4 presents the statistics on transactions carried out by this service in 2024. The levels of use of the Mosan and T-Pay system have increased moderately. In 2024, there were 5,583 thousand transactions, corresponding to \$71 million, which represents an annual reduction of 6% in volume and 19% in value.

Table 1.4.

E-wallet Service Transaction

(Value in millions of USD, Quantity in 10³)

	2023		2024		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Transfer	385	48.639	403	41.416	4.6	-14.9
Cash-in	968	17.814	1,111	16.295	14.8	-8.5
Cash-out	388	14.816	95	5.986	-75.5	-59.6
Top-up	2,544	3.024	1,802	2.488	-29.2	-17.7
Buy data	1,275	2.361	1,747	3.551	37.1	50.4
Utility Payment	399	1.575	425	1.468	6.4	-6.8
Total	5,958	88.229	5,583	71.204	-6.3	-19.3

Source: BCTL

1.3.1.5. Banking System

Table 1.5 summarize the evolution of transactions in ‘cash’ (coins or banknotes) and other means carried out by commercial banks in Timor-Leste. The number of ‘currency’ transactions carried out in 2024 totaled 6 million, corresponding to 0.08% of the total number of transactions carried out, with a face value of \$4 million. These figures translate into a 10% increase in number and a 25% reduction in value, compared to 2023. Transactions in means other than “currency”, on the contrary, accounted for 99.9% of the total number of transactions in the country, or 7,613 million transactions, and corresponded to an aggregate value of \$1,607 million. These values represent an increase of 54% in number and 56% in value compared to 2023.



Table 1.5.

Cash and non-Cash Transaction

(In millions of USD)

	2023		2024		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Cash Transaction	5,505	5,378	6,058	4,040	10.0	-24.9
Non-Cash Transaction	4,959	1,030	7,613	1,607	53.5	56.1
Total	4,964	6,408	7,619	5,647	53.5	-11.9

Fonte: BCTL

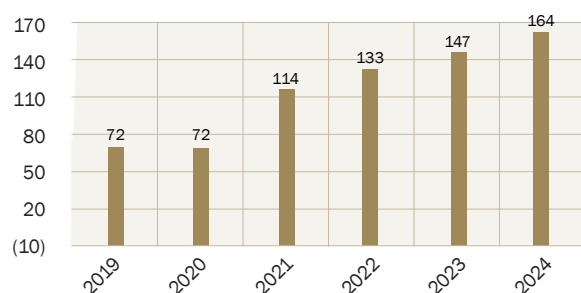
BCTL remains committed to increasing the efficiency and effectiveness of economic transaction settlements by promoting a greater uptake of electronic payment methods and digital financial services. To achieve this objective, the BCTL continues to drive the significant expansion of non-coin-based automatic payment services using the national interconnection system to widen access to payment services. This strategy aims to encourage the widespread use of debit and credit cards, as well as mobile phones, as key platforms to facilitate payments.

Graphs 1.1 and 1.2 shows the evolution of the number of payment terminals installed in the country. In 2024, automated teller machines (ATMs) totaled 164 units, while Point of Sale (POS) terminals amounted to 577 units. These figures represent an annual increase of 12% for automated teller machines (ATMs) and 43% for POS.

Chart 1.1

Automatec Teller Mechine (ATM)

Number of ATM

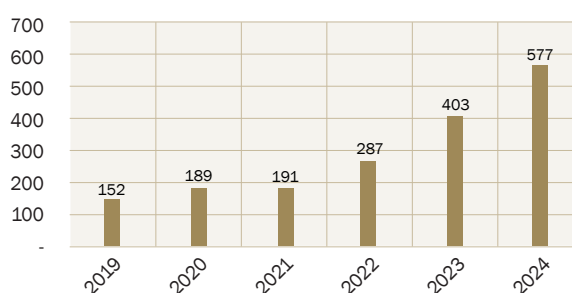


Source: BCTL

Chart 1.2

Point of Sale (POS)

Number of POS



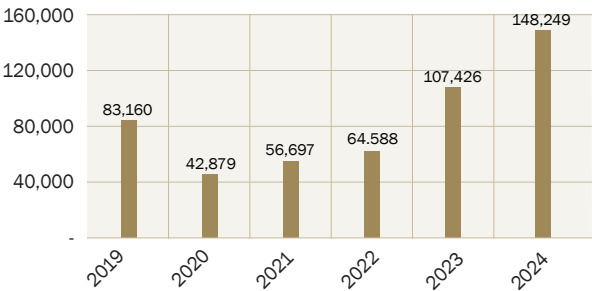
Source: BCTL



The evolution of bank cards issued in Timor-Leste is shown in Graph 3.3. In December 2024, the total number of cards in circulation reached approximately 148.3 thousand, reflecting an annual growth of 38%. In terms of composition, debit cards increased by 38%, while credit cards grew by 72% compared to the previous year. This growth highlights improved access to the banking system and the increasing adoption of digital payment systems across the country.

Chart 1.3

Number of Banks Cards



Source: BCTL

The continued growth in the number and degree of use of bank cards reflects the effective interest of users in these means of payment and the modernization and growing digitalization of our financial system.

1.3.1.6. Currency Import and Export

A central fundamental function of the BCTL is to manage the country’s official currency. In this sense, the BCTL plays a key role in ensuring that the national economy has adequate means of payment to support economic growth and meet the ongoing needs of economic agents. The BCTL’s efforts are crucial to maintaining public confidence in the national currency, consistently meeting the demand for banknotes and coins while protecting their physical integrity.

Since the country uses banknotes from another country and its own coins, but not manufactured in the national territory, the supply of physical means of payment to the national economy (coins and banknotes) requires the importation of cash and, in the case of banknotes, when they reach a very low degree of conservation, their re-export to the country of origin, the United States of America.

Table 1.6.

Currency Transaction and Movement

(in millions of USD)

Denomination	Import		Re-circulation		Deposit		Weight 2024			Change (%)		
	2023	2024	2023	2024	2023	2024	Importação	Re-circulação	Depósito	Importação	Re-circulação	Depósito
100	3.2	3.2	5.5	4.4	1.7	1.9	2.1	0.6	0.3	0	-20	12
50	1.6	0.0	1.7	1.8	1.2	1.6	0.0	0.3	0.3	-100	6	35
20	120.6	91.8	257.9	436.9	153.1	343.4	61.2	62.0	61.1	-24	69	124
10	60.2	53.4	166.8	259.5	112.1	212.5	35.6	36.8	37.8	-11	56	90
5	2.0	1.6	2.0	1.8	1.5	2.6	1.1	0.3	0.5	-20	-8	76
Total	187.6	150.1	433.9	704.4	269.6	562.0	100	100	100	-20	62	108

Source: BCTL

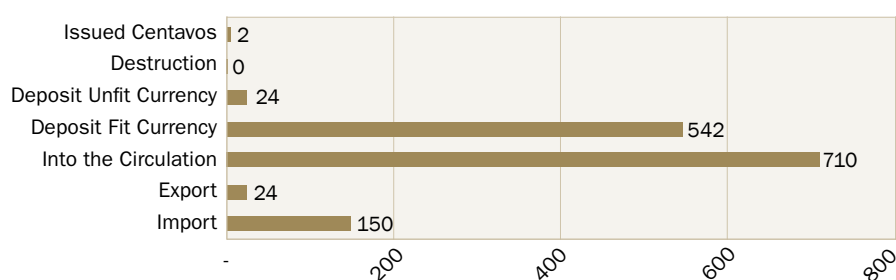
During 2024, BCTL imported 150 million USD banknotes, representing a year-on-year decrease of 20%, and put into circulation a total of \$709.7 million, including coins (centavos), which corresponds to a total annual increase of 64%. The amount put into circulation was higher than that imported by a difference of more than \$560 million. This excess was due to the inflow of deposits and the existence of reserves.

The USD 20 banknotes continue to be the most used in transactions in the country, followed by the USD 10 denomination (see in table 3.6). The USD 20 and USD 10 banknotes accounted for 61% and 36% of total imports, 62% and 37% of circulation in the economy, and 61% and 38% of the total (re)deposited (fit currency) by banks with the central bank, respectively. Due to their frequent use, these two denominations have a very low degree of conservation, so the (re)deposited amounts of “unfit currency” and their repatriation to the country of origin had a significant weight as in previous years - 37% and 48% of (re)deposits, and 47% and 28% of repatriations, respectively, in 2024.

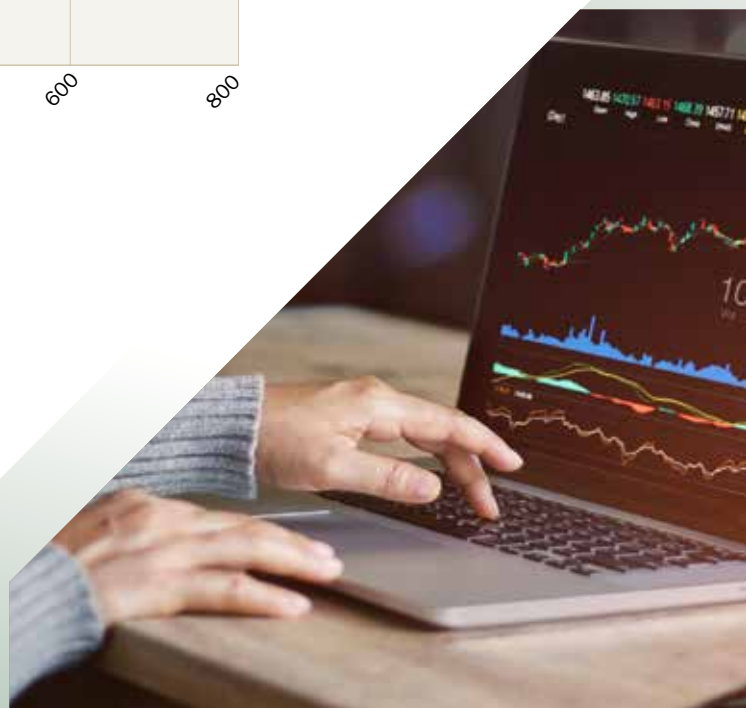
A total of 5.3 million centavos were put into circulation in 2024, with 2.1 million centavos issued as new coins that year. The 200-cent coin had a total circulation of 130 thousand centavos, representing 2.5% of the total, reflecting a significant drop of 91% in 2024, after a 158% increase in 2023. On the contrary, the 100-cent coin had a 6% drop in circulation, after a 15% drop in 2023, bringing the total to 3.2 million centavos in 2024. The denomination of 50 cents coin recorded a circulation value of 1 million centavos, representing 19% of the total and marking an increase of 47% decrease compared to 2023.

Chart 1.4

TL: Currency Transaction 2024



Source: BCTL



Box 1. Modernization of Timor-Leste's Payment System

1. The R-TiMOR System

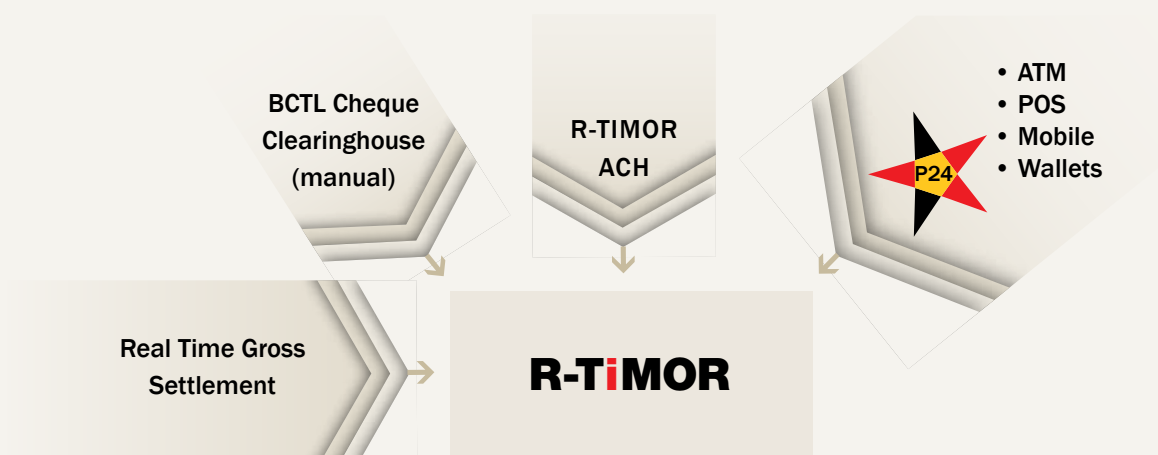
In 2015, BCTL launched the R-TiMOR system, an integrated network service that allows participants to make electronic payments in Timor-Leste between individuals, companies, public institutions and other entities. The R-TiMOR system is managed by the Central Bank, which ensures the operationalization of services to its members and participants. BCTL continues to improve the quality of services provided by R-TiMOR in order to maintain an efficient and effective national payment system through '*Straight Through Processing* (STP)'. In fact, STP has already been implemented and is currently used in all commercial banks and the Ministry of Finance.

The number of participants in the R-TiMOR system is divided between direct and indirect participants. By the end of 2024, the number of direct participants remained at 7 participants, while the number of indirect participants registered an annual increase of 4% compared to 2024, to a total of 141 participants. Indirect participants consist of Autonomous Agencies, Municipalities and Special Funds and all supervised by the Ministry of Finance. The system allows indirect participants to process their payments directly using the Government Resource Planning (GRP) system installed at their workplaces.

The Central Bank continues to coordinate with relevant participants and parties to implement the necessary improvements that will facilitate direct payments and enable the processing of all types of payments to the State (e.g., taxes, tenders etc.) from any bank participating in R-TiMOR.

In 2024, the Central Bank, in collaboration with the R-TiMOR provider, started discussions on migrating the current system to a new version. The new version, R-TiMORv2, includes the following features: support for new ISO20022 messages, real-time monitoring, monetary tools, a new payment flow and automatic updates of multiple lists, introduction of Multi-Factor Authentication (MFA) and an invoicing module.





2. The National Card and the Payment Switch Projects

In partnership with SIBS International, from Portugal, hired in 2017, BCTL developed the National Card Project and the Interconnection of the Payment System, called “P24” (the “P” derived from the words ‘Pagamentu, Pagamento, Payment and Pembayaran’). The P24 system offers a wide range of financial services available 24 hours a day and 7 days a week.

Since the end of 2022, all the Banks that operate it in Timor-Leste - Caixa Geral de Depósito (CGD), Bank Mandiri, Bank Rakyat Indonesia (BRI), and National Bank of Commerce of Timor-Leste (BNCTL) - have joined this P24 system. With the integration of the ATM network of these banks to the P24 system, customers of each bank can carry out transactions at the ATMs of other banks with the P24 logo.

In October 2020, BCTL, in collaboration with the banks participating in the P24 system and the Tax Authority of the Ministry of Finance, completed the Tax Payment functionality through P24 ATMs. This step is one of the essential elements of the National Payment System, allowing P24 cardholders to pay taxes electronically through any ATM that displays the P24 logo, without the need to go to their banks. In September 2023, the Central Bank together with the P24 provider, made available an additional feature for paying taxes through POS devices. This solution offers an additional option for efficient tax payment, without the need to use a bank ATM, as soon as the Tax Authority of the Ministry of Finance makes the POS devices available at its tax payment counters. The P24 system is linked to the Central Bank’s R-TiMOR settlement system, ensuring that taxes received are subsequently credited directly through processing in the Government Consolidated Account through the R-TiMOR system.

These new tax payment features were jointly launched by BCTL and the Ministry of Finance, in an official ceremony on March 5, 2021. The provision of access to these services has been one of the key strategies of the Central Bank to modernize, strengthen and develop the financial sector to support economic growth and one of the Government's priorities to promote "e-government" in order to simplify and facilitate the realization of public services and the governmental inclusion of citizens.

In 2020, BCTL in collaboration with P24 participants, completed the interconnection of the "Mobile Switch" with the P24 system. This step allowed the e-wallets, were composed of Mosan (from Telemor Fintech Lda) and T-Pay (from Tellin Solution Lda), to transfer funds from bank accounts to e-wallet accounts and vice versa (B2W2B)

In 2022, BCTL and BNCTL finalized the process of integrating Union Pay International, Master Card validation and BNCTL POS into the P24 system. This integration allows travelers or Union Pay cardholders to carry out transactions at BNCTL ATM machines in Timor-Leste with the P24 logo. In 2024 After the completion of the Union Pay Acquisition, BNCTL started in collaboration with BCTL and its service provider, the issuance of union payment and in September 2024 BNCTL completed and launched UnionPay Issuer (contactless & 3D Secure). This will make it easier for cardholders to conduct transactions at the country and abroad and will make it easier for cardholders to efficiently conduct financial transactions online. On the other hand, the Central Bank also authorized BNCTL in 2023 to start and open a project with Mastercard for the Acquisition (reached 90% in 2024) and Mastercard Issuance.

BNU Timor's Visa contactless and 3D Secure had been integrated into P24 in previous years. In 2023, BNU Timor, in collaboration with BCTL and relevant parties, completed the integration of Mastercard Acquiring into P24. International Mastercard holders visiting Timor-Leste can now conduct transactions at BNU's ATMs and POS devices.

In June 2024, the Customs Authority working with the BCTL launched the electronic payment system through the integration of ASYCUDA Customs and the P24 platform. The system is part of the Balcão Único Nacional Project and will allow merchants to make payments directly through the P24 ATM, without the need for stamps or signatures.

The integration of bank ATMs and POS devices, international payment schemes (such as Visa, Union Pay and Mastercard) and interconnection of e-wallets into the P24 system has enabled the system to be fully integrated, interconnected and interoperable. Thus, Timor-Leste has become a country that adopts the modern payment systems of the region, facilitating efficient and systematic transactions necessary for the economic development and growth of the country.

3. The Implementation of the Instant Payments and E-Centavos System

As described in Pillar 2 of the Strategic Plan for the Development of the Financial Sector 2025-2035, the Central Bank started in 2024 the process of implementing the Instant Payment System (SPI) and e-Centavos. Once these systems are completed, various benefits and outcomes can be expected for individuals, businesses, and the financial system as a whole. Specifically, improvements are expected in the following areas of greater financial inclusion, greater security and transparency, cost reduction, support for innovation in financial services and minimization of dependence on physical cash.



During the year 2024, the BCTL received a total of 101 applications from individuals and companies interested in establishing financial activities in the country. Among these applications, BCTL granted a preliminary license for the “Bank of Our Future”, allowing the institution to start its banking activities in Timor-Leste. This preliminary approval outlines the necessary requirements that must be met within one year to officially establish the bank’s operations. The BCTL also granted the extension of the preliminary license to the Ti-Oan Company to manage the branch of digital payment business, specifically the e-wallet in the country, rejected an MTO application, issued Letters of No Objection to 12 pawnshops, and refused a pawnshop application.

In addition, the BCTL, through its licensing and regulation division (DRL), has held seminars in several municipalities with the aim of disseminating information on the licensing, regulation and supervision of money transfer activities in the country. These initiatives aim to promote a greater understanding of the regulatory process and strengthen compliance with established standards.

To protect the public from financial crime schemes, the BCTL, through the DLR, conducted research and gathered information on companies and individuals that use online platforms to offer fraudulent financial services. The objective is to identify the characteristics of these crimes and define preventive measures to safeguard the population. The results are published on the BCTL’s website and official pages, while pamphlets and brochures are distributed to financial institutions and the general public, to raise awareness and prevent social media fraud.

The DLR also collaborates with the Payment System Supervision Division (PSSD) to process applications and carry out inspections of all FINTECH entities established in Timor-Leste. In addition, DLR has a partnership with the Department of Payment System (DPS) to carry out public awareness campaigns on the circulation of counterfeit money, with the aim of protecting the population from financial fraud.

The BCTL, through the Supervision Division, continues to supervise financial institutions to ensure full compliance with the laws and regulations in force.



Box 2. Financial Education Program in Timor-Leste

2.1. Financial Literacy Program in Primary Schools

The Financial Literacy Program (FLP) in Primary Schools is a regular initiative organized by BCTL in partnership with the Ministry of Education of Timor-Leste (METL) under the second version of the Memorandum of Understanding, signed in 2020. Initially launched as a pilot project in 2016, the program was followed by a monitoring and evaluation phase to assess its effectiveness and efficiency. In addition, BCTL conducted several training sessions for instructors to improve the quality of financial literacy for students.

Throughout 2024, the BCTL held regular meetings with the designated METL Director who acted as focal points to discuss any challenges encountered during the implementation phases of the program. These discussions aimed to ensure progress in line with the objectives of the program.

To ensure and guarantee the continuation of the financial literacy education program, the BCTL and the Ministry of Education on April 11, 2024, organized a technical meeting with the directors and the superintendent of METL from all municipalities. The meeting aimed to provide a brief update on the progress of the program's implementation in primary schools during previous periods and outline plans for the coming years. During the session, METL representatives also distributed a circular letter to METL directors in all municipalities, including RAE OA. This charter serves as a formal guideline instructing designated to schools where introduce financial literacy as an extracurricular subject.

After the circulars were distributed, BCTL conducted monitoring and evaluation activities using two approaches. First, pre-monitoring was carried out through phone call interviews with directors to confirm that the designated schools had received and implemented the circular letter. Secondly, the BCTL coordinated with the METL, through the General Directorate of Education and Teaching, the holding of face-to-face meetings with the directors and superintendents of the METL at the municipality level. These meetings aimed to assess the progress of the program's implementation and distribute financial education books to schools that plan to expand the initiative.

Between May and October, the number of students attending financial literacy classes fluctuated. Attendance peaked in June, reaching 2,122 students — 1,080 male and 1,042 female. On average, 1,267 students participated in these classes each month, as can be seen in the table below:

Number of Students

Month	Male	Female	Total
Jan-24	-	-	-
Feb-24	-	-	-
Mar-24	-	-	-
Apr-24	-	-	-
May-24	230	202	432
Jun-24	1,080	1,042	2,122
Jul-24	907	839	1,746
Aug-24	603	589	1,192
Sep-24	691	673	1,364
Oct-24	356	388	744
Nov-24	-	-	-
Dec-24	-	-	-
Total	3,867	3,733	7,600

2.2. E-Learning Platform for Financial Literacy

As part of the action plan outlined in the National Strategic Plan for Financial Literacy 2022-2027, BCTL has started to develop an online financial education program platform.

The objective of this e-learning platform is to expand the reach of the financial education program to all segments of the community, especially to specific groups, in order to improve their understanding and accessibility to financial knowledge.

During the design and development of the platform, BCTL conducted research, reviewed various websites as benchmarks, and held discussions with other central banks to gather detailed insights into the structure and design of the platform.

In its initial phase, the platform will be integrated as a section on the BCTL website. The target audience includes the community in general, with a focus on household and micro, small and medium enterprises. The platform will feature three main tools: a family budget calculator, a business budget calculator, and the “Hau-nia Futuru” account calculator.

The main objectives are to provide information on budget management, allowing users to track their daily and monthly expenses in relation to their income using a digital calculator. Business owners are also encouraged to use this tool to monitor the performance of their business.

On November 29, 2024, in Dili Convention Centre, the Governor of BCTL, Mr. Helder Lopes, officially launched the platform as part of the celebrations of the 10th Anniversary of the National Savings Day and the 4th Anniversary of the Campo Digital Program.

2.3. Training Program for Local Entrepreneurs

The BCTL has committed to building the capacity of micro, small and medium enterprises (MSMEs) through cooperation and collaboration with IADE (Institute for Business Development Support) and CCI-TL (Chamber of Commerce and Industry of Timor-Leste), providing training in bookkeeping and accounting.

The main objective of this training is to improve the management skills of entrepreneurs in basic accounting and bookkeeping by enabling participants to produce financial reports, such as balance sheets, income statements and cash flow statements. The basic accounting training for MSMEs covers the following topics:

- Record keeping of financial operations
- Registration of cash and credit transactions
- Accounting benefits to run the business
- Calculation of business results and preparation of income statement reports
- Preparing a Balance Sheet and Statement of Cash Flows
- Overview of financial management and financial documentation

In 2024, training for MSMEs was carried out in the municipalities of Aileu and Covalima. The program aims to equip Timorese MSMEs with the skills to manage their businesses and document transactions, allowing them to monitor cash flow and assess profits or losses. The program was carried out over three days. During the training in the two municipalities, 33 MSME participants were trained, including 14 men and 19 women. Broken down by sector, there were 18 participants from the construction sector, 9 from services and 9 from retail.

Since the program's inception, a total of 318 individuals have completed basic training in accounting and bookkeeping. The training was held in several municipalities,

including Dili, Manufahi, Baucau, Viqueque, Bobonaro, Ainaro, Covalima and Aileu, as well as RAEOA. Of the 318 participants, 177 were women and 141 were men.

2.4. Cooperation with the Secretary of State for Cooperatives (SECoop).

In early 2024, to improve the financial education training program for SECoop members, BCTL and SECoop agreed to revise their existing memorandum of understanding (MoU), broadening the scope of cooperation to include digital financial literacy.

As a result, in April 2024, the Governor of BCTL Mr. Helder Lopes and Secretary of State of SECoop, Mr. Arsénio Pereira da Silva, signed the updated version of the MoU. This MoU aims to accelerate the development of SECoop members' skills and knowledge in financial education, digital financial literacy and economic infrastructure.

Digital financial literacy is essential for cooperative members to effectively use digital financial services in the country and plays a key role in the growth and sustainability of cooperatives. It empowers members to make informed financial decisions, understand the financial health of their cooperative, and actively participate in the management of the organization.

Under this MoU, BCTL commits to work with SECoop to expand the digital financial literacy program. This collaboration includes: 1) encouraging credit and savings unions to adopt banking software and other payment platforms; 2) promote the use of digital transactions among cooperatives; and 3) support SECoop to make digital financial literacy a mandatory training or compliance requirement for cooperative leaders.

After the signing of the new MoU, BCTL organized a training and awareness program for the management team, directors and members of SECoop. In addition to addressing digital financial literacy, BCTL teams also provided training on the official currencies (centavos and US dollars) circulating in the country, such as the detection of counterfeit currencies and information on the Children's Savings Account (Hau-nia Futuru). During this outreach, BCTL interacted directly with commercial banks and e-wallet providers to present its online payment products to event attendees.

In December 2024, BCTL organized a training program for the members of the Credit Union "LAKON NAKUKUN MOSU NAROMAN" (LANAMONA), with the participation of 15 participants, including 8 women and 7 men. The training focused on supporting LANAMONA with financial planning, promoting savings behavior, educating about asset protection through insurance, providing an overview of the digital payment system, and helping participants become more familiar with official currencies.



2.5. National Savings Day and Digital Village Program



PROGRAMA NASIONAL BA EDUKASAUN FINANSEIRA

“Poupa Agora Di’ak Ba Futuru”



The 10th anniversary of the National Savings Day and the fourth anniversary of the Digital Village Day were celebrated in Dili, on November 29th, 2024, at the Dili Convention Centre. Prior to the main event, BCTL organized a pre-activity on digital financial literacy aimed at Central Primary School students, university students and members of cooperatives (under SECoop) in Dili. The event addressed three main themes. First, the focus was on how to prepare a budget and save money, aiming to improve the participants’ skills in managing their finances and encouraging savings. Second, it provided insights into centavos and US dollars as official currencies in the country, along with techniques for detecting counterfeit money. The aim was to increase the participants’ ability to distinguish between genuine and counterfeit money, reducing the risk of losses and preventing the spread of counterfeit currency in Timor-Leste. Finally, the event raised awareness of the digital payments available in the country, emphasizing the importance of financial products and services from banks



and fintech, including digital payment options. During the pre-activities, commercial banks were actively involved in the presentation of their products and services, while e-wallet providers presented their digital payment solutions.

The anniversary event was organized in two sessions. The morning session featured an exhibition and presentations from commercial banks, fintech services, ODTI services and insurance companies, showcasing their products and services. About 100 students from five schools of Dili Central Basic School— EBC Farol, EBC Fatumeta, EBC Manleuana, EBC 30 de Agosto and EBC Sergio Vieira de Melo — participated in the session.

In the afternoon session, the celebration was attended by His Excellency the President of the Democratic Republic of Timor-Leste, Sr. José Ramos Horta, and His Excellency the Prime Minister of Timor-Leste, José Alexandre Xanana Gusmão, along with other leading positions. During the session, the new BRIMO and MANDIRI LIVIN mobile applications were launched, and BCTL also unveiled its updated website, which includes the new financial education e-learning platform.

At the end of the event, BCTL delivered certificates of recognition to the key stakeholders who contributed to the successful implementation of the financial education program. The certificates were delivered to Mr. Apolinário Serpa Rosa, current director of the Department of Pre-school, basic school and Recurrent school of the Ministry of Education, and to Mr. Aurito K.R. Bahan, current director of the Institute for Business Development Support (IADE).

2.6. “Ha’u-Nia Futuru” Accounts



CHILDREN’S SAVINGS ACCOUNTS “HA’U-NIA FUTURU”



The Há’u-Nia Futuru savings program is designed for children up to the age of 17, with the main objective of promoting formal financial inclusion for children and household. Each month, banks provide to the BCTL with reports on the progress of Ha’u Nia Futuru savings account in order to monitor their developments. The benefits of these savings are that children need only one dollar (USD 1) to open an account, there are no administration fees, and they benefit from a remuneration rate of 1.5% per year. To open this account, only the birth certificate and the identification card of the parents are required.

The Hau Nia Futuru savings account continues to show positive progress. In 2024, the number of beneficiaries reached 26,663, with 13,284 boys and 13,379 girls. The total funds accumulated in these accounts reached \$14.6 million, with \$7.2 million held by boys and \$7.4 million by girls. This represents an increase of 11.5% compared to the previous year.

In terms of breakdown by municipality, noted that Dili was the municipality with the highest depositors, representing 68.87%, followed by Baucau with 5.59% and Lautem with 3.21%. Meanwhile, the municipalities that had a small number of accounts of this type of savings were Ermera with only 1.96%, Viqueque 1.85%, Oecusse 1.75% and Ainaro 1.08%.

In terms of the value of savings by age group, children aged 6 to 10 held the largest share, with 32.45%, followed by those aged 11 to 14, with 19%. Customers over 15 years old accounted for 26.19%, while the group from 0 to 5 years old accounted for 9.17%. The diagram below illustrates the total amount deposited (in USD) for each month from January to December 2024.

The value of UFH savings showed a positive growth trend from December 2023 to December 2024, starting with an increase of 1.7% in January and reaching 11.31% by the end of the year, equivalent to an increase of \$1.4 million.

1.3.2.2. Insurance Companies

There are three insurance institutions in Timor-Leste: SinarMas General Insurance (SMI), SinarMas Life Insurance (SMIL) and Federal Insurance Timor (FIT). The sector recorded a positive evolution in the set of services provided in the country and as well as in the general insurance and life insurance to the various sectors of activity. The following is detailed information about insurance products in the country.

The insurance activity had total assets of \$31.8 million in December 2024, a growth of 54.7% compared to 2023. This growth can be attributed to a significant increase in technical forecasts with some contributions in subscription premiums and observed investments. Most of the assets held by the insurance sector are cash on hand and investments, which represent 22% and 65% of total assets, respectively.

In the same year, total liabilities increased by 34 percent to \$14.5 million at year-end. The increase was driven by accumulated reserves, including unearned premiums and outstanding balances, which accounted for 91%. This growth was largely attributed to the implementation of credit risk mitigation policies. The composition of liabilities was dominated by unearned premiums and outstanding claims of 85% and 5%, respectively.

Total net equity increased again, registering an annual growth of 65% in 2024 (\$8.1 million to \$13.4 million). As in 2023, this increase was largely due to retained earnings and retained earnings during the year (\$7.6 million in 2023 and \$3.9 million in 2023).

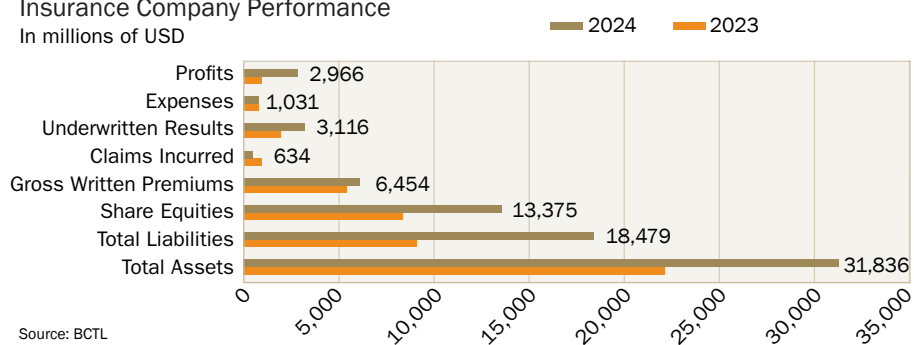
Premiums grew 16.5% to \$6.5 million compared to \$5.5 million recorded in 2023, reflecting the impact of the increase in insurance contract maturity.

Profitability remains positive in the sector, with a growth of 32.7%, reaching \$2.6 million in 2024, compared to \$1.2 million in 2022.

Graph 1.5 illustrates the evolution of the main measures for evaluating the annual performance of the Insurance activity.

Chart 1.5

Insurance Company Performance
In millions of USD



Source: BCTL



Box 3. Publication of the Timor-Leste Mutual Evaluation Report.

The Asia/Pacific Group (APG) conducts mutual evaluations on the prevention of money laundering and combating the financing of terrorism (AML/CFT) to assess a country's legal framework and the effectiveness of its measures in combating financial crime. The main objectives of these assessments include:

- Assess the country's compliance with international AML/CFT standards,
- Identify the strengths and weaknesses within the system,
- Evaluate the effectiveness of existing measures and
- Provide recommendations to improve regulatory and operational frameworks.

This evaluation process takes place every ten years.

From 25 to 27 October 2022, the APG Secretariat conducted the first Mutual Pre-Assessment Assistance (Pre-MER) Visit in Dili to support Timor-Leste in the preparation of its second Mutual Evaluation, scheduled for 2023-2024. Subsequently, from 15 to 17 August 2023, APG carried out the second Pre-Mutual Evaluation visit under the Mutual Evaluation process. This marked the second Mutual Evaluation of Timor-Leste, following its initial evaluation in 2011/2012.

During this mission, discussions focused on Timor-Leste's technical compliance with international standards, defining the scope of Mutual Evaluation, and planning the face-to-face visit scheduled for 18-28 September 2023. During the visit, the evaluation team analyzed Timor-Leste's framework to combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The assessment went beyond technical compliance with Financial Action Task Force (FATF) standards, also assessing the effectiveness of Timor-Leste's implementation of AML/CFT measures based on the 2013 FATF assessment methodology.

During the visit, the evaluation team held meetings with government authorities, including representatives of the Central Bank of Timor-Leste, as well as the private sector and civil society organizations. Timor-Leste's commitment to the evaluation process was emphasized in discussions with the Prime Minister and the Minister of Justice. After the visit, the evaluation team prepared the Mutual Evaluation Report, which was reviewed and appreciated at the 2024 APG Annual Meeting.

Finally, in the third round, the Timor-Leste Mutual Evaluation Report (RAM) was formally adopted by APG members at the Annual Meeting held in September 2024 in Abu Dhabi, United Arab Emirates. The report offers a detailed overview of Timor-Leste's AML/CFT system from the on-site visit in September 2023. Following the completion of the post-adoption review process, the APG is pleased to present Timor-Leste's final report.

This mutual evaluation report was prepared to serve as a comprehensive reference for the continuous improvement of Timor-Leste's AML/CFT system.

1.3.3. Management of the Petroleum Fund

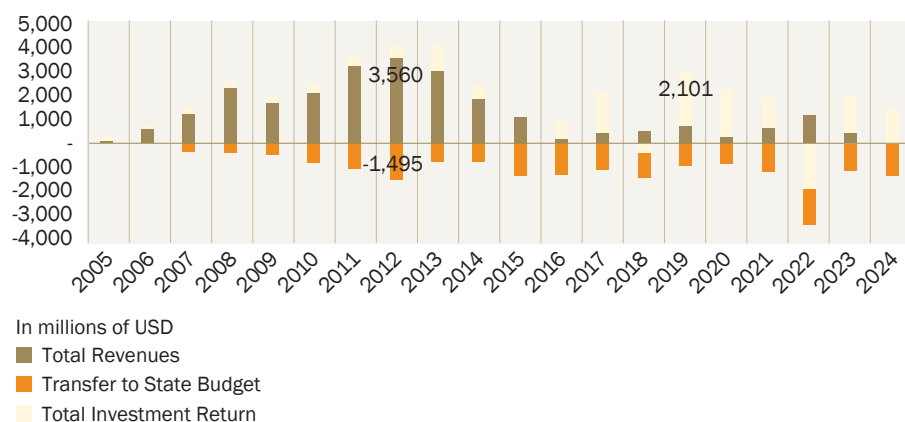
According to the framework defined by the Petroleum Fund Law - Law no. 9/2005, later amended in 2011 - the Central Bank is the institution responsible for the operational management of the Fund. According to this legislation, the Ministry of Finance is responsible for defining the general and investment strategy of the Petroleum Fund and the Central Bank is responsible for the operational implementation and concrete management of the investments and mandates that result from this strategy.

At the end of 2024, the value of the Fund's capital was valued at \$18,274 million, a slight decrease of 0.12% compared to the previous year. Annual oil revenues from taxes and royalties stood at \$85 million in 2024, marking a sharp decline of 80% compared to 2023, after a 61% drop in the previous year. As a result, the total cumulative revenue since inception reached \$25.248 billion by the end of 2024. The highest revenue was recorded in 2012, with \$3.560 billion, but it has been steadily declining since then. The lowest revenue occurred this year as resource wealth was largely depleted.



Chart 1.6a

Petroleum Fund Asset Flows

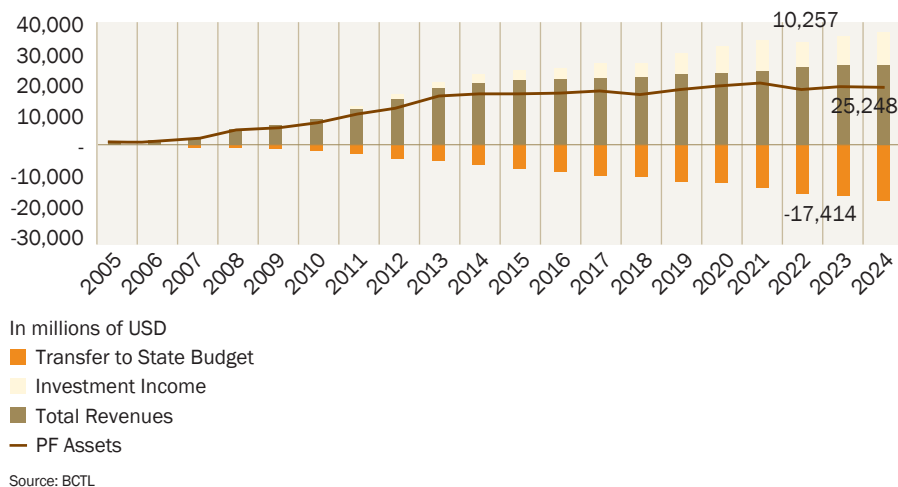


Meanwhile, withdrawals to finance the execution of the 2024 General State Budget totaled \$1.3 billion, reflecting an increase of 19.3% compared to the previous year. This brought the total accumulated withdrawals from inception to \$17.414 billion by the end of 2024.

With regard to annual financial performance, the Fund accumulated gross investment income of \$1,223 million, which corresponds to about 7% of the Fund's value at the end of 2024 (\$18,274 million), representing a decrease of 25.5% compared to 2023. The breakdown of this income allows us to observe that the income from the receipt of interest and dividends totaled 2.3% of the Fund's value (2% in 2022). The capital gains recorded amounted to 3.7%, resulting in a decrease compared to the capital gains recorded in 2023, valued at 6.3% of the Fund's value.

Chart 1.6b

Evolution of Petroleum Fund Asset



The Petroleum Fund continued to invest in liquidity portfolio segmentation and growth portfolio in 2024. The liquidity portfolio is invested in highly liquid securities with maturities of less than 3 years in order to cover the withdrawals planned to finance the State Budgets projected in the following 3 years. The growth portfolio is mainly invested in fixed-income securities (65%) and shares of multinational companies (35%).

In 2024, the liquidity portfolio's performance was 5.16% year-on-year, while the growth portfolio recorded a remarkable annual appreciation of 7.8%.

The investment portfolio showed a positive, albeit slow, performance in the financial market throughout the year. This was mainly driven by price fluctuations, lower interest rates in major advanced economies and investor sentiment, which remained positive, albeit with some moderation in relation to the global economic outlook. The world's major economies saw a decrease in interest rates due to the deceleration of inflationary prices. At the same time, central banks' determination to keep inflation under control moderately impacted investor sentiment. The decrease in benchmark interest rates has led to a decline in interest rates on global sovereign bonds, particularly US Treasuries that concentrate a significant part of the Petroleum Fund's investment portfolio. Equity markets continued to gain in 2024, benefiting from resilient economic growth, supported by strong consumer spending, the rapid advance of artificial intelligence (AI), which significantly boosted technology stocks, and sustained investor optimism, especially in the services and industrial sectors.

At the end of 2024, the growth portfolio represents 85.93% of the Petroleum Fund's investments, while the remaining 14.07% was invested in the liquidity portfolio. The liquidity portfolio was composed entirely of US Treasuries with maturities of 0 - 3 years. Regarding the growth portfolio, 53.71% was invested in a fixed portfolio, with 28.93% consisting of US Treasuries between 3 - 5 years, 8.06% in US Treasuries between 5 - 10 years, 8.39% in sovereign bonds of developed countries other than the US, and 8.33% in US Treasury securities protected against inflation (TIPS). The remaining 32.22% of the investment portfolio was allocated to the global equity portfolio.



1.3.4. Institutional strengthening

The BCTL continues to develop and strengthen the Timorese financial system and modernize banking supervision. The most relevant actions developed in 2024 regarding the Bank's institutional strengthening are highlighted below:

- To promote credit growth, expand access to finance, and improve the development of Timor-Leste's financial system, the BCTL began drafting three important laws in 2024: the Insurance Transactions Law, the Insolvency Law, and the Banking Law. These laws have already been presented and approved by the Council of Ministers and are now under analysis in the National Parliament for discussion and approval.
- To ensure compliance with the legal and regulatory framework established by the central bank and to further enhance the development of the financial system in Timor-Leste, the Board of Directors approved a preliminary license in 2024 for a company to conduct banking activities in Timor-Leste. The institution is called "Bank of Our Future". This preliminary approval outlines the requirements that must be met within one year to establish the bank's operations.
- The Board of Directors has granted the extension of the preliminary license to Ti-Oan Company to manage the digital payment business, specifically the e-wallet in the country.
- The Board of Directors of BCTL approved Instruction No. 27/2024 on the opening, operation and closure of deposit accounts and information duties. This instruction establishes the rights and duties to be observed within the scope of banking activity, applying to all financial institutions that are duly authorized by the Central Bank of Timor-Leste, including other Deposit-Receiving Institutions, to receive bank deposits from individuals or legal persons.
- The Board of Directors of the BCTL approved the establishment of the adjudication and acquisition Committee (Ad-hoc) as well as the respective processes related to the construction of the new BCTL building. This approval was established with a view to preparing the construction process of the new BCTL building.
- The Board of Directors of BCTL approved an amendment to some related articles in the conditions of work and employment of BCTL. These articles have been amended to harmonize with the respective rules.
- The Board of Directors of BCTL approved the Annual Schedule of Activity and the Annual Budget of the Central Bank of Timor-Leste and the Financial Information Unit for the year 2025. This part contains the activities and budget.



1.3.5. Personnel and Training Programs

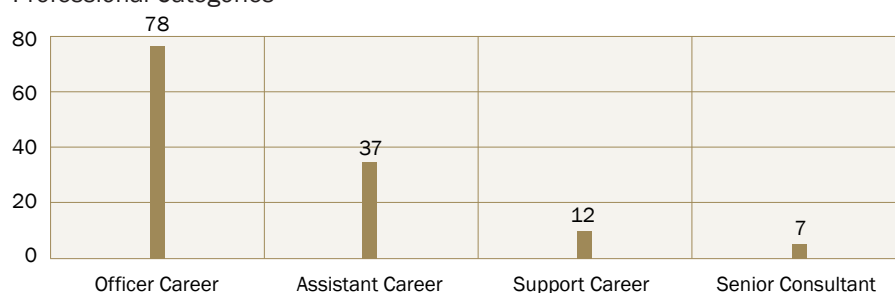
At the end of the 2024 period, BCTL had 122 employees, which represented an increase of 17 employees compared to 2023.

In 2024, BCTL recruited about 17 employees to fill the official and assistant career positions in various departments, including Banking Supervision, Petroleum Fund, Economic and Statistics, Financial Information Unit (FIU), Payment System, Governor's Office, and Technology Information Division.

In addition to the current BCTL employees, 12 employees were hired to fill the support service. Graph 3.8 shows the distribution of employees by professional categories and support service category.

Chart 1.7

Professional Categories



Source: BCTL

At the end of the year, BCTL evaluates the performance of its employees. The system used to carry out this evaluation is called the Performance Improvement System (PIS). The result of the evaluation throughout 2024 shows that most employees were able to achieve the objectives set at the level of the institution and its departments and divisions.

The Performance Appraisal system is implemented by the various departmental managers, with the aim of valuing the work of employees and analyzing their contributions to achieving the BCTL objectives, which were annually planned for each department and division.

The dimensions used in the evaluation of the performance of the employees remained unchanged during the year, as indicated in the following diagram, namely: Objectives, Activities and Competencies for employees of the professional career of Technician; and Activities and Skills for employees in the professional careers of Assistant and Support.

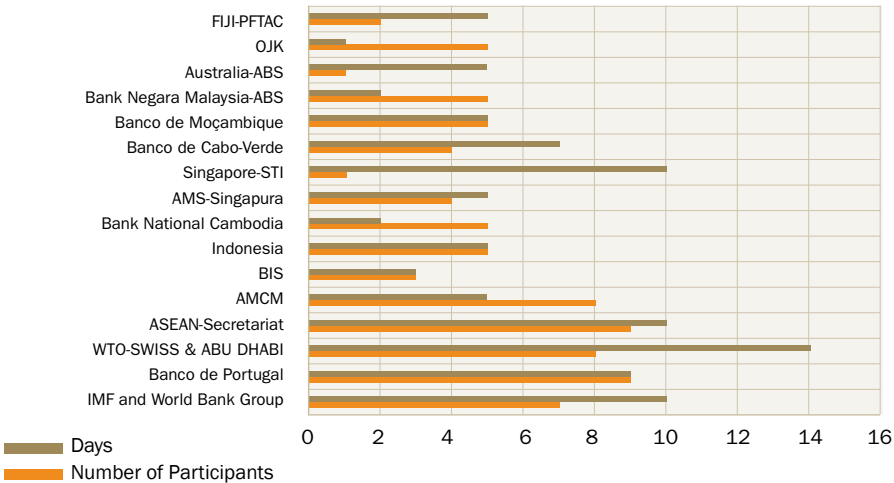


As for the development of skills and knowledge of its employees, BCTL continues, on an annual basis, to maintain the allocation of an adequate amount for the fulfillment of its training program, which includes training in technical skills in Timor-Leste and abroad. In addition to these trainings, BCTL continued to fund scholarships for its employees to attend master’s and doctoral courses abroad.

Graph 1.8 shows the number of BCTL employees who participated in trainings, seminars, conferences and meetings in 2024.

Chart 1.8

In-person Training, seminars and conferences in 2024



Source: BCTL

1.3.6. External Relationship

The BCTL highlights the importance of collaboration with similar entities, financial institutions and organizations whose activities and functions are aligned with its own, both nationally and internationally. Establishing and strengthening partnerships and cooperation mechanisms are considered strategic pillars, aiming not only to strengthen institutional relations, but also to promote an environment conducive to the exchange of knowledge and experiences.

These exchanges are vital for capacity building, harmonization of practices and alignment with international standards, particularly in the technical and operational areas most critical to central banks.

Recognizing this importance, BCTL reaffirms its ongoing commitment to improving its regional and international presence, actively contributing to sustainable development and global financial stability. This includes close collaboration with the Bank of Indonesia (BI), Bank Negara Malaysia (BNM), Federal Reserve of the United States and Reserve Bank of Australia. The partnership also extends to international organizations and institutions, such as SEACEN (Center for Central Banks of Southeast Asia), the IMF Singapore Training Institute (STI-IMF), APRA (Australian Prudential Regulation Authority) and the International Monetary Fund (IMF). These collaborations focus on promoting joint initiatives and building institutional capacities through the exchange of experiences and best practices.

The BCTL's collaborative efforts also include the central banks of the Pacific Islands, Otoritas Jasa Keuangan (OJK) and the Monetary Authority of Macau. These partnerships are motivated by shared objectives of increasing financial resilience, promoting the development of monetary policy implementation and facilitating the exchange of technical expertise.

The context and guiding principles of these international collaborations largely reflect similarities to those that underpin interactions with the CPLP central banks. Emphasis is placed on promoting strong governance, modernizing financial systems, and implementing policies that support economic and financial stability, while respecting the unique characteristics of each jurisdiction.



Performed Activities

Signing and renewal of memorandum of understanding

In 2024, new MoU were signed with the Australian Bureau of Statistics (ABS), the International Finance Corporation (IFC) and the National Bank of Cambodia, aligning with the above initiatives. In addition, the MoU with Otoritas Jasa Keuangan (OJK) was renewed, emphasizing cooperation in areas such as supervision, insurance, and the prevention and combating of money laundering and countering the financing of terrorism (AML/CFT), along with participation in annual high-level meetings. Likewise, the MoU with the Monetary Authority of Macau was renewed, covering the same areas of collaboration established with OJK. These MoU reflect the Central Bank of Timor-Leste's commitment to strengthening international collaboration, promoting technical capacity building, improving financial supervision and strengthening the integrity of the financial system.

The collaboration with Griffith University, Australia, continues to focus on joint research activities in areas related to economics and monetary and financial development, with results published on the university and BCTL websites. Next year, BCTL plans to look for new opportunities for partnerships with other universities.

At the national level, the cooperation agreement with SECOOP — Secretary of State for Cooperatives of the Democratic Republic of Timor-Leste — was renewed to focus on financial education and the promotion of digital financial literacy for implementation. Collaboration with other relevant entities was also maintained to improve partnerships and promote greater public access to the financial sector.

Meetings Held

In addition to the collaborative activities mentioned above, the BCTL hosted high-level meetings for the CPLP central banks in 2024. Among them, the VII Meeting of the Directors of Issuance and Treasury of the Central Banks of the CPLP, which lasted three days. The event was attended by representatives of the National Bank of Angola, the Central Bank of Brazil, the Bank of Cabo Verde, the Bank of Mozambique, the Bank of Portugal, the Central Bank of São Tomé and Príncipe and the Monetary Authority of Macau. The meeting aimed to strengthen working relations between CPLP central banks and facilitate joint discussions on relevant topics to develop strategies to address issues of mutual interest.



In addition to hosting this meeting, the BCTL continues to actively participate in high-level meetings, seminars, conferences and training sessions organized by its counterparts.

BCTL continued its strategy of maintaining and strengthening cooperation with CPLP central banks and financial institutions, while seeking and promoting new avenues of collaboration with other central banks, financial institutions and universities, both internationally and nationally.



Box 4. BCTL Plan Implementation in 2024 and Action Plan for 2025

4.1. Implementation of Action Plan of BCTL for 2024

The BCTL was able to carry out notable programs and initiatives in 2024, such as:

- a. To promote the development of Timor-Leste's financial system. The BCTL successfully completed several processes in 2024 to introduce and implement a number of regulatory frameworks, strengthening its legal basis and executive powers. These structures include:
 - General Regime of the Financial System and Banking Activity: This regime has gone through several phases and is currently under discussion with the Government for approval before being submitted to the National Parliament for its final approval.
 - Sanctioning Regime for Financial Institutions and Administrative Procedures: This regime has undergone several review processes and is now in the internal discussion phase, awaiting approval by the competent authorities.
 - Secured Transaction Law and Recovery and Insolvency Law: This regulatory framework has been subject to several revisions and is currently submitted to the national parliament for discussion and approval.
 - Finalization of Chart of Accounts Instructions for Insurance Companies, Financial Reporting Instructions, and Solvency Margin Requirements for Life Insurance Companies.
 - Finalization of updated instructions on customer identification, transaction documentation and operational reports, currently in the implementation phase.
 - In addition, finalize draft instructions on the licensing and supervision of Money Transfer Operators (MTOs) and consumer protection.
- b. As part of the development of the financial system, in 2024, the BCTL completed the process of examining a bank's application and issues a preliminary license for its operation and extended the preliminary license to a fintech company (Ti-Oan) originally granted in 2023.
- c. The BCTL, through the banking and insurance supervision division, continues to carry out comprehensive inspections of banks, insurance companies and financial technology companies (fintechs). In addition, it completed the second mutual evaluation of the APG, and the results of the final evaluation report were published on the APG website.
- d. In September 2024, the BCTL published the Strategic Plan for the Financial Sector 2025-2035, updating the previous Strategic Plan for the Development of

the Financial Sector 2014-2025. This new one is based on 4 important pillars; (1) facilitating financing for development, (2) promoting a modern payments sector, (3) expanding access to financial services, and (4) modernizing the financial sector.

- e. As part of the modernization of the digital payment system and improvement of public services, BCTL achieved several milestones in 2024. Completed the acquisition process of the POS tax payment system, completed the Union Pay certification process (with issuance reaching 90%) and reached 98% completion of the Mastercard acquisition. In addition, efforts have been made to ensure the proper functioning of kiosk machines for exchanging paper money for coins. On the other hand, to promote the digitalization of financial education programs, BCTL developed an e-learning platform on the financial education program, launching it in November 2024 as part of the celebration of the national digital savings day.
- f. As part of the financial education program in 2024, BCTL continued to work with the Ministry of Education to implement the financial education program in primary schools. In addition, in partnership with CCI-TL and IADE, it carried out accounting training and a campaign on national currency for MSMEs. In cooperation with SECoop, BCTL has also launched a training program for credit unions.
- g. To improve the management and investment capacity of the Petroleum Fund, the BCTL, through its representative on the Investment Advisory Board (CAI/IAB), has engaged in discussions to promote studies on investment policy and the implementation process of Treasury Management. On the other hand, it continues to strengthen the operational management of investments by hiring the Independent Assessor for the valuation of Private Debt and maintaining the operation of Bloomberg AIM.
- h. To strengthen and improve institutional capacity, in 2024 BCTL continued to develop the integrated human resources management system (CADENA), also changed the bank's employee medical assistance program, completed the recruitment of 17 new employees, and carried out several training programs. This includes granting scholarships, providing English language courses for interested employees and providing specific training for technicians in relevant areas through cooperation.
- i. As part of the development of the infrastructure and technology system, BCTL completed in 2024 the pre-architecture phase for the construction of its new building. In addition, it continued to improve information technology services by upgrading critical payment and security systems.

4.2. The strategic priorities for 2025

Legislative Reform and Development of the Financial System

- a. To ensure and improve the quality of financial services in Timor-Leste, BCTL plans to introduce and finalize a series of regulatory frameworks for the year 2025.

These frameworks will serve as a basis for strengthening existing legal frameworks and supporting the development of Timor-Leste's financial system. The regulatory frameworks are as follows:

- i. Finalize the General Regime of the financial system and banking activity: This regime has already been discussed in the Council of Ministers awaiting its approval and will be submitted to the National Parliament for discussion and final approval and its implementation. This regime aims to repeal UNTAET Regulation 2000/8 on Banking Licensing and Supervision as part of the legislative reform.
 - ii. Secured Transaction Law: This project law is currently under discussion in the national parliament for final approval and implementation. The secured transaction Law aims to regulate commercial transactions involving the use of movable property as collateral. The Law plays an important role in promoting a healthy and stable financial system, providing a clear and predictable legal framework for real estate security, benefiting lenders and debtors, thus contributing to economic growth.
 - iii. Insolvency Law: this law is already under discussion in the National Parliament to obtain its final approval and implementation. The law is designed to address supply issues and ensure fair treatment of creditors when debtors are unable to meet their financial obligations.
 - iv. Finalizing the draft decree-law on recovery and insolvency: The project focuses on defining the role and functionality of the insolvency and recovery system, establishing its structure, governance and internal procedures. The BCTL will work with international partners to develop this law.
 - v. Create an ecosystem for implementing accounting and auditing standards. BCTL will work together with the Ministry of Finance and partners to implement an ecosystem for the implementation of accounting and auditing standards in Timor-Leste. The development of an ecosystem of accounting standards is established as the basis for the formation and preparation of financial reports by business entities, with the aim of ensuring the comparability of financial reports of business entities for different accounting periods, as well as financial reports of different business entities.
 - vi. To support the socio-economic development of SMEs, in 2025 the BCTL plans to amend the decree-law on the credit guarantee scheme no. 32/2020, of 26 August, the first amendment to decree-law no. 23/2017, of 12 July, on the credit guarantee scheme for small and medium enterprises.
- b. To improve the regulatory quality of services in financial institutions, in 2025, the BCTL plans to finalize the sanctioning regime for financial institutions and

administrative procedures. On the other hand, to strengthen the central bank's legal framework, it will finalize a series of important instructions and laws, including: charts of accounts for insurance companies, instructions on financial reporting, and instructions on solvency margins for life insurance companies. The BCTL will also finalize instructions on licensing and supervision of money transfer operators (MTO), market conduct and consumer protection laws, and introduce guidelines for banking governance and internal control systems. Other important actions include the finalization of instructions on the national payment system, the legal framework for the supervision of payment systems, and the preparation of instructions for the operation of the R-Timor and P24 systems. In addition, the BCTL will establish system rules for the operation of the instant payment system, introduce instructions for fintech companies, and introduce rules for the implementation of unique QR code and e-centavos.

- c. In terms of licensing and supervision, in 2025 the BCTL will continue to receive and process applications for financial activities and continue inspections of banks and other financial institutions, with the aim of assessing the progress of the implementation of the recommendations of the previous inspection 'to ensure that the operation of financial institutions complies with all the requirements defined by law and instructions of the BCTL.
- d. By 2025, the BCTL will ensure the adequate supply of currency to support the smooth circulation of money in the market and ensure the smooth functioning of Timor-Leste's economic activity. On the other hand, it will continue to cooperate and coordinate with the Scientific Criminal Investigation Police (PSIK) and other relevant authorities, through the exchange of information on counterfeiting in order to minimize/prevent the circulation of counterfeit money in the economy.
- e. To strengthen the integrity and credibility of the financial sector and the control of financial crimes, in 2025, the BCTL will develop a comprehensive action plan matrix to implement the 2024 mutual evaluation of the financial sector. The goal is to provide a clear task, responsibilities, timelines, and sufficient resource allocations to effectively organize and control the implementation of the financial sector master plan. In addition, the BCTL will prepare draft E-KYC and CDD procedures for microfinance and mortgage institutions so that microenterprises can comply with AML/CFT requirements, and work with the Financial Information Unit (FIU) to prepare public training materials on AML/CFT requirements. Topics include: Identification of the target audience, knowledge of existing assets, identification of key messages (such as the importance of AML/CFT, individual role and legal implications) and will also develop an action plan and methodology for risk assessment in accordance with AML/CFT, in order to identify, assess and minimize AML/CFT risk in Timor-Leste.

Promote Digital Banking Service and Improve Public Service

- a.** To promote the digital payment system and improve service to the public, by 2025 BCTL commits to:
 - i.** The acquisition of the Dual Dispenser Module and ATM recycling and the acquisition of Business Activity Monitoring (BAM).
 - ii.** The Central Bank will work with commercial banks and providers companies to finalize the implementation of the Mastercard and Visa payment system.
 - iii.** In 2025, the Central Bank will contact the Indonesian Retail Payment Provider (Indonesia Switch System - RINTIS) to finalize the integration between the P24 system and the Indonesian Retail Payment System with the settlement option according to the BCTL proposal.
 - iv.** R-Timor System Upgrades: Updating the system with careful planning and execution to assess the limitations of the current system and identify specific upgrades needed to meet future requirements.
 - v.** Introduction of the payment service using specific QR code that will serve as a digital payment channel.
 - vi.** It plans to develop an online platform for the credit guarantee system. This system will help disseminate information and also facilitate the accessibility of creditors to the system itself.
- b.** In 2025, BCTL plans to introduce the Central Bank Digital Currency (CBDC) “e-centavos”. This introductory step will include:
 - i.** Policy plan and framework: Setting clear objectives, developing a strong regulatory framework and forming a dedicated oversight committee for their implementation.
 - ii.** Technology infrastructure: Choose a secure technology platform, create easy-to-use digital wallets, ensure interoperability, and implement strong cybersecurity measures.
 - iii.** Pilot program: conduct a controlled pilot with different groups of participants, collect feedback and improve the system.
 - iv.** Public awareness and education: informing the public about the benefits and risks of e-centavos through educational materials and awareness campaigns.
 - v.** Gradual rollout: Implement a phased rollout strategy, monitor adoption rates, and adapt to evolving technology advancements.
 - vi.** Continuous evaluation and improvement: Regularly monitor system performance, collect feedback from users, and conduct audits to ensure continuous improvement.
 - vii.** By following these steps, the central bank can successfully introduce CBDC, promote financial innovation, and boost the overall payments ecosystem.

- c. Continue to promote digital banking services by continuing to implement digital village dissemination programs, continue to work to integrate all payment systems into digital systems, such as the digitization of tax payments to the government, and continue to upgrade payment systems subject to advances in payment systems in the world.

Promoting Financial Inclusion

- a. In 2025, the BCTL will continue to collaborate with the Ministry of Education through the Directorate-General for Pre-School Education, Basic Education and Recurrent Education to continue the teaching of financial education programs in cycles 1 and 2 of basic education at EBC/EBF. On the other hand, the BCTL team has already discussed with the National Curriculum Unit – Ministry of Education – the possibility of considering the integration of financial literacy in Financial Mathematics at the level of the 3rd cycle of basic education.
- b. BCTL will also continue to develop a financial education platform that will include the theme of financial education in accordance with the National Strategic Plan for Financial Education (NSLF) 2022-2027, create a mascot and animation video on financial education, and develop and present a video scenario that will be promoted on television and other social media in the future.
- c. This year, the BCTL team continues the implementation of the action plan defined in the NSLF for 2025, such as the development of a financial skills matrix for women, children and SMEs, including cooperatives.
- d. Financial education training program for credit unions. In 2024, BCTL signed the second MoU with SECOOP to reactivate financial education training for members of the credit union and cooperatives in Timor-Leste. Therefore, in 2025, SECOOP will continue to work together to carry out financial education training for credit union members.
- e. BCTL will continue to celebrate National Savings Day, including the Digital Village Program. In 2025, the celebration will follow its traditional activities, starting with the selection of the schools of some administrative post and the planning of activities for the event. The main activities will include training sessions on Financial Education, digital financial systems and official currency. The team will also conduct educational competition activities for primary school students and distribute leaflets on how to make deposits to HNF accounts via e-wallet or ATM.

Strengthening Research and Statistical Capacity

- a. The Central Bank plans to continue its studies on the national currency. In 2024, the Central Bank, in cooperation with the IMF, carried out the first studies on “the pros and cons” of dollarization during the period of implementation of the USD as legal tender in Timor-Leste. Continuing the established cooperation, in 2025, the Central Bank will organize a seminar to present the findings to the public, and plans to coordinate with the IMF the preparation of additional studies on the potential introduction of a national currency for Timor-Leste.
- b. Continue to update GDP and inflation projections; In 2025, BCTL will continue to update its GDP projection using a model developed jointly with the Ministry of Finance and its own model, nowcasting.
- c. In 2025, BCTL will develop and engage in various economic studies and surveys. These incentives aim to strengthen the understanding of Timor-Leste’s macroeconomics and provide high-quality models, tools and analyses, more relevant to a solid support to the other functions of the BCTL.
- d. To improve the compilation process and ensure the timely publication of monetary and balance of payments statistics, the Central Bank is enhancing the quality of the data and ensuring consistency with other macroeconomic indicators, especially national accounts.

Strengthening Management and Investment Capacity

The Central Bank continues to improve asset and investment management through strategic studies on key operational aspects. In 2025 BCTL will continue to carry out a number of projects to strengthen its capacity and investment management, these projects are as follows:

- a. Take a proactive approach and promote investment policy studies and collaborate with other key partners, including the Ministry of Finance and the Investment Advisory Committee, while continuing to update the Petroleum Fund’s investment policy and strategy. In addition, advance studies on the issuance of central bank certificates (BCTLCBC) as a basis for the development of the financial market before the implementation of Treasury Bonds by the government. The Central Bank also considered deeply aware that the study and preparation of the structure of Treasury Bonds are the responsibility of the Ministry of Finance.
- b. Implementation of investments in the social security reserve fund: By agreement with the INSS, the Central Bank will reactivate discussions with the INSS on the management of investments in the Social Security Reserve Fund.
- c. BCTL will continue to engage independent appraiser KROLL to conduct an independent appraisal of the Timor GAP loan and will continue to use Bloomberg AIM (Asset and Investment Manager).

- d. It will manage BCTL's own reserves invested in US government bonds with short-term maturities of 0 to 5 years of the US Treasury and invested in the FIXBIS money market.
- e. The Central Bank will select an investment tax advisor to assist the Petroleum Fund Department in collecting data on the Petroleum Fund's investment income in taxes from the countries in which the Petroleum Fund invests, both in shares and bonds, and will also advise the fund on double tax treaties with the Government of Timor-Leste.
- f. MSCI Barraone will be used to assess and monitor external and internal fund managers. Thus, monitoring managers when making transactions such as: asset allocation, investment performance, allocation and portfolio of tracking errors, both by external and internal managers.

Institutional Development and Strengthening

To strengthen the administrative and management activity of the BCTL, in 2025 the central bank plans to carry out technical and physical capacity development activities and policies and continues to strengthen its cooperation with other international and national institutions. With this, in 2025 BCTL commits to:

- a. Establish a Central Bank institute with the aim of improving the skills of the workforce while promoting financial stability and economic growth. The Central Bank, in collaboration with IFC, carried out diagnostic tests on the Bank's managers. The next phase will be to develop a comprehensive curriculum aligned with the institution's mission and the evolving needs of the financial sector, ensure the installation of adequate physical infrastructure, and recruit qualified trainers.
- b. The bank will continue to offer its employees opportunities for scholarships at the master's level (S2) and training in relevant areas to improve technical skills and meet the bank's needs.
- c. Digitize internal audit services: This process involves evaluating current procedures, identifying areas for improvement, and developing a clear strategy. Key steps include selecting appropriate digital tools, moving existing data, and integrating new tools into existing systems. Once the digital infrastructure is in place, the focus shifts to re-engineering the audit process, streamlining workflows, automating repetitive tasks, and taking a risk-based approach to prioritizing audits. This transformation improves data analysis capabilities, allowing auditors to identify trends, anomalies, and potential risks from large volumes of data. To ensure continuous improvement, this regular monitoring and feedback mechanism will be implemented. By keeping up with new technologies and adapting to evolving business needs, the internal audit function will maximize its impact and support the Bank's overall success.

- d. Recruitment of 15 new employees to fill the necessary roles at BCTL. On the other hand, consultants will be recruited to provide support to Departments and/or Divisions that need assistants.
- e. The capacity development program will continue as part of efforts to strengthen the skills and knowledge of BCTL's staff with the aim of increasing knowledge and analytical capacity in the service area through virtual and face-to-face training. Critical areas identified include:
- Expand knowledge in the area of communication such as English and Portuguese courses.
 - Training in Management, Leadership and Administration.
 - Increase knowledge about payment systems, including fintech;
 - Increase knowledge about data analysis (Data Analysis Skill).
 - Training in Excellent Services for employees and assistants.
 - Continue to carry out short-term training programs and intensive programs abroad and at the country to increase knowledge in the area of treasury, management of banknote and cent stocks.
 - Participate in ISO20022 training to increase knowledge of the implementation of the MX standard format.
 - Participate in internship on counterfeit analysis for archiving process, bank audit, cooperation and investigation.
 - Training in IFRS, Risk-Based Supervision, Stress Testing and Basel III.
 - Training on the Credit Guarantee Scheme in Malaysia.
- f. It will also continue to provide scholarship programs for employees who wish to proceed to the master's level, technical training in human resources management and specialized study programs in the area of IT, finance and administration.
- g. It will continue to coordinate in the field of strengthening its institutional cooperation and intends to always strengthen its cooperation with its counterparts in the Asia-Pacific and the CPLP. In 2025, the BCTL also plans to establish a series of cooperations with its counterparts, such as the Bank of Mozambique, the Reserve Bank of India, the Bank Negara Malaysia and the Bank of Indonesia.
- h. It will continue to participate in ASEAN and World Trade Organization (WTO) committees: the central bank will continue to actively participate in meetings held by ASEAN, even as an observer, in order to prepare for Timor-Leste's accession as a permanent member of ASEAN and will continue to participate in other meetings organized by the WTO.

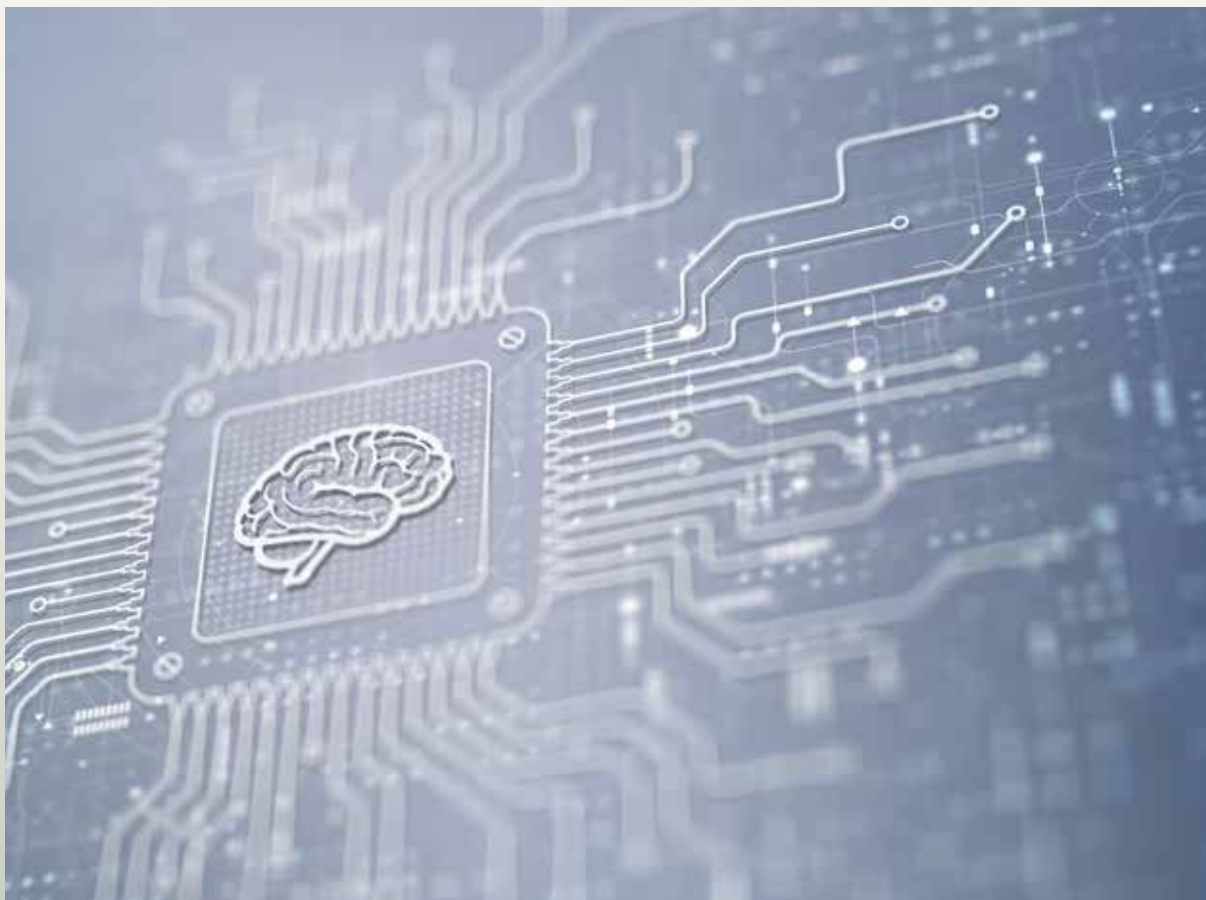
Strengthening infrastructure and technology systemsa

a. Finalizing the Architecture Project of the Central Bank Building:

BCTL engaged a procurement consultant to draft the Request for Proposal (RFP). As planned, a restricted competition will be held between selected architectural company to design the new Central Bank building.

b. Modernization of the technological infrastructure:

Through its Information Technology Division, the Central Bank continues to upgrade its technological infrastructure to enhance the development of the financial sector in Timor-Leste. This includes creating a robust control model to ensure the security, integrity, and availability of critical institutional data, including the national payments system, security systems, and other financial information systems.



Main Governing Bodies of the Central Bank of Timor-Leste (BCTL)

Board of Directors

The Governor
Hélder Lopes

Deputy-Governors
Rafael Borges
Sara Lobo Brites

Non-Executive Members
Aicha B.U. Bassarewan
Benjamim Araújo e Corte-Real
João Mariano Saldanha
Laurentina Domingas Barreto Soares



Management Committee

The BCTL Management Committee includes all those responsible for the Bank's main organizational areas, as indicated:

The Governor

Hélder Lopes

The Deputy-Governor

Rafael Borges

The Deputy-Governor

Sara Lobo Brites

The Director of the Institutional Cooperation Affairs Unit

Raquel G. da Costa

The Chief Financial Officer

Fernando da Silva Carvalho

The Director of the Administration Department

Ana Paula Amaral

The Director of the Department of Economics and Statistics

Gastão M. Gama de Sousa

The Director of the Payment System Department

Andre da Costa

The Director of the Department of Supervision of the Financial System

Pascoela M. Rego da Silva

The Executive Director of the Petroleum Fund Department

Tobias Ferreira

Chief of Governor Cabinet, Atanasio Pereira Xavier

Head of Internal Audit, José Augusto Maria

IT Chief, Amadeu Henrique

Legal Chief, Laurindo Seixas Miranda

Chief of Human Resource, Rosangela Canossa Mestre Boavida



2

CHAPTER

Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

27 March 2025



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Statement of Compliance

The financial statements presented on pages 60 to 64, along with the accompanying notes on pages 65 to 99, constitute the complete financial picture of Banco Central de Timor-Leste as of December 31, 2024.

These financial statements have been prepared by the Management and approved by the Governing Board. I hereby declare that these financial statements comply fully with the requirements of Central Bank Law No. 5/2011 and accurately represent the true financial position and performance of Banco Central de Timor-Leste at the aforementioned date.

Dili, 27 March 2025



Hélder Lopes
Governor

Statement of Financial Position

As at 31 December

US\$ '000US

	Note	2024	2023
Assets			
Cash and cash equivalents	7	581,764	633,390
Financial assets at fair value through other comprehensive income	8	121,635	119,699
IMF related assets	10	69,790	71,811
Other assets	12	3,232	5,278
Property, plant and equipment	11	1,511	1,538
Total Assets		777,932	831,716
Liabilities			
Government deposits	13	210,259	341,216
Other deposits	14	335,327	328,798
Other Liabilities	15, 28	63,765	20,870
Currency issued	27	33,599	31,088
Total Liabilities		642,950	721,972
Capital	16	85,000	80,000
Fair value through OCI	26	-490	-2,907
General reserve		32,650	11,778
Net profit		17,822	20,873
Total Equity		134,982	109,744
Total Liabilities and Equity		777,932	831,716

The above statement is to be read in conjunction with the policies and notes on pages 65 to 99

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

US\$ '000

	Note	2024	2023
Operating Income			
<i>Investment income:</i>			
Interest income	18	24,366	30,181
Interest expense	18	-8,147	-11,766
Net interest income		16,219	18,415
Petroleum fund management fee	21	14,985	14,465
Petroleum fund administration expenses		-7,921	-6,696
Net fee and commission income		7,064	7,769
Interest on financial assets at fair value through other comprehensive income	19	3,514	4,955
Fees and commissions	20	741	656
Other Income		563	112
Total Operating Income		28,101	31,907
Expenses			
Personnel expenses	22,25	5,111	5,417
Currency distribution expenses		1,312	1,564
Administration expenses	23	3,428	3,593
Depreciation	11	428	460
Total Expenses		10,279	11,034
Profit		17,822	20,873
Other comprehensive income		2,417	1,524
Total profit and other comprehensive income		20,239	22,397

The above statement is to be read in conjunction with the policies and notes on pages 65 to 99

Statement of Changes in Equity

For the year ended 31 December

US\$ '000

	Capital	General reserve	Fair value through OCI	Net Profit	Total equity
Balance at 31-1-2023	80,000	2,888	-4,431	8,890	87,347
Profit for the period	-	-	-	20,873	20,873
Other Comprehensive income	-	-	1,524	-	1,524
Total Comprehensive income	-	-	1,524	20,873	22,397
General reserve	-	8,890	-	-8,890	-
Capital Increase	-	-	-	-	-
Cash dividends	-	-	-	-	-
Balance at 31-12-2023	80,000	11,778	-2,907	20,873	109,744
Balance at 1-1-2024	80,000	11,778	-2,907	20,873	109,744
Profit for the period	-	-	-	17,822	17,822
Other Comprehensive income	-	-	2,417	-	2,417
Total Comprehensive income	-	-	2,417	17,822	20,239
General reserve	-	20,873	-	-20,873	-
Capital Increase	5,000	-	-	-	5,000
Cash dividends	-	-	-	-	-
Balance at 31-12-2024	85,000	32,650	-490	17,822	134,982

The above statement is to be read in conjunction with the policies and notes on pages 65 to 99

Statement of Cash Flows

For the year ended 31 December

US\$ '000

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		17,822	20,873
Depreciation	11	428	460
Net Interest income	18	-16,219	-18,416
		2,031	2,917
Changes in receivables, prepayments & stock	12	2,045	-1,337
Changes in government deposits	13	-130,957	-170,723
Changes in other deposits	14	8,550	107,549
Changes in other liabilities	15	42,895	-42,255
Changes in fair value	26	2,417	1,524
		-73,019	-102,325
Interest received	18	24,366	30,181
Interest paid	18	-8,147	-11,765
Net cash (used)/from operating activities		-56,800	-83,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investment from financial assets at fair value through other comprehensive income	8	-1,936	25,664
Acquisitions of property, plant & equipment	11	-401	-296
Net cash from investing activities		-2,337	25,368
CASH FLOWS FROM FINANCING ACTIVITIES	27	2,511	3,432
Currency issued		5,000	-
Capital subscription by government		-	-
Transfer of surplus to Government		-	-
Net cash from/used in financing activities		7,511	3,432
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		-51,626	-55,109
Cash & cash equivalents at the beginning of year		633,390	688,499
CASH & CASH EQUIVALENTS AT THE END OF YEAR		581,764	633,390

The above statement is to be read in conjunction with the policies and notes on pages 65 to 99

Notes to the financial statements

For the year ended 31 December 2024

1. Reporting Entity and Statutory Base

The Banco Central de Timor-Leste (BCTL) is an independent and autonomous public institution established under Organic Law No. 5/2011. Its head office is located at Avenida Xavier do Amaral, no 9, P.O. Box 59, Díli, Timor-Leste.

These statements relate to the financial year that ended December 31, 2024, and cover BCTL's operations and financial position as the central bank of Timor-Leste.

Core Mandate and Objectives

As Timor-Leste's central bank, BCTL is mandated to achieve and maintain domestic price stability as its primary objective. The Bank's secondary Objectives are to foster liquidity and solvency in a stable, market-based banking and financial system, implement and manage Timor-Leste's foreign exchange policy, and promote a secure, reliable, and efficient national payment system.

Key Institutional Functions

Following its legal mandate, BCTL fulfills the following roles:

Monetary Authority:

- Advise the government on macroeconomic, monetary, and financial policy issues.
- Issue and manage Timor-Leste's legal tender (centavos), which circulates alongside the US dollar.
- Ensure a sufficient supply of banknotes and coins to meet transactional demand.

Financial System Oversight:

- Regulate and supervise commercial banks, currency exchange operators, insurance companies, and financial intermediaries.
- Develop, implement, and oversee domestic and international currency payment and settlement systems.
- Operate in essential payment infrastructure.

Government Banking and Fiscal Agency:

- Serve as the banker, fiscal agent, and depository for the government and its agencies.
- Manage all public financial resources, including official foreign exchange reserves.
- Oversee the operational management of the Petroleum Fund of Timor-Leste.



Economic Stewardship:

- Perform economic and monetary analyses, publish reports, and advise the Government on policy measures.
- Maintain a secure facility for currency, securities, and foreign currency deposits from commercial banks.

2. Basis of Presentation

(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 Governing Board authorized the issuance of the financial statements on 27 March 2025.

(b) Basis of Measurement

The financial statements are prepared under the historical cost convention, except for certain financial assets measured at fair value.

The Bank's financial statements are prepared on a going concern basis, reflecting management's assessment that the Bank will continue operating for the foreseeable future.

(c) Adoption of International Financial Reporting Standards

These financial statements incorporate all International Financial Reporting Standards in force as at 31 December 2024. No other new or revised standards adopted in 2024 significantly impacted these financial statements.

(d) Functional and Presentation Currency

The financial statements are presented in United States dollars, the official currency of Timor-Leste and the Bank's functional and presentation currency. Unless otherwise stated, financial information is presented in US dollars rounded to the nearest thousand dollars. Rounding differences may arise in subsidiary calculations, but these are immaterial to the overall financial statements.

(e) Use of Estimates and Judgements

Preparing these financial statements requires management to exercise judgment and make estimates that affect the reported amounts of assets, liabilities, income, and expenses. Key areas involving significant judgment or estimation uncertainty include the impairment of financial assets.

Revisions to estimates are recognized prospectively in the period they are amended. Critical judgments and estimates are outlined in Note 5.

3. Material 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 on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the 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-24	31-Dec-23
Australian dollars (AUD)	1.6056	1.4666
Special Drawing Rights (SDR)	0.7668	0.7453
Euro (EUR)	0.9600	0.9060



(b) The Effective Interest Rate (EIR) Method

Interest income and expense are recognised in the profit and loss statement using the EIR method. This method accurately reflects the financial instrument's true cost or benefit by calculating the rate that discounts the expected future cash flows to the instrument's carrying value. 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.

When determining the effective interest rate, the Bank considers all contractual terms of the instrument, including fees, points, discounts, premiums, and any transaction costs, but not future credit losses. Transaction costs specifically refer to direct expenses incurred when acquiring or issuing a financial asset or liability.

Interest income and expense presented in the profit and loss statement include Interest earned or paid on all financial assets and liabilities measured at amortized cost using the effective interest method.

(c) Fees

Fee income, including account service fees, cash distribution, and investment management fees, is recognised as the related services are performed.

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 net of losses related to trading assets and liabilities and includes all realised and unrealised fair value change.

(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 they originated. All other financial assets are initially recognized on the settlement date at which payment is made, and the title is received according to market contractual arrangements.

A financial asset or financial liability is initially measured at fair value. For items not classified at Fair Value Through Profit or Loss (FVTPL), directly attributable transaction costs are added to (or subtracted from) the fair value. As disclosed in Note 9, the bank categorizes its financial instruments exclusively at Fair Value Through Other Comprehensive Income (FVOCI) or amortized cost, with no instruments measured at FVTPL.

(ii) Classification

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

(iii) De-recognition

Any interest in transferred financial assets that qualify for derecognition and are created or retained by the Bank are recognised as separate assets or liabilities. On de-recognition 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

There were no qualifying offsetting arrangements in place as of the reporting dates.

(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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Bank considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank considers evidence of impairment of financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment expected for the remaining

life of exposure (lifetime ECL). Financial assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

Impairment debt on financial assets subsequently measured at fair value through other comprehensive income 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 nominal amount in the balance sheet, which approximates fair value.

(h) Financial assets

The classification, measurement, and management of the Bank's financial assets comply with IFRS 9 Financial Instruments.



Classification of Financial Assets

Financial assets are classified into one of three categories based on:

- a. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The categories are:

- (a). Amortized Cost
- (b). Fair Value Through Other Comprehensive Income (FVOCI)
- (c). Fair Value Through Profit or Loss (FVTPL)

Measurement Categories

a. Amortized Cost

A financial asset is classified at amortized cost only if both criteria below are met:

- **Business Model:** Held within a business model whose objective is to hold assets to collect contractual cash flows.
- **SPPI Test:** Contractual terms result in cash flows that are solely payments of principal and interest on specified dates.

Subsequent Measurement:

- Recognized at amortized cost using the Effective Interest Rate (EIR) method.
- Subject to impairment testing under the Expected Credit Loss (ECL) framework (see Note 3(f)).

b. Fair Value Through Other Comprehensive Income (FVOCI)

Applies to debt instruments meeting both criteria:

- **Business Model:** Held within a business model where the objective is achieved by both collecting contractual cash flows and selling assets.
- **SPPI Test:** Contractual cash flows are solely principal and interest.

Subsequent Measurement:

FVOCI debt instruments are subsequently measured at fair value, changes in fair value recognized in Other Comprehensive Income (OCI). Interest income calculated using the EIR method and recognized in profit or loss. Cumulative OCI gains/losses are reclassified to profit or loss upon derecognition.

Bank's Application:

The Bank's reserves (debt instruments) are classified as FVOCI, as they are managed under a business model combining cash flow collection and liquidity-driven sales. Disposals follow a first-in, first-out (FIFO) basis.

c. Fair Value Through Profit or Loss (FVTPL)

This is the default classification if the financial assets do not meet the tests for amortised cost or fair value through other comprehensive income. As the BCTL holdings of debt instruments already meet one of the defined classifications, this classification is not applicable.

(i) 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) and (g) of Organic Law no. 5/2011 the Bank holds the Timor-Leste reserve position subscription in the IMF.

The recognition of the transactions and balances with the IMF follows the indications given by this institution, which consider the specific characteristics of the financial relations of the member countries with the Fund.

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.

The Bank recognises an asset and a liability account in relation to the IMF Securities. They are both subsequently measured at amortised cost.

(j) 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.

(k) 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.

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.

(l) 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:

	2024	2023
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.

(m) 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.

(n) 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 other liabilities.

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(ii) Long-term employee benefits

Description of the Reintegration Fund Policies under IAS 19

The Reintegration Fund, established under Regulation 7/2023, is a defined benefit plan that provides lump-sum payments to Bank officials who meet stringent eligibility criteria, including 25 years of cumulative service or qualifying triggering events (e.g., permanent incapacity). Benefits are predetermined by professional category according to Regulation 7/2023 and do not accrue beyond the 25-year threshold.

Under IAS 19, the Bank recognises a defined benefit obligation that reflects the present value of expected payouts, appropriately discounted. Service costs are systematically expensed in profit or loss. The Fund's fixed payout structure ensures predictability.

Mandatory disclosures involve reconciling the obligation and expense components while ensuring compliance with the transparency requirements of IAS 19.

(o) Changes in accounting policies

(i) Voluntary changes in accounting policies

During the year there were no voluntary changes in accounting policies from the ones used in the preparation of the previous year's financial statements presented as comparative information.

(ii) New standards and interpretations applicable in the year

There was no significant impact on the accounting policies and disclosures from the adoption by the Bank of new standards, revisions, amendments and improvements to standards and interpretations which were applicable as from January 2024. These new standards, revisions, amendments and improvements to standards and interpretations are the following:

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

(iii) New standards and interpretations applicable in the future years

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Bank's consolidated financial statements.

The Bank does not anticipate a material impact on the financial statements when these new standards revision, amendments and improvements to standards and interpretations are applied for the first time.

4. Financial Risk Management

(a) Introduction and Overview

The Bank's activities expose it to the following key financial risks:

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

This note presents information about the Bank's risk management objectives, governance framework, policies for mitigating these risks.

(b) Risk Management Framework

Governance

The Governing Board has overall responsibility for the establishment and oversight of the Bank's risk management framework, ensuring alignment with organic Law No. 5/2011 and international best practices, Internal Audit Office conducts independent reviews of risk controls and report findings to the Governor and Governing Board.

Legal and Policy Guidelines

Key provisions under Organic Law No. 5/2011 govern risk exposure:

- Article 19: Limits investments to low-risk foreign assets (e.g., gold, foreign currency reserves, IMF Special Drawing Rights, and marketable debt securities issued by sovereign or international institutions).
- Article 71.1: Prohibits speculative activities, including equity investments, commercial lending, or real estate ownership (except for operational premises).
- Article 39: Mandates segregation of state-managed funds from the Bank's assets to prevent risk contagion.

Internal Controls

- Regular risk assessments and audits ensure compliance with policies and regulatory limits.
- Investment activities are restricted to high-credit-quality counterparties and instruments.

(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 meet its contractual obligations, and arises principally in connection with the Bank's investment and banking activities.

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 S&P Rating, is as follows:

	Rating*	Dec-2024 US\$ '000	Rating*	Dec-2023 US\$ '000
Cash and cash equivalents				
Cash	AAA	47,860	AAA	61,684
Deposits at central banks	AAA	525,788	AAA	529,423
Resident banks	Baa2	7,967	BBB-	14,421
Non-resident banks	A-	149	A-	27,861
		581,764		633,389
Financial assets at fair value through other comprehensive income				
Investment in securities	AAA	121,635	AAA	119,699
IMF related assets				
International Monetary Fund - "SDR"	N/A	69,790	N/A	71,811
TOTAL ASSETS		773,189		824,899
Summary by credit rating	Dez-2024	Dez-2024 US\$ '000	Dez-2023	Dez-2023 US\$ '000
AAA	90%	695,283	86%	710,806
A-	0%	149	3%	27,861
Baa2	1%	7,967	2%	14,421
Not applicable	9%	69,790	9%	71,811
TOTAL ASSETS	100%	773,189	100%	824,899

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

There were no impairment losses as at December 31, 2024 and 2023.

The carrying amount of these assets approximates their fair value as at December 31, 2024 and 2023.

(d) Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty meeting obligations from its financial liabilities and 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, including the management of the clearing system. Statutory prohibits the bank from advancing funds to the banking system.

The Bank's approach to managing liquidity risk is to ensure, as much as possible, that it consistently has enough liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or jeopardizing the Bank's reputation.

The investment management function evaluates the historically observed cash flows in the government and commercial banks' deposit accounts. Based on this information, decisions are made regarding the size of the physical cash holdings in Timor-Leste, the amount of cash to maintain in correspondent bank accounts, and the nature of investments in short-term United States Treasury Bills. A deep and liquid market for these exists, ensuring that there will always be bills close to maturity available for sale if necessary, without the risk of incurring a significant market loss.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting arrangements.

	2024 Carrying amounts US\$'000	"Contractual Cash Flow"	
		6 months or less US\$'000	Over 6months US\$'000
Cash and Cash equivalents	581,764	581,764	-
Financial assets at fair value through other comprehensive income	121,635	78,597	43,038
IMF related assets	69,790	-	69,790
Total assets (Excluding PPE and other assets)	773,189	660,361	112,828
Government deposits	210,259	210,259	-
Other deposits	335,327	265,537	69,790
Other liabilities	63,765	63,765	-
Currency issued	33,599	33,599	-
Total liabilities	642,950	573,160	69,790

	2023 Carrying amounts US\$'000	“Contractual Cash Flow”	
		6 months or less US\$'000	Over 6months US\$'000
Cash and Cash equivalents			
Financial assets at fair value	633,390	633,390	-
through other comprehensive income	119,699	74,610	45,089
IMF related assets	71,811	-	71,811
Total assets (Excluding PPE and other assets)	824,900	708,000	116,900
Government deposits	341,216	341,216	-
Other deposits	328,220	256,943	71,277
Other liabilities	20,868	20,868	-
Currency issued	31,089	31,089	-
Total liabilities	721,393	650,116	71,277

(e) Market Risk

Market risk refers to the possibility that fluctuations in market prices, such as interest rates, equity prices, foreign exchange rates, and credit spreads (excluding changes related to the obligor's or issuer's credit standing), will impact the Bank's income or the value of its financial instrument holdings. Market risk management aims to identify and control market risk exposures within acceptable limits while optimizing the return relative to the risk involved.

The Bank's approach to managing market risks is strongly guided by its legislative framework, which requires investments 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:

	Total Carrying Amount 2024 US\$'000	"Interest Sensitivity"	
		Non-Interest Sensitive US\$'000	Interest Sensitive US\$'000
Cash and cash equivalents	581,764	47,860	533,904
Financial assets at fair value through other comprehensive income	121,635	-	121,635
IMF related assets	69,790	69,790	-
Other assets	3,232	3,232	-
Total assets (Excluding PPE and other assets)	776,421	120,882	655,539
Government deposits	210,259	-	210,259
Other deposits	335,327	69,790	265,537
Other liabilities	63,765	63,765	-
Currency issued	33,599	33,599	-
Total liabilities	642,950	167,154	475,796
Interest Rate Sensitivity Gap	133,471	-46,272	179,743

	Total Carrying Amount 2023 US\$'000	"Interest Sensitivity"	
		Non-Interest Sensitive US\$'000	Interest Sensitive US\$'000
Cash and cash equivalents	633,390	61,684	571,706
Financial assets at fair value through other comprehensive income	119,699	-	119,699
IMF related assets	71,811	71,811	-
Other assets	5,278	5,278	-
Total assets (Excluding PPE and other assets)	830,178	138,773	691,405
Government deposits	341,216	-	341,216
Other deposits	328,798	71,854	256,944
Other liabilities	20,870	20,870	-
Currency issued	31,088	31,088	-
Total liabilities	721,972	123,812	598,160
Interest Rate Sensitivity Gap	108,206	14,961	93,245

(ii) Sensitivity Analysis – Interest risk

In managing interest rate risk, the Bank aims to reduce the impact of short-term fluctuations on its net income. On 31 December 2024, it is estimated that a general increase/decrease of one percentage point in interest rates would increase/decrease the Bank's profit by approximately \$1,226 thousand (2023 - \$932 thousand).

(iii) Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in exchange rates.

The bank's management 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 of 31 December 2024 and 2023, the Bank's net exposure to major currencies was as follows:

	Total 2024 US\$'000	US Dollars	Australian Dollars	SDR	Euro
Cash and cash equivalents	581,764	581,515	211	-	38
Financial assets at fair value through other comprehensive income	121,635	121,635	-	-	-
IMF related assets	69,790	-	-	69,790	-
Other assets	3,232	3,232	-	-	-
Total assets (Excluding PPE and other assets)	776,421	706,382	211	69,790	38
Government deposits	210,259	210,259	-	-	-
Other deposits	335,327	265,537	-	69,790	-
Other liabilities	63,765	63,765	-	-	-
Currency issued	33,599	33,599	-	-	-
Total liabilities	642,950	573,160	-	69,790	-
Net Foreign Currency Exposure	133,471	133,222	211	0	38

	Total 2023 US\$'000	US Dollars	Australian Dollars	SDR	Euro
Cash and cash equivalents	633,390	630,687	211	-	2,492
Financial assets at fair value through other comprehensive income	119,699	119,699	-	-	-
IMF related assets	71,811	-	-	71,811	-
Other assets	5,278	5,278	-	-	-
Total assets (Excluding PPE and other assets)	830,178	755,664	211	71,811	2,492
Government deposits	341,216	341,216	-	-	-
Other deposits	328,798	256,944	-	71,854	-
Other liabilities	20,870	20,870	-	-	-
Currency issued	31,088	31,088	-	-	-
Total liabilities	721,972	650,118	-	71,854	-
Net Foreign Currency Exposure	108,206	105,546	211	-43	2,492

(iv) Sensitivity analysis - Currency exchange risk

The bank effectively mitigates the risks associated with currency exchange by keeping minimal net open positions in foreign currencies. As of December 31, 2024, foreign currency exposures, including holdings of Special Drawing Rights (SDRs), were considered immaterial to the financial statements. Furthermore, the net exposure is deemed zero due to the offsetting characteristics of SDR assets and liabilities.

(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 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 be \$20,000,000, fully subscribed and paid-up.
- The capital of the Bank may be increased on the recommendation of the Governing Board and approved by the Government.
- 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 judgments 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.
- Management has recognised the classification of the debt instruments at Fair value through other comprehensive income (FVOCI). The bank holds financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

	2024 US\$'000	2023 US\$'000
Cash and Cash Equivalents		
Cash	47,860	61,684
Deposits at central banks	525,788	529,423
Resident banks	7,967	14,421
Non-resident banks	149	27,861
Total	581,764	633,389

8. Financial Assets at fair value through other comprehensive income

	2024 US\$'000	2023 US\$'000
Designated as fair value through other comprehensive income		
US Government Treasury Notes	43,038	45,089
FIXBIS - Fixed-Rate Investments at the BIS	78,597	74,610
Total	121,635	119,699

9. Financial Assets and Liabilities

The following table categorizes the Bank's financial assets and liabilities according to their measurement category under IFRS 9. It includes their carrying amounts and fair values, excluding accrued interest. For financial instruments valued at amortized cost, the carrying amounts are near their fair values because of their short-term nature, absence of credit impairments, or variable interest rates that match current market conditions.

	Fair Value through Profit or Loss		Amortised Cost		Fair value through Other Comprehensive Income	
	2024 US\$ "000	2023 US\$ "000	2024 US\$ "000	2023 US\$ "000	2024 US\$ "000	2023 US\$ "000
Financial assets						
Cash and cash equivalents	-	-	581,764	633,390	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	121,635	119,699
IMF related assets	-	-	-	-	-	-
Other assets	-	-	69,790	71,811	-	-
Total assets	-	-	3,232	5,278	-	-
(Excluding PPE and other assets)	-	-	654,786	710,479	121,635	119,699
Financial liabilities						
Government deposits	-	-	210,259	341,216	-	-
Other deposits	-	-	335,327	328,798	-	-
Other liabilities	-	-	63,765	20,870	-	-
Currency issued	-	-	33,599	31,088	-	-
Total liabilities	-	-	642,950	721,972	-	-

10. IMF related assets

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 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.

The Bank recognises an asset and a liability account in relation to the IMF Securities. The underlying balances of the IMF are denominated as follows:

	2024		2023	
	in SDR '000	in USD '000	in SDR '000	in USD '000
IMF Holdings of Currency	21,250	27,713	21,250	28,510
IMF SDR Holdings	32,264	42,077	32,264	43,288
Total	53,514	69,790	53,514	71,798

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 \$314,858, 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 \$54,100, of which \$54,100 has been paid on the form of a Promissory Note held at the Bank.

11. Property, Plant and Equipment

	Buildings US\$ '000	Plant US\$ '000	Office equipment US\$ '000	Computer equipment US\$ '000	Vehicles US\$ '000	Work in progress US\$ '000	Total US\$ '000
Cost							
Balance at 1 January 2023	1,690	429	1,460	4,495	858	37	8,969
Acquisitions	8	91	2	146	88	0	335
Adjustment	0	0	0	0	0	0	0
WIP	0	0	0	0	0	-37	-37
Balance at 31 December 2023	1,698	520	1,462	4,641	946	0	9,267
Acquisitions	7	9	44	284	56	0	400
Adjustment	0	0	0	0	0	0	0
Work in Progress	0	0	0	0	0	0	0
Balance at 31 December 2024	1,705	529	1,506	4,925	1,002	0	9,667
Accumulated depreciation							
Balance at 1 January 2023	985	420	1,105	4,058	699	0	7,267
Depreciation for the year	56	17	77	252	58	0	460
Adjustment	0	0	0	0	0	0	0
Balance at 31 December 2023	1,041	437	1,182	4,310	757	0	7,727
Depreciation for the year	51	21	79	202	75	0	429
Adjustment	0	0	0	0	0	0	0
Balance at 31 December 2024	1,092	458	1,261	4,512	832	0	8,156
Net carrying amounts							
As at 31 December 2024	613	70	245	412	170	0	1,511
As at 31 December 2023	657	83	280	331	189	0	1,540

Due to the ongoing development of a land and property registration system and the nascent commercial property market in Timor-Leste, the Bank's Governing Board has not yet been able to establish a fair value for the land and buildings occupied by its head office. Consequently, the current value of this property remains unavailable.

There were no impairment losses at balance date.

12. Other Assets

Other assets comprise the following:

	2024 US\$'000	2023 US\$'000
Other Assets		
Accounts receivable	2,209	4,777
Advance, security & prepayment	598	374
Inventories	425	127
Total	3,232	5,278

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

13. Government deposits

	2024 US\$'000	2023 US\$'000
Government deposits		
Consolidated fund	28,209	140,905
Infrastructure fund	14,803	60,881
Human Development Capital fund	2,120	5,453
Autonomous agency accounts	148,250	120,394
Municipalities accounts	16,877	13,583
Total	210,259	341,216

14. Other deposits

	2024 US\$'000	2023 US\$'000
Other deposits		
Domestic financial institutions	265,537	256,944
International financial institutions (Note 10a)	69,790	71,854
Total	335,327	328,798



15. Other Liabilities

	2024 US\$'000	2023 US\$'000
Other Liabilities		
Accounts payable	12,051	4,426
Withholding tax payable	92	25
Provision for Long service account	69	81
Reintegration Fund Acc	1,970	1,429
Letters of Credit	2,804	6,982
Operating accounts	46,779	7,925
Total	63,765	20,868

16. Capital and Reserves

According to the Governing Board's decision, the bank's capital rose to \$85,000,000 in 2024, compared to \$80,000,000 in 2023.

The following reserves are established by article 10.1 of the organic law:

- An amount equivalent to at least 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.

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

The Banco Central de Timor-Leste's Organic Law No. 5/2011 governs the distribution of its net profit. After deducting statutory allocations to reserve accounts, the remaining profit is transferred to the Government of Timor-Leste.

However, Article 10.1(a) of the same law specifies that 50% of the profit must be credited to the General Reserve Account until a combined total of capital and reserves reaches 10% of the Bank's total financial assets. once this threshold is met, profit distribution follows the schedule outlined in table below:

	2024 US\$'000	2023 US\$'000
Transfer to Government		
Net profit for the year ended 31 December 2024	17,822	20,873
Transfer to General Reserve Account	-17,822	-20,873
Total transfer to Government	0	0

In alignment with the Government's commitment to bolster the Bank's capital base to USD 100 million, the Governing Board strategically directed the entire USD 17.822 million year-end profit (2023: USD 20.873 million) to the General Reserve Account, deviating from standard profit distribution practices. This decision highlights a deliberate focus on accelerating capital reserve accumulation to enhance the Bank's financial resilience.

18. Net Interest Income

	2024 US\$'000	2023 US\$'000
Interest income from Financial Assets		
Interest on deposits at foreign central banks	23,092	28,887
Interest on deposits at domestic banks	1,274	1,294
Total interest income	24,366	30,181
Interest paid on Financial Liabilities		
Interest paid on Government accounts	7,939	11,589
Interest paid to commercial banks	207	177
Total interest expenses	8,147	11,766
Net Interest Income	16,219	18,415



19. Interest on financial assets at fair value through other comprehensive income

	2024 US\$'000	2023 US\$'000
Interest on financial assets at fair value through other comprehensive income		
Interest on financial assets at fair value through other comprehensive income	3,514	4,955
Total interest	3,514	4,955

There was no impairment of the financial assets at fair value through other comprehensive income during the year (2023—nil).

20. Fee and Commission Income

	2024 US\$'000	2023 US\$'000
Fees and commissions		
Currency withdrawal fees	32	27
Licensing and supervision fees	209	133
Government account management fees	500	500
Total fees and commissions	741	660

21. Petroleum Fund Management Fee

According to Petroleum Fund Law No. 9/2005, the Central Bank of Timor-Leste (BCTL) is empowered to impose a management fee for supervising the Petroleum Fund, which is determined based on the reasonable expenses incurred in its management.

As of December 31, 2024, the Petroleum Fund had an unaudited balance of USD 18,274 million, compared to an audited balance of USD 18,288 million in 2023. As per its agreement with the Ministry of Finance, BCTL receives an annual management fee of 0.08%, calculated on the Petroleum Fund's Net Asset Value (NAV). This fee encompasses Custody services (safeguarding assets), costs associated with external managers, expenses for the Investment Advisory Board, and BCTL's internal management fee, set at 0.04% of the NAV, which is half the overall 0.08% fee.

For the year ending December 31, 2024, the management fee received totalled USD 14,985 thousand (2023: USD 14,465 thousand). This represents eight (8) basis points of the Fund's average NAV for both years. Presented below is the income from the petroleum fund management fee by nature:

	2024 US\$'000	2023 US\$'000
Total Petroleum fund management fee income	14,985	14,465
External managers & custody mgmt services	-7,268	-6,039
Investment Advisory Management services	-271	-510
Others	0	-147
Net fee and commission income	7,446	7,769

In 2024, the net fee income from fund management reached \$7.4 million, down from \$7.7 million in 2023. This income was distributed across various expenses, such as personnel, operational costs, technology, and other administrative necessities, as detailed below.

	2024 US\$'000	2023 US\$'000
Salary, capacity building and Other personnel related costs	1,489	1,554
IT services, systems and data	2,383	2,486
Research, consulting and legal fees	1,862	1,942
Allocated common costs BCTL	1,340	1,398
Other costs	372	388
Total BCTL operational expenses	7,446	7,769

22. Personnel Expenses

	2024 US\$'000	2023 US\$'000
Personnel Expenses		
Salaries and related payments	2,909	2,414
Staff welfare payments	1,044	2,175
Capacity building and staff development	219	163
Representation at conferences and meetings	939	665
Total personnel expenses	5,111	5,417



23. Administration Expenses

	2024 US\$'000	2023 US\$'000
Administration Expenses		
Asset maintenance	61	27
Communications	76	111
Information systems	1,565	2,275
General expenses	93	148
Office Expenses	554	362
Professional fees	840	607
Other Assets management expenses	239	210
Total Administration Expenses	3,428	3,740

24. Petroleum Fund 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 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 Bank’s or its employees’ negligence.

Considering the recognition tests set out in international accounting standards, the Petroleum Fund’s assets and liabilities are not shown on the Bank’s balance sheet.

The assets and liabilities of the Petroleum on 31 December 2024* were as follows:

	2024 US\$'000	2023 US\$'000
Petroleum Fund Assets		
Cash and Cash Equivalents	3,285,083	2,065,968
Other receivables	48,731	43,011
Financial assets at fair value through profit or loss	15,643,621	16,220,796
Less: Pending Purchase of Securities & Account payables	-703,379	-41,370
	18,274,056	18,288,405
Capital	18,274,056	18,288,405
Capital	18,274,056	18,288,405

Notes: (*) the PF balance sheet is unaudited

25. Related Party transactions

Ultimate Controlling Party

The Democratic Republic of Timor-Leste holds the capital of the Bank and carries no voting or other rights of control. The Bank is established as a distinct autonomous public legal entity, endowed with administrative and financial autonomy and of its capital. 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, its agencies, and subsidiary organs or entities.

Governing Board

Three members of the Governing Board were executive management personnel. The government determined the compensation through Government Decree No. 3/2015 of 21 January, which is disclosed below.

	2024 US\$'000	2023 US\$'000
Executive Board members Compensation (Included in personnel expenses)		
Short-term employee benefits	241	242
Long-term benefits	10	17
Total	224	259

Non-Executive Governing Board

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

	2024 US\$'000	2023 US\$'000
Non-Executive Board members Compensation		
Sitting allowance (Included in personnel expenses)	70	82
Total	70	82

Key Management Personnel

The management of the Bank is undertaken by an Executive Management Committee comprising the seven senior staff.

	2024 US\$'000	2023 US\$'000
Key Management Personnel Compensation (Included in personnel expenses)		
Short-term employee benefits	172	78
Long-term benefits	7	5
Total	178	83

Government-Related Entities

The Bank provides banking services on an arm's-length basis to the Ministry of Finance and other public entities that are exempt from the disclosure requirements of paragraph 18 of IAS 24 – “Related Party Disclosures” regarding related party transactions and outstanding balances, including commitments. Notes 13, 15, 16, 17, 23, and 26 detail the nature and amount of each significant transaction with government entities.

26. Fair value revaluations

The table below details the composition and changes in the Fair Value Reserve, which arises from revaluations of bonds classified at Fair Value Through Other Comprehensive Income (FVOCI). Unrealized gains/losses on these bonds are recognized directly in equity through the Fair Value Reserve until derecognition, in accordance with IFRS 9.

	2024 US\$'000	2023 US\$'000
Fair value revaluation		
Opening balance	-2,907	-4,431
Fair value changes	2,417	1,524
Total Fair value	-490	-2,907

27. Currency issued.

The table below presents the breakdown of the financial position line item “currency issue” and the changes in this currency issuance over the year. A detailed description follows:

	2024 US\$'000	2023 US\$'000
Currency Issued		
Opening balance	31,089	27,657
Coins issuance	2,510	3,432
Total	33,599	31,089

28. Reintegration fund.

The table below outlines the Reintegration Fund, a long-term employee benefit obligation categorized under the line item “Reintegration fund account” within “Other Liabilities” (refer to Note 15). The Fund signifies the Bank’s obligation to eligible employees under a defined benefit plan governed by the Bank’s policies and compliant with IAS 19 Employee Benefits. A detailed description follows:

	2024 US\$'000	2023 US\$'000
Reintegration fund (include other liabilities)		
Opening balance	1,429	-
Contributions	752	1,429
Benefits paid	-212	-
Total	1,970	1,429

29. Authorisation and approval of the financial statements

As stated in the basis of the preparation Statement of compliance, these financial statements were authorised for issue by the Governing Board of the Bank on 27 March 2025.

30. Subsequent Events

As of the issuance date of the financial statements, no material events have occurred that would necessitate adjustments or disclosures beyond those already presented.

Independent Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Banco Central de Timor-Leste (the Bank), which comprise the statement of financial position as at 31 December 2024 (showing a total asset value of 777.932 thousand USD and a total equity of 134.982 thousand USD, including a net profit of 17.822 thousand USD), and 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 statements present fairly, in all material respects, of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in East Timor, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Responsibilities of management and the governing board for the financial statements

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

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

The governing board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the governing board 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Our responsibility also includes the verification that the information contained in the Management Report is consistent with the financial statements.

Lisbon, April 17th, 2025

Ernst & Young Audit & Associados –SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:



António Filipe Dias da Fonseca Brás - ROC nr. 1661
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Banco Central de Timor-Leste
Avenida Xavier do Amaral N°. 09
No. 09 P.O Box 59
Posto Administrativo Nain Feto
Suco Gricenfor, Aldeia Formosa
Dili, Timor-Leste
info@bancocentral.tl
www.bancocentral.tl