ANNUAL REPORT

Operations, Activities and Financial Statements of BCTL

2025

ANNUAL REPORT

2025

Operations, Activities and Financial Statements of BCTL

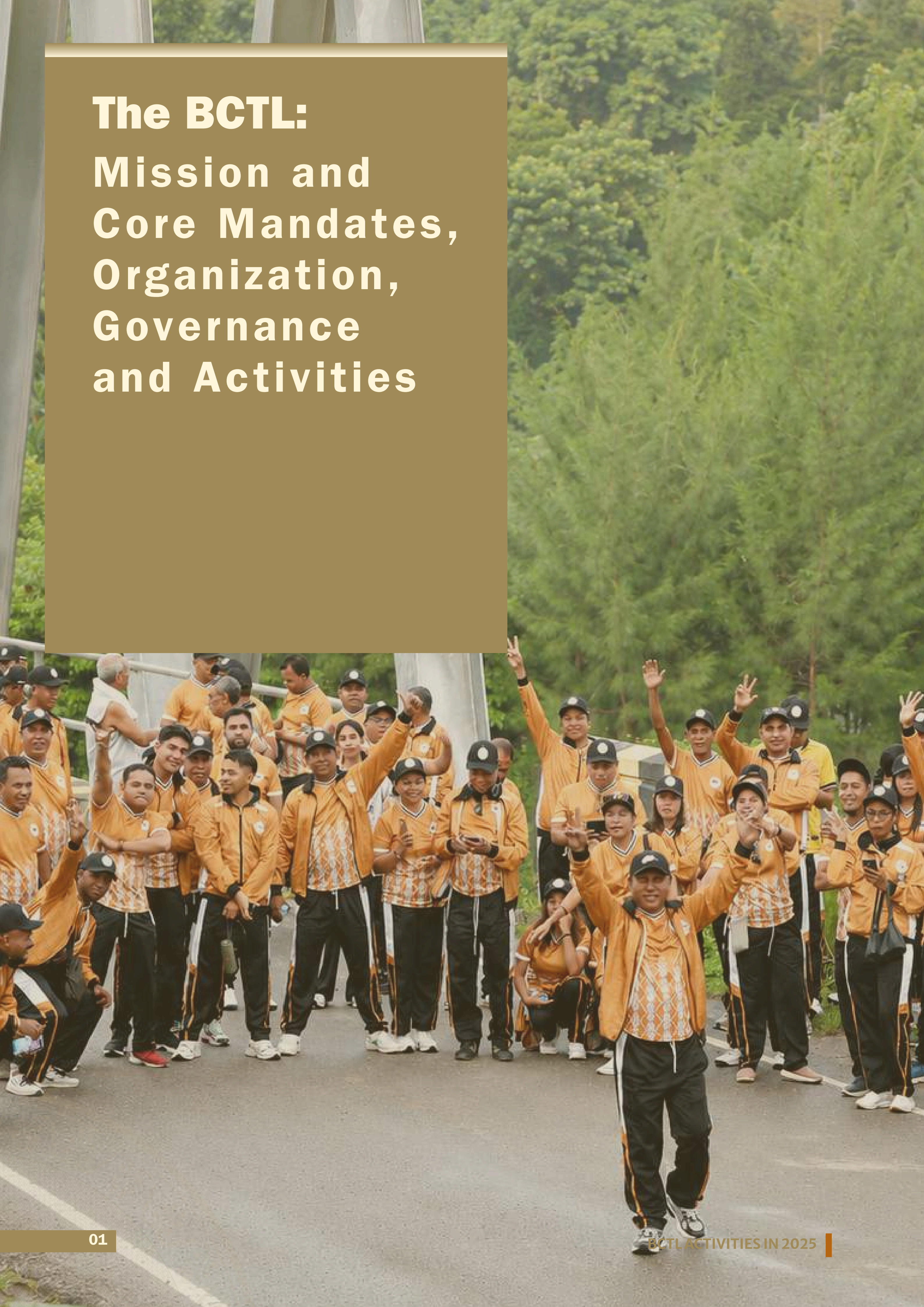
TABLE OF CONTENT

02. Financial Statements for the year ended 31 December 2025 42

CHARTS

TABLES

The BCTL:
Mission and Core Mandates, Organization, Governance and Activities



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 2025 and the action plan for 2026. 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.

1.1 CORE MANDATES AND FUNCTIONS

The BCTL is a legal entity governed by public law, endowed with administrative and financial autonomy and its own assets. The BCTL, along with its entities, employees, and agents, enjoy operational independence and is not subject to instructions from external authorities. Its Organic Law guarantees the necessary independence of the Central Bank vis-à-vis the Government.

The primary objective of BCTL, as is common among most international central banks, is to achieve and maintain domestic price stability. Equally important objectives include the promotion and preservation of a stable 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 also provides support to the Government in the formulation and implementation of overall economic policy.

To achieve its objectives, the functions of the BCTL are, in accordance with the law:

1. Define and implement the country's monetary policy;
2. Define and adopt the exchange rate regime as well as the associated exchange rate policy;
3. Carry out operations in foreign currency;
4. Hold and manage the country's official foreign reserves;
5. Hold and manage the State's gold reserves;
6. Issuing and managing the official currency of Timor-Leste;
7. Collect and publish statistical information on the areas of its competence, namely monetary, financial and balance of payments statistics;
8. Inform the National Parliament, the Government and the general public about the policies it implements;
9. Establishing, promoting and supervising the national payment system, in order to guarantee the efficient and secure execution of payments;
10. Regulate, license and supervise financial institutions operating in the country;
11. To advise the Government on matters within its competence;
12. Act as fiscal agent of the Government;
13. Participate in international organizations and meetings that concern the above-mentioned points;
14. Be a part to contracts and establish agreements and protocols with national or foreign, public or private entities; and
15. Perform any other activities as defined by law.

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

1.2 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 Executive Committee composed of the Directors and heads of various departments of the Bank. At the end of 2025, 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 Executive 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 and Payment Systems; Petroleum Fund; Administration; Economic and Monetary Policy, 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, the Financial Information Unit, and the Accounting and Budget Division. 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 Transparency, Integrity, Mobilization, Obligation and Responsibility, essential slogans in the day-to-day life of the institution and its employees.

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 BCTL ACTIVITIES IN 2025

BCTL implemented a wide range of activities in accordance with its 2025 work plan, primarily aimed at fulfilling its mandate to maintain domestic price stability, promote a stable and competitive financial system, and foster a secure and efficient payment infrastructure.

BCTL remains firmly committed to the modernization of Timor-Leste's national payment system. During the period, the Bank continued to monitor and improve the performance of the R-TiMOR system, ensuring that it effectively meets the evolving needs of all participants within the national payments ecosystem. This system provides public institutions, especially the Ministry of Finance, with real-time access to historical accounts and sub-account statements, supporting effective treasury management and improved cash flow forecasting. In addition, BCTL has worked closely with the system provider and participating institutions to implement necessary system enhancements, including ongoing discussions regarding the migration to R-Timor version 2 (R-TiMORv2).

The Central Bank continued to ensure the uninterrupted operation of the Real-Time Gross Settlement (RTGS) system, facilitating financial transactions for public institutions and commercial banks, while maintaining adequate cash reserves to support liquidity conditions within the banking sector.

In line with its digital payments' modernization agenda, BCTL advanced interoperability initiatives with P24 member institutions and service providers. This efforts included integration with the tax payment system, e-wallet services, and the BNU POS network. Furthermore, BNCTL enabled UnionPay cardholders to access ATMs and POS terminals across Timor-Leste, thereby enhancing both domestic and cross-border or international card transaction accessibility. Preparatory work for the Instant Payment System (IPS), alongside feasibility studies for the e-Centavos central bank digital currency, continued to support the expansion and modernization of Timor-Leste's digital financial ecosystem.

To strengthen the financial system and banking supervision, BCTL approved preliminary licenses for new banking and financial institutions and undertook regulatory initiatives to foster sector competitiveness and bolster public confidence. Key legislative initiatives progressed, including work on the Insurance Transactions Law, the Insolvency Law, and the Banking Law, all aimed at enhancing the legal and regulatory framework.

BCTL also prioritized financial literacy and inclusion. In partnership with the Ministry of Education, the Financial Literacy Program was rolled out in 144 public primary schools, targeting students in Cycles 1 and 2. Public engagement campaigns, including National Savings Day, Digital Camp, and the promotion of the "Ha'u Nia Futuru" children's savings account, further strengthened a culture of savings and financial awareness. Initiatives also included the introduction of the Kakatua Matenek financial literacy mascot and the digitalization of e-learning platforms in collaboration with the Universidade Nacional Timor Lorosa'e.

Regarding sovereign wealth management, the Petroleum Fund recorded a capital of USD 18,609 million at the end of 2025. This growth was primarily driven by investment returns, despite minimal petroleum revenue inflows. Withdrawals to finance the state budget continued, underscoring the critical importance of prudent and sustainable investment management.

BCTL continued to strengthen institutional capacity through human resource development, including expanding its workforce, targeted training program, and scholarships for advanced studies. International cooperation remained a key focus, with partnerships maintained and expanded with ASEAN central banks, the IMF, SEACEN, the Australian Prudential Regulation Authority, and other global institutions. These collaborations focused knowledge sharing, technical assistance, capacity building, training, and joint research initiatives.

Looking ahead, BCTL's strategic priorities for 2026 will concentrate on enhancing the legal, regulatory, and compliance framework, strengthening supervisory operations, modernizing payment systems, reinforcing currency management and financial inclusion, improving macroeconomic policy and statistical capacity, optimizing investment management, and fortifying institutional infrastructure and cybersecurity. Collectively, these initiatives aim to ensure a resilient, transparent, and inclusive financial system that supports sustainable economic development in Timor-Leste.

1.3.1. National Payment System

1.3.1.1. Interbank Clearing and Settlement System

During 2025, the BCTL continued to maintain adequate cash reserves to meet the payment obligations of both the State and commercial banks, thereby supporting liquidity conditions and ensuring confidence in the financial system.

The Bank also ensured the uninterrupted operation of the Real-Time Gross Settlement (RTGS) system, facilitating the efficient and secure settlement of high-value financial transactions.
Building on operational arrangements introduced during the COVID-19 period, BCTL maintained the framework under which Automatic Clearing House (CCA) activities are processed directly by commercial banks. Under this arrangement, participant banks process credit transfer transactions independently, while cheque clearing services are no longer conducted by Central Bank. This approach has supported operational efficiency and greater decentralization of retail payment processing within the banking sector.

Consequently, transaction volumes and values related to these activities are no longer recorded within the Central Bank's Interbank Clearing and Settlement System (CEL), reflecting the evolution of clearing responsibilities toward commercial bank–managed processes.

1.3.1.2. SWIFT and R-Timor Systems (RTGS)

Central Bank provides national and international payment services to support economic and financial activities in Timor-Leste. International payments are conducted primarily through the SWIFT system, complemented by non-SWIFT channels where applicable. Domestic payments are classified into retail and high-value payments, which are processed through distinct systems according to transaction size and purpose.

Retail domestic payments are mainly processed through the Automatic Clearing House (ACH/CCA), facilitating government-related payments such as salaries, veterans' benefits, and payments to suppliers, which are subsequently settled through commercial banks. High-value payments, defined as transactions exceeding USD 200 thousand, are processed through the Real-Time Gross Settlement (RTGS) system. While RTGS is capable of processing transactions of any value, the CCA system is restricted to low-value transactions.

Table 1.1 Domestic and International Payments **(Value in millions of USD, Quantity in 10^3)**

	2024		2025		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
National Payment						
Automatic Cleaning House	1,291.49	740.06	1,395.10	896.67	8.0	21.2
RTGS-FICT	26.83	8,216.46	27.46	9,168.43	2.3	11.6
RTGS-SCCT	92.56	1,646.36	97.86	1,796.66	5.7	9.1
Sub Total	**1,410.88**	**10,602.88**	**1,520.42**	**11,861.76**	**7.8**	**11.9**
International Payments						
Outgoing Transfers-SWIFT	2.1	1,888.1	3.1	2,090.1	46.6	10.7
Incoming Transfers-SWIFT	0.3	483.8	0.5	767.6	57.6	58.7
Sub Total	**2.42**	**2,371.89**	**3.58**	**2,857.77**	**48.0**	**20.5**
Total	**1,413.30**	**12,974.76**	**1,524.00**	**14,719.53**	**7.8**	**13.4**

Source: BCTL

Table 3.1 presents the performance of domestic and international payment transactions. In 2025, national payments transactions reached 1.52 million, with a total value of USD 11,861.76 million, compared with 1.41 million transactions amounting to USD 10,602.88 million in 2024. This represents an increase of 7.8% in transaction volume and 11.9% in transaction value. Growth was recorded across all domestic payment systems, with Automatic Clearing House (ACH) transactions demonstrating notable expansion in both volume and value. Meanwhile, RTGS-FICT and RTGS-SCCT transactions continued to account for the largest share of total transaction values, reflecting their central role in high-value payment settlement.

International payments also recorded significant growth in 2025, reaching 3.58 thousand transactions with a total value of USD 2,857.77 million, compared with 2.42 thousand transactions valued at USD 2,371.89 million in 2024. This corresponds to an increase of 48.0% in transaction volume and 20.5% in value, driven primarily by higher volume of SWIFT-based incoming and outgoing transfers, with particularly strong growth observed in incoming transactions.

Table 1.2. SWFT Transfer incoming and Outgoing **(Value in millions of USD, Quantity in 10^3)**

	2024		2025		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Transfer Incoming						
SWIFT	40.8	460.0	44.4	538.4	9.0	17.0
Non-SWIFT	54.6	263.7	29.7	294.9	-45.6	11.8
Sub Total	**95.4**	**723.7**	**74.2**	**833.2**	**-22.3**	**15.1**
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	**194.3**	**3,117.1**	**162.1**	**2,812.4**	**1.6**	**-13.3**

Source: BCTL

Table 3.2 provides an overview of incoming and outgoing transfer transactions. In 2025, incoming transfers totaled 74.2 thousand transactions, with a total value of USD 833.2 million, compared with 95.4 thousand transactions valued at USD 723.7 million in 2024. SWIFT-based incoming transfers increased by 9.0% in volume, reaching 44.4 thousand transactions, and rose by 17.0% in value to USD 538.4 million. In contrast, non-SWIFT incoming transfers declined by 45.6% in volume to 29.7 thousand transactions, although their total value rose by 11.8% to USD 294.9 million.

Outgoing transfers amounted to 88.0 thousand transactions in 2025, with a total value of USD 1,979.1 million, down from 98.9 thousand transactions valued at USD 2,393.3 million in 2024. SWIFT-based outgoing transfers increased by 38.4% in volume to 32.3 thousand transactions, though their value decreased by 40.7% to USD 821.1 million.

Non-SWIFT outgoing transfers fell by 26.3% in volume to 55.7 thousand transactions, while their value increased by 14.8% to USD 1,158.0 million.

Overall, these developments reflect a continued growth in SWIFT-based transaction volumes alongside a rising reliance on non-SWIFT channels for high-value transfers, indicating evolving patterns in cross-border payment activity and changing transaction preferences among market participants.

1.3.1.3. The P24 System

Overall, these developments reflect a continued growth in SWIFT-based transaction volumes alongside a rising reliance on non-SWIFT channels for high-value transfers, indicating evolving patterns in cross-border payment activity and changing transaction preferences among market participants.

The P24 system operates through the R-TiMOR interbank network, enabling the automatic daily settlement of net transaction values for each participating bank, on a 24-hour, seven-day basis. The primary objective of the P24 electronic system is to reduce reliance on physical cash in daily transactions.

The system has expanded access to financial services for individuals without bank accounts, as well as for those residing in areas distant from banking facilities, by providing electronic channels for transfers and payments that are widely accepted in local markets and retail outlets.

Table 1.3 P24 System (Value in millions of USD, Quantity in 10^3)

	Financial Transaction				Non-Financial Transaction
	Cash Withdrawal		Transfers		Balance Inquiry
	Quantity	Value	Quantity	Value	
2024	5,121	653.2	65	14.8	1.8
2025	5,120	653.2	65	14.8	2.0

Source: BCTL

Table 3.3 summarizes the evolution of transactions conducted through the P24 system in the country. The data indicate a continued and robust expansion in financial transactions processed through the P24 network during 2025. Cash withdrawals transactions increased to 5.1 million, with a total value of USD 653.2 million, representing a growth of approximately 15.3% in volume and 13.3% in value compared with 2024. Transfers executed through the P24 system also recorded strong growth, reaching 65 thousand transactions with a total value of USD 14.8 million, corresponding to an increase of approximately 71% in transaction volume and 33% in value relative to the previous year. In addition, non-financial transactions showed moderate growth, with balance inquiries increasing from 1.8 million transactions in 2024 to 2.0 million transactions in 2025.

1.3.1.4. The E-Wallet System Service

Mosan and T-Pay provide e-wallet services for fund transfers, cash-in and cash-out transactions, mobile top-ups, utility payments, and balance inquiries, thereby enhancing financial access in rural areas and among individuals without bank accounts.

As shown in Table 3.4, total e-wallet transactions in 2025 reached 6,181 thousand, valued at USD 80.97 million, up from 5,583 thousand transactions totaling USD 71.20 million in 2024. This represents growth of 10.7% in transaction volume and 13.7% in value.

Fund transfers rose by 15.8% in volume and 13.1% in value, while utility payments increased by 35.4% in volume and 28.3% in value. Buy-data transactions recorded growth of 24.3% in volume and 37.9% in value. In contrast, cash-out transactions declined by 49.7% in volume (– but rose by 42.9% in value. Top-ups transaction fell moderately, by 6.4% in volume and 6.1% in value, whereas cash-in transactions increased in volume by 11.1%, with theirvalue remaining broadly stable (1.0%).

These trends reflect a continue shift toward digital payments and transfers, accompanied by a reduced reliance on cash-handling transactions, thereby supporting ongoing efforts to expand financial inclusion.

Table 1.4 E-Wallet Service Transaction (Value in millions of USD, Quantity in 10^3))

	2024		2025		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Transfers	403	41	467	46.8	15.8	13.1
Cash-in	1,111	16.295	1,234	16.5	11.1	1.0
Cash-out	95	5.986	48	8.6	-49.7	42.9
Top-up	1,802	2.488	1,686	2.3	-6.4	-6.1
Buy Data	1,747	3.551	2,171	4.9	24.3	37.9
Utility Payment	425	1.468	575	1.9	35.4	28.3
Total	**5,582.9**	**71.2**	**6,180.7**	**81.0**	**10.7**	**13.7**

Source: BCTL

1.3.1.5. Banking System

Table 3.5 summarizes the evolution of cash (coins and banknotes) and non-cash transactions carried out by commercial banks in Timor-Leste.

Table 1.5 Cash and non-Cash Transaction (In millions of USD)

	2024		2025		Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Cash Transaction	6.058	4,040	6.714	4,242	(10)	(5)
Non-Cash Transaction	7,613	1,953	6,442	3,295	18	(41)
Total	**7,619**	**5,993**	**6,448**	**7,536**	**8**	**(45)**

Source: BCTL

Cash transactions increased from 6.1 million in 2024 to 6.7 million in 2025, while their total value rising slightly from USD 4.0 billion to USD 4.2 billion. Despite this growth, cash transactions continued to represent a relatively small share of overall banking activity, indicating limited reliance on physical currency for higher-value payments.

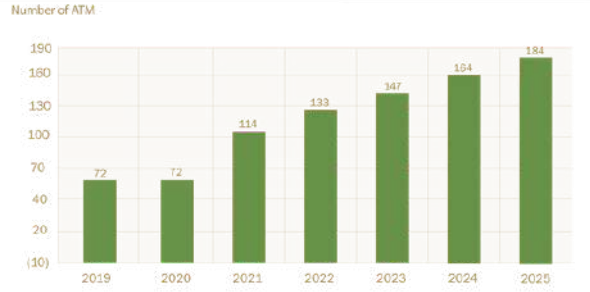
Non-cash transactions accounted for the majority of transactions nationwide; although their volume declined from 7.6 million in 2024 to 6.4 million in 2025, their total value increased substantially from USD 2.0 billion to USD 3.3 billion, reflecting a growing use of electronic and banking instruments for higher-value payments. Overall, the combined value of cash and non-cash transactions rose from USD 6.0 billion in 2024 to USD 7.5 billion in 2025, highlighting continued growth in financial activity and a gradual shift toward non-cash payment methods in Timor-Leste.

In line with this development, the Banco Central de Timor-Leste (BCTL) remains committed to enhancing the efficiency and effectiveness of transaction settlements by promoting greater adoption of electronic payment methods and digital financial services. To support this objective, BCTL continues to expand non-cash automatic payment services through the national interconnection system, with the aim of broadening access to payment services and encouraging the widespread use of debit and credit cards, as well as mobile phones, as key payment platforms.

Graphs 3.1 and 3.2 illustrate the evolution of the number of payment terminals installed in the country between 2024 and 2025. Automated teller machines (ATMs) increased from 164 units in 2024, to 184 units in 2025, representing an annual growth of approximately 12%. Over the same period, Point of Sale (POS) terminals rose from 577 units to 680 units, reflecting an annual increase of about 18%.

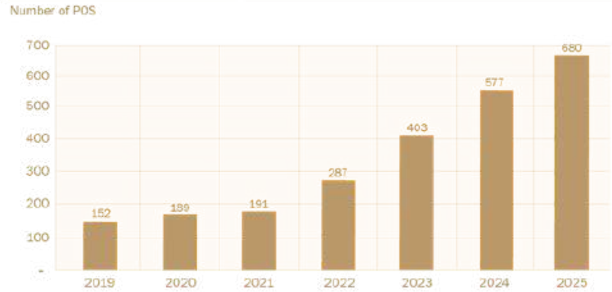
Graph 3.3 shows the trend in bank cards issued in Timor-Leste from 2019 to 2025. The total number of cards in circulation increased significantly over the period, particularly in recent years. In 2024, the number of cards reached approximately 148.2 thousand, reflecting strong annual growth of about 38 percent.

Chart 1.1
Automatic Teller Machine (ATM)



Source: BCTL

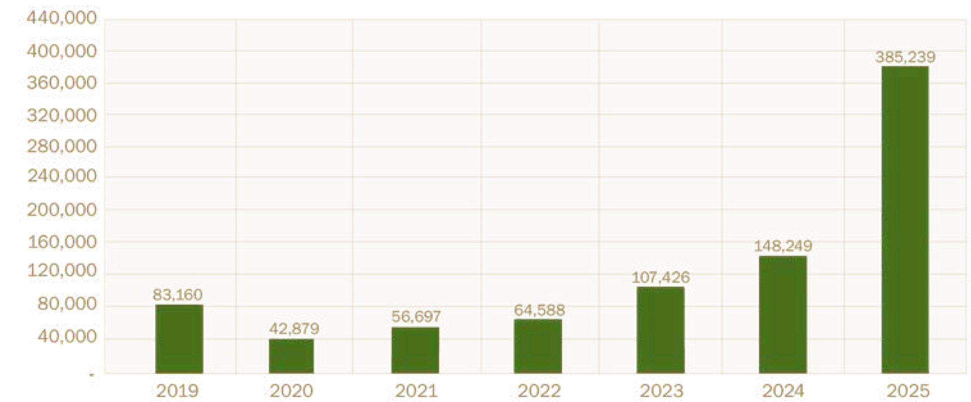
Chart 1.2
Point of Sale (POS)



Source: BCTL

This upward trend continued in 2025, with the total number of cards rising sharply to approximately 385.2 thousand. This development indicates a rapid expansion in the use of banking services and card-based payments.

Chart 1.3
Number of Bank Cards



Source: BCTL

Overall, the changes observed in the number of bank cards in circulation reflect evolving usage patterns and the ongoing modernization and digitalization of the financial system, alongside efforts to rationalize and maintain active card-based payment instruments.

3.3.1.6. Currency Import and Export

A central fundamental function of the BCTL is the management of the country's official currency. In this regard, the BCTL plays a key role in ensuring that the national economy has adequate means of payment to support economic activity and meet the ongoing needs of economic agents. These efforts are essential to maintaining public confidence in the national currency by ensuring a continuous supply of banknotes and coins while safeguarding their physical quality.

As the country uses foreign-issued banknotes and domestically issued coins that are manufactured abroad, the provision of physical means of payment (coins and banknotes) depends on the importation of cash. In the case of banknotes, those that reach a very low degree of conservation are re-exported to their 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 2025			Change (%)		
	2024	2025	2024	2025	2024	2025	Import	Re-circulation	Deposit	Import	Re-circulation	Deposit
100	3.2	8.0	4.4	7.5	1.9	1.7	4.5	1.0	0.3	150.0	70.8	-9.6
50	0.0	0.0	1.8	1.6	1.6	1.4	0.0	0.2	0.2	0.0	-11.0	-12.8
20	91.8	104.0	436.9	476.3	343.4	392.7	59.1	61.0	61.0	13.2	9.0	14.4
10	53.4	63.7	259.5	294.7	212.5	245.2	36.2	37.7	38.1	19.2	13.6	15.4
5	1.6	0.2	1.8	0.9	2.6	2.8	0.1	0.1	0.4	-90.0	-48.1	7.4
Total	**150.1**	**175.8**	**704.4**	**781.0**	**562.0**	**643.8**	**100.0**	**100.0**	**100.0**	**17.2**	**10.9**	**14.6**

In 2025, BCTL imported USD 175.8 million in banknotes, representing a year-on-year increase of 17.2% compared to 2024. During the same period, the total currency placed into circulation amounted to USD 781.0 million, reflecting an annual increase of 10.9%. The value of currency issued into circulation exceeded imports by approximately USD 605 million, largely explained by the re-circulation of previously deposited banknotes and the use of existing reserves held by the central bank.

The USD 20 and USD 10 banknotes continued to dominate cash transactions in the economy (see Table 3.6). In 2025, the USD 20 denomination accounted for 61.0% of total imports, 61.0% of currency in circulation, and 61.0% of total deposits with the BCTL. Similarly, USD 10 banknotes represented 37.7% of imports, 37.7% of circulation, and 38.1% of deposits. Owing to their intensive use, these denominations experience faster physical deterioration, resulting in a significant share of redeposited unfit currency and subsequent repatriation to the country of origin, a pattern consistent with previous years.

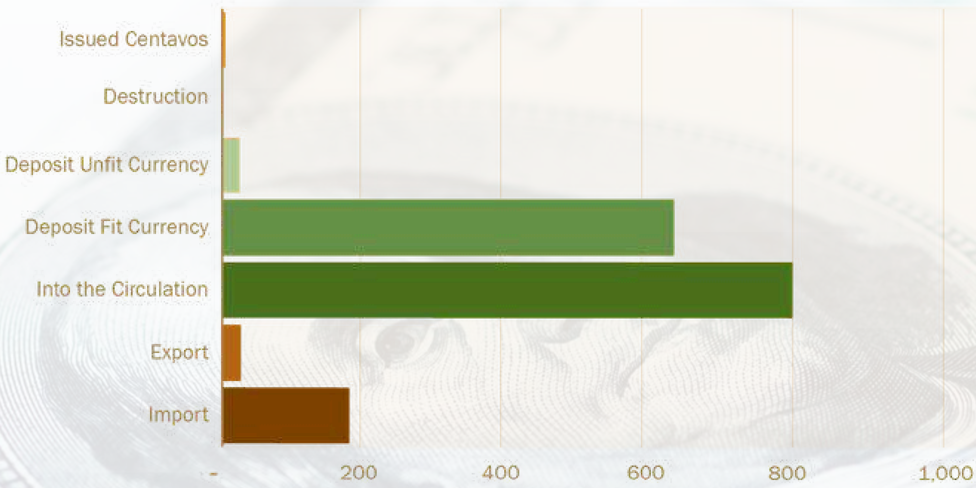
In contrast, higher denominations such as the USD 100 banknote, while showing a sharp increase in imports in 2025 (USD 8.0 million, up 150.0%), continue to represent a relatively small share of total circulation and deposits, reflecting their more limited use in daily transactions. Lower denominations, particularly the USD 5 banknote, recorded a substantial decline in imports and circulation, indicating reduced transactional relevance.

Regarding coins, a total of 5.3 million centavos were put into circulation in 2024, of which 2.1 million centavos corresponded to newly issued coins. The 200-cent coin recorded a circulation of 130 thousand centavos, representing 2.5% of the total, marking a sharp decline of 91% compared to 2023, following a significant increase in the previous year.

The 100-cent coin experienced a 6% decrease in circulation, after a 15% decline in 2023, bringing total circulation to 3.2 million centavos. Meanwhile, the 50-cent coin reached a circulation value of 1.0 million centavos, accounting for 19% of the total, reflecting a recovery in use compared to the previous year

Chart 1.4

TL: Currency Transaction 2025



Source: BCTL

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

The modernization of Timor-Leste's payment systems is being pursued in line with the Strategy for the Development of Timor-Leste National Payment Systems (2015-2025), the Strategic Plan for Financial Sector Development of Timor-Leste 2025–2035 within the legal framework of the Organic Law of the Central Bank (No. 5/2011), the Payment System Decree Law (No. 5/2017) that considers the national context, aligns with regional developments in the ASEAN financial ecosystem, and is informed by international best practices. This modernization aims to strengthen financial stability, promote financial inclusion, enhance operational efficiency, and position Timor-Leste's payment infrastructure to meet evolving domestic and global economic needs.

1. The R-TiMOR System and the R-Timor version 2 (V2) system upgrade

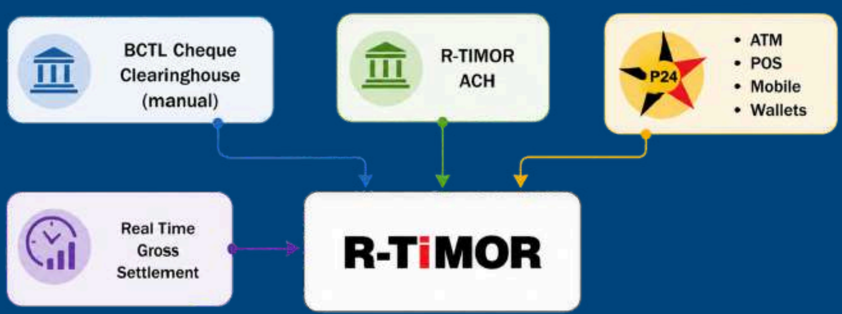
The R-TiMOR system, established in 2015, serves as the backbone of Timor-Leste's electronic payments infrastructure. It comprises an interconnected network of systems and platforms that enable individuals, businesses, government institutions, and other relevant entities to conduct secure and efficient electronic payments across the country. The Central Bank of Timor-Leste continues to play a pivotal role in coordinating and operating the R-TiMOR system, ensuring the delivery of reliable, efficient, and effective payment services. A key feature of the system, the Direct Processing (STP) module, implemented in 2017, ensures that payments are executed securely and in real-time. STP is now fully operational and used by all R-TiMOR participants.

By the end of 2025, the system had 8 direct participants and 151 indirect participants, representing a 7.1% increase in participants compared to the previous year. Indirect participants include autonomous agencies, municipalities, and special funds, all supervised by the Ministry of Finance. Through integration with the Government Resource Planning (GRP) system, indirect participants can process payments directly from their respective workplaces that credit to beneficiaries account in real time, thereby enhancing operational efficiency and promoting a seamless payment environment.
The Central Bank continues to collaborate with system participants and relevant stakeholders to implement targeted enhancements that facilitate direct payments and enable comprehensive processing of all types of payments to the State, including taxes and bids, through any bank participating in the R-TiMOR network.

In November 2024, BCTL, in partnership with the R-TiMOR provider, initiated the process of upgrading the system to R-TiMORv2. The new version introduces a suite of advanced features, including support for ISO 20022 messaging standards, real-time transaction monitoring, enhanced monetary tools, a new payment stream, automatic updates of multiple lists, enhanced Multi-Factor Authentication (MFA), and a dedicated billing module. These upgrades aim to further strengthen security, transparency, and operational efficiency across Timor-Leste's payment ecosystem.

During 2025, four out of the seven implementation phases of the upgraded R-TiMORv2 system were successfully completed. The project has now reached Phase 5, which focuses on capacity building for BCTL staff, conducted in parallel with User Acceptance Testing (UAT) to validate system functionality and operational readiness. This phase is followed by training programs for participant banks and the Ministry of Finance and other indirect participants to ensure smooth adoption and effective use of the upgraded system.

The next phase of the implementation will be the pilot phase, during which the system will be tested in a live operational environment with selected participants. The final phase will be project closure, which includes final evaluation, documentation, and formal handover. The R-TiMORv2 system is scheduled to go live in July 2026.



2. The National Card and the Payment Switch Projects

The Central Bank of Timor-Leste launched the P24 payment system in December 2018, offering 24/7 financial services to individuals, businesses, and government entities. During its initial phase, Caixa Geral de Depósitos (BNU-Timor) and PT. Bank Mandiri connected their ATMs to the system, followed by BNCTL in December 2019 and PT. Bank Rakyat Indonesia in early 2020. Today, all ATMs from participating banks are fully integrated with P24 including the newly licensed bank Banco do Nosso Futuru (BNF) that integrated in August 2025 allowing cardholders to perform seamless transactions at any ATM displaying the P24 logo.

Over the past 6 years, the P24 network has expanded its capabilities to include electronic tax payments via ATMs and POS devices. Cardholders can now settle taxes electronically without visiting a bank branch, with payments credited directly to the government's account through the R-TiMOR system. P24 has also been integrated with e-wallets, enabling secure fund transfers between bank accounts and digital wallets, further promoting financial inclusion and convenience.

BCTL has strengthened international payment connectivity through the integration of UnionPay International acquiring, allowing UnionPay cardholders to use BNCTL ATMs and POS devices domestically. BNU Timor is similarly integrated with Mastercard acquiring into P24, enabling international Mastercard holders to transact seamlessly within Timor-Leste. In addition, BNCTL launched UnionPay Issuer services, including contactless and 3D Secure functionalities, facilitating secure and convenient transactions for cardholders both domestically and while traveling abroad.

In a significant step toward digital trade facilitation, the Customs Authority, in collaboration with BCTL, launched an e-payment system linking the Customs ASYCUDA platform with P24 as part of the National Single Window Project. This system allows importers to make payments directly through P24 ATMs without the need for stamps or signatures, streamlining procedures, reducing administrative costs, and improving efficiency, while promoting transparency and reducing reliance on paper-based processes.
In 2025, the P24 payment system further achieved significant milestones in strengthening Timor-Leste's financial infrastructure, enhancing international connectivity, improving payment security, and delivering more efficient and convenient services to customers.

In July 2025, BNCTL successfully integrated Mastercard into the P24 system, enabling international Mastercard cardholders to conduct transactions seamlessly through BNCTL's ATMs and POS terminals within Timor-Leste. This integration represents a strategic advancement in supporting tourism, international trade, and cross-border payments.

Concurrently, BNCTL advanced the issuance of Mastercard for Timorese citizens, which, once operational, will enable domestic cardholders to perform transactions at ATMs displaying the Mastercard logo domestically and abroad, significantly enhancing access to inclusive and global financial services.

In September 2025, the integration of the new bank, Banco do Nosso Futuro, S.A. (BNF), with the P24 network was completed, enabling BNF to fully participate in the national payment system. This integration allows BNF customers to benefit from faster, more secure, and more convenient electronic payment services, including seamless transactions across the P24 network.

The implementation of domestic EMV cards under the P24 framework was also completed in July 2025, further strengthening the security, reliability, and efficiency of card-based payment transactions in line with international standards. Customers of BNU, BNCTL, Bank Mandiri, and BNF are already benefiting from these enhanced electronic payment services. Bank BRI continues to progress toward full integration and participation in the P24 network, reflecting the system's growing adoption across the banking sector.

In September 2025, BNCTL introduced Mastercard POS acquiring through the P24 network, enabling merchants across the country to accept Mastercard payments via POS terminals. This development supports cashless transactions, improves payment convenience for customers, and strengthens the overall card payment ecosystem.

Additionally, the Instant Issuing service was implemented in November 2025. It allows participating banks to issue payment cards to customers immediately. This reduces waiting times, improves convenience, and supports the wider use of electronic payments, contributing to the modernization of Timor-Leste's national payment system. The service is currently available only to two banks, BNU and BNCTL, with other banks expected to join later.

The advancements achieved in 2025 highlight BCTL's continued commitment to building a secure, inclusive, and internationally connected payment ecosystem that meets the evolving needs of citizens, businesses, and government institutions.

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

As part of the Strategic Plan for Financial Sector Development 2025–2035, the Central Bank of Timor-Leste (BCTL) began implementing the Instant Payment System (IPS) and eCentavos in 2024. Once fully operational, these systems are expected to bring significant benefits to individuals, businesses, and the financial sector, including greater financial inclusion, efficiency, transparency, cost savings, support for innovation, and reduced reliance on cash.

This initiative supports BCTL's vision of "bank in your pocket" (Banku iha Ita Nia Bolsu), providing convenient, secure, and accessible digital financial services to all Timorese citizens.

On 21 May 2025, BCTL officially launched the IPS, a real-time, centralized platform that allows users to access financial services from banks, fintechs, and other financial institutions through a single mobile application. The IPS is a non-card-based system and a key pillar of Timor-Leste's digital transformation, which will not only be a technological advancement but also a critical step in making financial services accessible to everyone, allowing citizens to manage their money efficiently via mobile devices.

The IPS is part of the Strategic Plan for Financial Sector Development (2025–2035) and plays a vital role in supporting the digital economy and regional integration with ASEAN initiatives, including ASEAN Payment Accessibility.

At the national level, the IPS is expected to promote financial inclusion through mobile banking and e-wallet services. The next milestone is the launch of standardized QR-code payments, which will make digital payments easier, more efficient and more widely accessible. Ti-Fast Branding and Implementation Progress.

In 2025, the IPS system was branded Ti-Fast (Timor Fast Payments), consisting of two main components:

- TUQR (Timor Unified Quick Response)
- Besix (Banku Eletrónika Servisu Xpressu) ho Ita

Ti-Fast provides seamless, real-time payment services for retail, government, and person-to-person (P2P) and person-to-businesses-to-government (P2B2G) transactions. Its implementation follows seven structured phases, with significant progress made in 2025.

Phases completed in 2025 include:

- Phase 1: Development of solution specifications, project charter, and a comprehensive project plan.
- Phase 2: Delivery and installation of hardware to support IPS, the Interbank Payment Interface (IPI), and Wallet systems.

- Phase 3: Software development and customization, configuration of hardware and software, creation of virtual machines, and rigorous testing. The first versions of IPS, IPI, and Wallet were installed in BCTL's test environment, and a successful testbed demonstration on 18 December 2025 confirmed system functionality, stability, and readiness for the next stages.

The project is now in Phase 4 – Documentation, which records all technical and operational procedures to ensure compliance, knowledge transfer, and future maintenance. By the end of 2025, 56% of total implementation milestones were achieved, with activities ahead of schedule.

The next phase, Phase 5, will focus on staff training and User Acceptance Testing (UAT), followed by Phase 6, the pilot phase, and concluding with the final phase, project closure.
Ti-Fast is scheduled to go live in August 2026 subject to the development of the participants' side for interface, after which BCTL plans to integrate TUQR with ASEAN QR standards, enabling seamless cross-border cashless transactions for Timorese citizens traveling across the ASEAN region.

4. Promoting Financial Inclusion and Public Engagement

In parallel with the implementation of national payment systems, BCTL continued to actively promote financial literacy and the adoption of digital payments across Timor-Leste.

In 2025, outreach activities were conducted in Oe-Cusse, Ataúro, and Ermera Municipalities, aiming to raise public awareness, expand access to modern financial services, and encourage the transition from cash-based to electronic payment methods.

Through workshops, seminars, and interactive sessions, students and community members were introduced to modern payment systems, e-wallets, mobile banking applications, and the benefits of cashless transactions. These activities are part of BCTL's broader strategy to cultivate a digitally literate population, strengthen financial inclusion, and encourage the sustainable adoption of innovative payment solutions nationwide, ensuring that all Timorese citizens can participate fully in the evolving digital financial ecosystem.

Strategic Impact and Outlook

The combined progress of R-TiMORv2, P24, and Ti-Fast, along with public engagement efforts, demonstrates BCTL's and financial sector commitment to building a secure, efficient, and inclusive digital payment ecosystem. By integrating modern payment infrastructure with financial digital literacy initiatives, Timor-Leste is moving toward a cashless, transparent, and innovative financial sector, supporting economic growth, trade facilitation, and digital financial inclusion for all citizens.

1.3.2. Financial and Banking Systems

1.3.2.1. Licensing and Supervision

Timor-Leste's financial system comprises commercial banks, insurance companies, other deposit-taking institutions, money changers and money transfer operators (OTDs), fintech companies, pawnshops, and various credit unions. Throughout 2025, the financial system continued to operate in a sound and stable manner, making a significant contribution to the country's economic and financial stability.

Articles 5 and 29 of Law No. 5/2011 of 15 June, together with the Organic Law of the Central Bank of Timor-Leste, confer exclusive authority on the Banco Central de Timor-Leste (BCTL) to regulate, license, and supervise all financial institutions. Within the BCTL, the Licensing Division and the Supervision Division are responsible for granting licenses and supervising the activities of banks, insurance companies and intermediaries, other deposit-taking institutions, money transfer operators (OTDs), money changers, fintech companies, and pawnshops operating in Timor-Leste.

In line with its mandate under the Central Bank Organic Law and other applicable legislation, the BCTL granted a definitive license in 2025 to Banco do Nosso Futuro, S.A. (BNF), authorizing it to operate as a full-service commercial bank in Timor-Leste. The BCTL also granted a definitive license to Finance Hub, S.A. to operate as a finance company, authorized to mobilize funding—excluding retail deposits—and to provide credit facilities to the private sector. In addition, a license was granted to Money Home Exchange, Lda. Authorizing it to operate as a money exchange service provider.

During the year, the BCTL issued letters of no objection to twelve (12) pawnshops, comprising eleven (11) pawnshops owned by Timorese nationals and one (1) owned by an Indonesian entity.
The Division of Licensing and Regulation (DLR), in close coordination with the Division of Financial System Development (DFSD) and the Division of Payment Operations (DPO), conducted outreach and awareness-raising activities for government entities, financial institutions, universities, students, and the general public. These initiatives focused on preventing fraudulent activities and scams involving entities falsely presenting themselves as financial institutions offering credit, investment, or related services.

In addition, BCTL, through the Division of Licensing and Regulation, continued to monitor businesses and individuals providing financial services without proper authorization, in full compliance with applicable laws and regulations.

Box 2. Financial Education Program in Timor-Leste

2.1. Financial Literacy Program in Primary Schools

Banco Central de Timor-Leste (BCTL) remains committed to collaborating with the Ministry of Education to continue implementing the Financial Literacy Program in primary schools, particularly for students in Cycles 1 and 2. Accordingly, in February 2025, BCTL formally approached the Minister of Education through the General Director of Preschool, Basic Education, and Recurrent Education, with the objective of issuing a circular letter to 144 schools to support the implementation of the Financial Literacy Program during the 2025 academic year.

Throughout the year, productive discussions were held to address the integration of financial literacy into the national curriculum. It was agreed that financial literacy should not be taught as a standalone subject but instead integrated into existing subjects such as mathematics and social sciences.

During the cooperation period, data collected from schools across multiple municipalities recorded a total of 1,832 student participants, comprising 970 male and 862 female students. Active implementation of the program took place in the municipalities of Manatuto, Baucau, Manufahi, Ermera, Atauro, Lautem, and Covalima.

In December 2025, the Central Bank of Timor-Leste, together with relevant directorates within the Ministry of Education, convened a meeting to assess progress and implementation outcomes for 2025 and to discuss effective strategies for the 2026 academic year. The meeting was attended by Deputy Governor Rafael Borges, the Director of Basic Education, the President of INFORDEPE, and the National Curriculum Coordinator.

The meeting resulted in several agreed actions, including: Convening municipal-level meetings supported by the issuance of teaching circulars, appointing focal points from each institution, monitoring the implementation of teaching activities, and mompiling and reviewing quarterly progress reports.

The Financial Literacy Program (FLP) in Elementary Schools is one of BCTL's regular programs, implemented in partnership with the Ministry of Education of Timor-Leste (MEdTL) through the signing of the second Memorandum of Understanding (MoU) in 2020. The program was initially launched as a pilot project in 2016, followed by monitoring and evaluation to assess its effectiveness and efficiency. In addition, BCTL has organized several training programs to enhance the quality of financial literacy delivery to students.

2.2 Cooperation with Universidade Nacional Timor Lorosa'e (UNTL)

Banco Central de Timor-Leste (BCTL) remains committed to collaborating with the Ministry of Education to continue implementing the Financial Literacy Program in primary schools, particularly for students in Cycles 1 and 2. Accordingly, in February 2025, BCTL formally approached the Minister of Education through the General Director of Preschool, Basic Education, and Recurrent Education, with the objective of issuing a circular letter to 144 schools to support the implementation of the Financial Literacy Program during the 2025 academic year.

Throughout the year, productive discussions were held to address the integration of financial literacy into the national curriculum. It was agreed that financial literacy should not be taught as a standalone subject but instead integrated into existing subjects such as mathematics and social sciences.

During the cooperation period, data collected from schools across multiple municipalities recorded a total of 1,832 student participants, comprising 970 male and 862 female students. Active implementation of the program took place in the municipalities of Manatuto, Baucau, Manufahi, Ermera, Atauro, Lautem, and Covalima.

In December 2025, the Central Bank of Timor-Leste, together with relevant directorates within the Ministry of Education, convened a meeting to assess progress and implementation outcomes for 2025 and to discuss effective strategies for the 2026 academic year. The meeting was attended by Deputy Governor Rafael Borges, the Director of Basic Education, the President of INFORDEPE, and the National Curriculum Coordinator.

The meeting resulted in several agreed actions, including: Convening municipal-level meetings supported by the issuance of teaching circulars, appointing focal points from each institution, monitoring the implementation of teaching activities, and mompiling and reviewing quarterly progress reports.

The Financial Literacy Program (FLP) in Elementary Schools is one of BCTL's regular programs, implemented in partnership with the Ministry of Education of Timor-Leste (MEdTL) through the signing of the second Memorandum of Understanding (MoU) in 2020. The program was initially launched as a pilot project in 2016, followed by monitoring and evaluation to assess its effectiveness and efficiency. In addition, BCTL has organized several training programs to enhance the quality of financial literacy delivery to students.

2.3 Cooperation with Federasaun Hanai Malu

In May 2025, the Central Bank of Timor-Leste conducted a digital financial literacy training program for members of the Hanai Malu Cooperative, involving both male and female participants. The training was attended by 32 participants, comprising 15 men and 17 women.

The objective of the training was to enhance participants' knowledge of financial planning, including saving strategies, risk protection for individuals and businesses, and preparing for children's future needs through financial products such as the Ha'u Nia Futuru savings account.

The program also covered the use of digital financial services, including e-wallets such as Mosan, TPay, and Ti-Oan, as well as digital transactions through ATMs and POS systems. In addition, participants received guidance on identifying and avoiding financial scams, particularly those conducted through social media and direct consumer approaches.

2.4 Launch of Financial Literacy Campaign and Promotion of "Ha'u Nia Futuru"

In 2025, Banco Central de Timor-Leste (BCTL) launched a nationwide financial literacy campaign aimed at expanding public awareness and increasing access to the benefits of the Ha'u Nia Futuru (HNF) children's savings account. This initiative reflects BCTL's commitment to engaging stakeholders and fostering a culture of saving from an early age. The campaign was officially inaugurated by Governor Hélder Lopes on 5 September 2025 in Ermera Municipality.

The program aimed to encourage parents to save through the HNF account, reduce unnecessary spending, and promote long-term financial planning for children's futures. The event was attended by the President of the Municipal Authority, the Municipal Director of Education, students, veterans, public servants, entrepreneurs, cooperative members, and community representatives.

Student participants came from EBC 20 August, EBC 10 April, EBF Ana Lemos, EBF Municipal, EBF Talimoro, EBF Lauala, EBF Lodudu, and EBF Fatuquero, totaling 142 students (45 male and 97 female).

2.5 Introduction of the Financial Literacy Mascot: Kakatua Matenek

As part of its ongoing efforts to strengthen public engagement and promote financial literacy from an early age, BCTL introduced its official financial literacy mascot, Kakatua Matenek (the Wise Cockatoo). The cockatoo was selected due to its familiarity in Timor-Leste and its symbolism of intelligence, alertness, prosperity, and strong appeal to children and communities.

The mascot serves as a child-friendly and culturally relatable symbol to enhance understanding and encourage positive financial behavior, particularly among children and young people. Through Kakatua Matenek, BCTL communicates key messages on saving, budgeting, and responsible financial decision-making in an interactive and engaging manner.

The Wise Cockatoo represents the three core pillars of the National Financial Education Program:

Plan: Encourage effective financial planning and informed decision-making

Save: Promote smart saving habits and responsible financial management

Protect: Emphasize risk management and financial well-being

These themes are communicated in a simple and relatable way to help individuals strengthen their financial knowledge, skills, attitudes, and behaviors for long-term financial well-being. The mascot was officially introduced to the public during a financial literacy campaign event held in early September 2025 in Gleno, Ermera, marking an important milestone in BCTL's financial education outreach.

1.3.2.2. Insurance Companies

There are three insurance institutions operating in Timor-Leste: SinarMas General Insurance (SMI), SinarMas Life Insurance (SMIL) and Federal Insurance Timor (FIT). In 2025, the insurance sector continued to play an important role in supporting economic activity through the provision of general and life insurance services. While overall financial conditions remained sound, developments in 2025 reflected a moderation in profitability amid higher claims activity.

The insurance sector recorded total assets of USD 35.7 million in December 2025, representing an increase of 12.1 percent compared to USD 31.8 million in 2024. The expansion in assets was supported by the continued accumulation of financial resources arising from insurance operations and investment activities, indicating sustained growth of the sector.

In contrast, total liabilities declined slightly by 1.6 percent, from USD 20.0 million in 2024 to USD 19.7 million in 2025. This reduction reflects improved management of technical provisions and settlement of insurance obligations during the year. The composition of liabilities continued to be dominated by insurance-related reserves, consistent with the nature of the sector's activities. Total equity increased by 9.2 percent, rising from USD 14.6 million in 2024 to USD 16.0 million in 2025. The increase in equity was primarily supported by retained earnings, further strengthening the capital position and solvency of insurance institutions.

Gross written premiums amounted to USD 6.1 million in 2025, representing a 5.0 percent decline compared to USD 6.5 million in 2024. Despite this moderation, premium volumes remained at a relatively high level, indicating continued demand for insurance products.

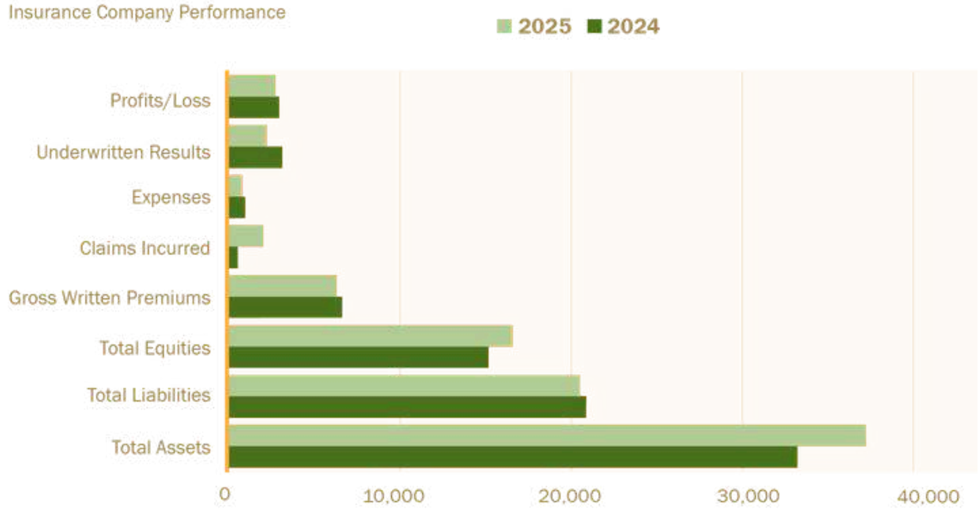
Claims incurred increased significantly in 2025, reaching USD 2.0 million, compared to USD 0.6 million in 2024. This development reflects higher claims activity during the year. At the same time, operating expenses declined by 16.1 percent, from USD 1.0 million to USD 0.9 million, demonstrating improvements in cost efficiency.

As a result of higher claims, underwriting results decreased from USD 3.1 million in 2024 to USD 2.2 million in 2025. Nevertheless, the insurance sector remained profitable, recording a net profit of USD 2.7 million in 2025, only slightly lower than the USD 2.9 million recorded in the previous year.

Overall, the performance of the insurance sector in 2025 indicates a stable and resilient industry, supported by asset growth, strengthened capitalization, and effective expense management, despite increased claims and moderation in underwriting and profitability outcomes.

Chart 1.5

Insurance Company Performance



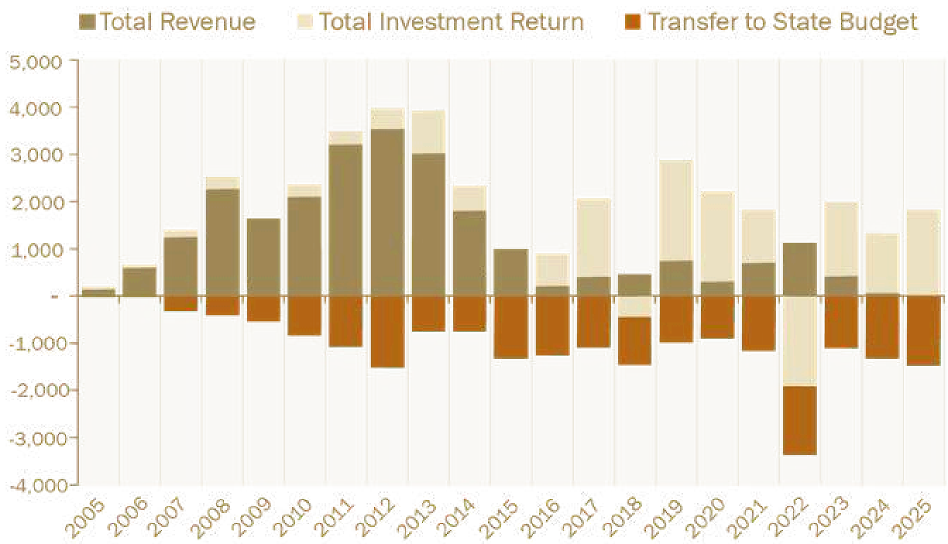
1.3.3. Management of the Petroleum Fund

According to the framework established by Law no. 9/2005, as amended in 2011, under which the Ministry of Finance defines the overall investment strategy and the Central Bank is responsible for the operational management of the Petroleum Fund, the 2025 data reflect a year in which the Fund's sustainability depended almost entirely on financial market performance rather than petroleum revenues. By the end of 2025, the Fund's capital stood at $18,609 million, representing an increase of 1.8% compared to $18,274 million in 2024. However, annual petroleum revenues continued their sharp decline, falling to just $36 million (from $85 million in 2024), confirming the near exhaustion of oil-related income.

Chart 1.6a

Petroleum Fund Asset Flows

In millions of USD



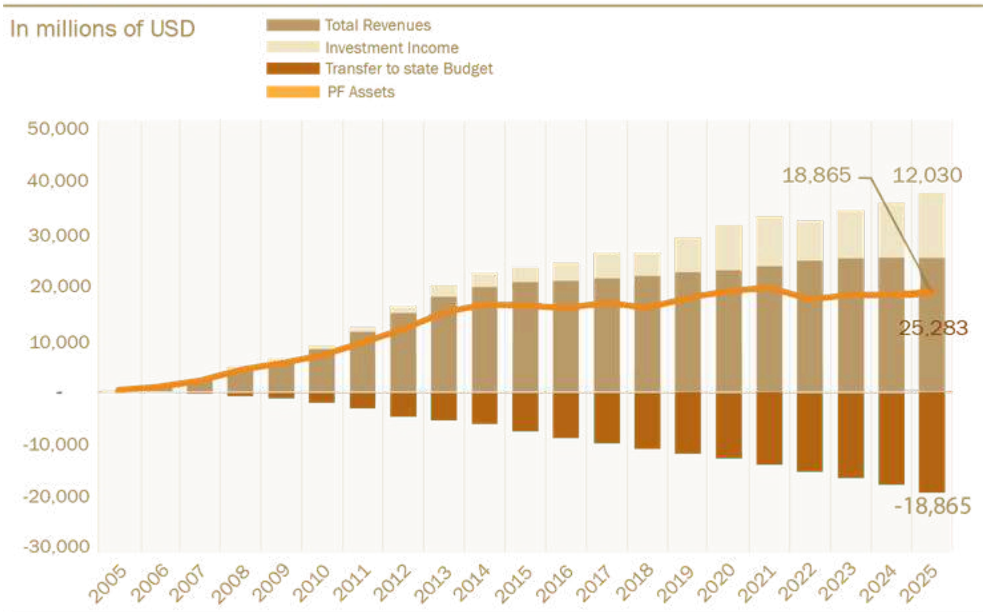
Source: BCTL

Cumulatively, total petroleum revenues since inception increased only marginally to $25.283 billion, compared to $25.247 billion in 2024.

At the same time, withdrawals to finance the execution of the 2025 State Budget totaled $1.452 billion, up from $1.300 billion in 2024, bringing cumulative transfers since inception to $18.865 billion. Despite this continued fiscal pressure, the Fund recorded strong investment performance in 2025, with total investment income reaching $1,772 million, a significant increase from $1,223 million in 2024. Both asset classes contributed positively: fixed income generated $727 million and equity investments $1,045 million. Cumulative investment income therefore rose from $10.257 billion in 2024 to $12.030 billion in 2025. Overall, the two sets of data - annual flows and cumulative totals - demonstrate that in 2025 the Petroleum Fund operated in a post-oil revenue context, where capital preservation and moderate growth were achieved primarily through robust investment returns, while continued withdrawals remain the principal structural challenge to long-term sustainability.

Chart 1.6b

Evolution of Petroleum Fund Assets



Source: BCTL

1.3.4. Institutional strengthening

The BCTL continued to develop and strengthen the Timorese financial system and to enhance the supervision of banking and payment systems throughout 2025. In this context, the most relevant actions undertaken during the year in relation to the Bank's institutional strengthening focused on regulatory decisions and preliminary authorizations aimed at ensuring compliance with the Central Bank's legal framework and promoting access to financial services.

- To strengthen oversight of payment services and support the development of digital financial services, the Board of Directors authorized Ti-Oan Fintech to undertake payment services activities for the management and operation of its digital payment business, specifically the e-wallet, within the national territory.

- To further regulate payment services activities, the Board of Directors approved Instruction No. 158/2025 on the preliminary decision regarding the payment services activities of LoJami Timor Internacional, Unipessoal, Lda., authorizing the company to carry out payment services operations in Timor-Leste in cooperation with Money Home Exchange, Lda.

- To promote financial intermediation and expand access to banking services, the Board of Directors approved, by Resolution No. 161/2025, the preliminary approval of the license application submitted by Simas Bank, S.A., to establish banking operations in Timor-Leste.

- To support the diversification and strengthening of the financial sector, the Board of Directors approved, by Resolution No. 162/2025, the preliminary approval of the license application submitted by Island Dream Financial Services, Lda., to establish a financial company in Timor-Leste.

1.3.5. Personnel and Training Programs

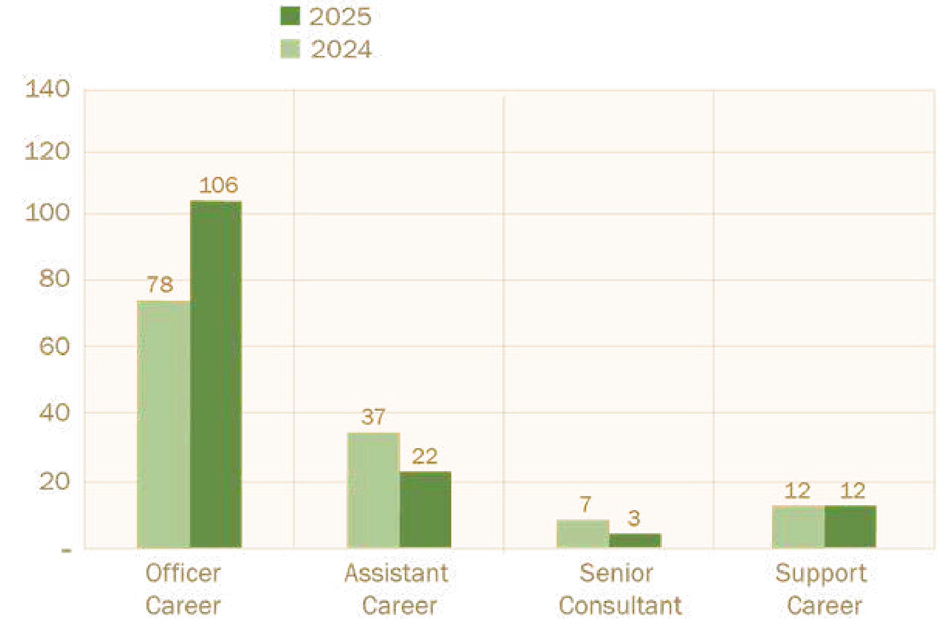
At the end of 2025, Banco Central de Timor-Leste (BCTL) employed a total of 131 staff, representing an increase of 9 employees compared to 122 staff in 2024. During the year, BCTL continued to strengthen its human resources through targeted recruitment and internal career progression, particularly in professional staff categories.

Graph 3.8 presents the distribution of employees by professional and support service categories and highlights changes in the institutional career structure between 2024 and 2025. The most notable development was observed in the Officer Career, which increased from 78 positions in 2024 to 106 positions in 2025. This growth reflects ongoing efforts to enhance professional capacity through internal promotion and recruitment aligned with institutional needs.

In contrast, the Assistant Career declined from 37 to 22 positions, largely reflecting staff progression into officer-level roles. The number of Senior Consultants decreased from 7 in 2024 to 3 in 2025, primarily due to the completion of contracts and a gradual shift toward building internal expertise. The number of employees in the Support Career remained unchanged at 12 positions, indicating stability in support service functions.

Chart 1.7

Professional Categories



Source: BCTL

Overall, these developments have contributed to a continued rebalancing of BCTL's workforce toward higher professional qualifications and responsibilities, consistent with the institution's strategic objectives.

At year-end, BCTL conducted its annual employee performance evaluation using the Performance Improvement System (PIS). The results for 2025 indicate that the majority of employees met the objectives established at the institutional, departmental, and divisional levels. The appraisal process, implemented by departmental managers, assesses employee contributions toward the achievement of BCTL's annual work plan.

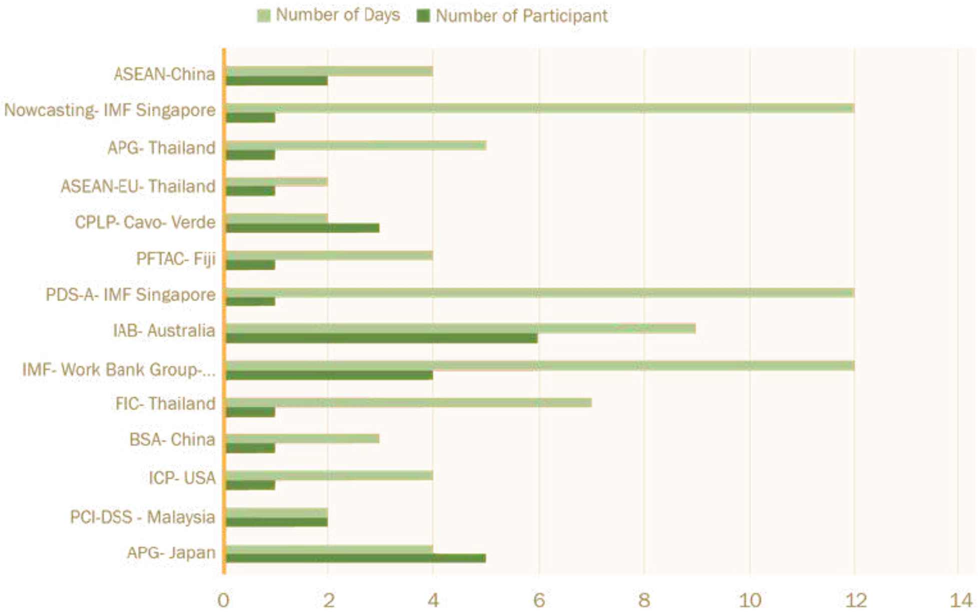
The performance evaluation framework remained unchanged during the year. Assessments for employees in the Officer and Technician professional careers are based on Objectives, Activities, and Competencies, while evaluations for employees in the Assistant and Support careers focus on Activities and Skills.

With regard to capacity building, BCTL continued to allocate adequate resources to its annual training program, which includes technical training conducted both domestically and internationally. In addition, BCTL maintained its support for staff development through the provision of scholarships for master's and doctoral studies abroad, in line with its commitment to strengthening institutional capacity over the medium to long term.

Graph 3.9 shows the number of BCTL employees who participated in trainings, seminars, conferences and meetings in 2025.

Chart 1.8

In-Person Training, Seminar and Conferences in 2025



Source: BCTL

1.3.6. External Relationship

BCTL reaffirms the fundamental importance of cooperation. In this regard, it has continued to strengthen its policy of institutional cooperation with counterpart central banks and other entities in the financial sector, both regionally and internationally. In 2025, new cooperation agreements were signed, notably with several financial institutions, with the objective of promoting the sharing of best practices in banking supervision, financial stability, the development of payment infrastructures, and the strengthening of institutional capacities.

Cooperation agreements have been established with the Bank of Indonesia (BI), Bank Negara Malaysia (BNM), as well as with the central banks of the United States and Australia. This cooperation also extends to several international organizations and institutions, namely SEACEN–Central Asian Studies and Training Centre, STI-IMF (IMF Training Institute in Singapore), APRA (Australian Prudential Regulation Authority), the International Monetary Fund (IMF), the Australian Bureau of Statistics (ABS), the International Finance Corporation (IFC), the National Bank of Cambodia (NBC), Otoritas Jasa Keuangan (OJK), and the Monetary Authority of Macau. These entities promote joint initiatives and the strengthening of institutional capacities through the sharing of knowledge, experience, and best practices in the fields of finance, economics, and monetary policy.

Additionally, the Bank has established partnerships with three well-known institutions in the field of training and skills development - the Asian Institute of

Chartered Bankers (AICB), the Asian Insurance Institute (AII), and Asia Pacific University (APU), all based in Malaysia—to foster training in areas relevant to BCTL's core mandates, including insurance, and to promote joint technical and academic training programs. These collaborations reflect the Bank's ongoing commitment to excellence, innovation, and human resource development, as well as its active role within the ASEAN Financial Integration pillar.

Furthermore, the Memorandum of Understanding (MoU) with the National University of Timor-Leste was renewed, covering the undertaking of joint research activities.

These memoranda of understanding form part of the Central Bank of Timor-Leste's ongoing efforts to strengthen international collaboration and promote the development of technical capacities. They also contribute to enhancing the integrity, transparency, and resilience of the national financial system, thereby creating a stronger foundation for a secure and efficient financial sector aligned with international best practices.

Beyond the aforementioned cooperation, BCTL highlights the importance of relations with the central banks of the Community of Portuguese Language Countries (CPLP), particularly with regard to the sharing of experiences, the modernization of financial systems, and the implementation of policies that promote financial and economic stability. In this context, a new Memorandum of Understanding was signed with the Bank of Mozambique in 2025.

In addition, BCTL became an associate member of SEACEN on 15 September 2005. The objectives of associate membership include promoting the understanding of financial, monetary, and economic issues, as well as fostering cooperation in research and training with member central banks. Although associate members do not perform the same functions as full members, they contribute to SEACEN's objectives through participation in training programs, research collaborations, and the development of professional networks, thereby supporting capacity development among central banks in the ASEAN region.

At the national level, cooperation with SECOOP (State Secretariat for Cooperatives of the Democratic Republic of Timor-Leste) continues in the areas of financial education and the promotion of digital financial literacy, alongside collaboration with other relevant entities. These efforts aim to strengthen cooperation, facilitate public access to the financial sector, and enhance institutional capacity building.

MEETINGS HELD

The BCTL continues to participate in high-level meetings, seminars, conferences, and training events organized by its counterparts at both international and national levels, thereby reinforcing its active engagement in dialogue forums and the exchange of experiences relevant to strengthening the financial sector and improving the sustainability of Timor-Leste's economy.

In addition to participating in these events, throughout 2025 BCTL hosted a one-week working visit by its counterpart, the Bank of Mozambique. The main objective of the visit was to share and explore BCTL's experience in managing the Sovereign Wealth Fund, enabling the exchange of best practices, the deepening of institutional cooperation, and the strengthening of technical capacities in both institutions.

BCTL continues to seek new opportunities for cooperation with other central banks, partner institutions, financial institutions, and universities, with a view to establishing strategic partnerships that support development, innovation, and the expansion of its activities. This proactive approach aims to strengthen human resources, broaden access to new methodologies, and promote the sustainable development of the financial system, thereby continuously enhancing staff knowledge and expertise to support BCTL's mandate more effectively.

The participation of employees from each department and division in training activities, seminars, and conferences throughout 2025 is illustrated in the following graphs.

Box 3. Strategic Priority Program for 2026

Legal, Regulatory and Compliance Frameworks

In 2026, the institution will prioritize the strengthening of the financial sector's legal and regulatory framework through the finalization of the Sanctioning Regime, Administrative Procedures, and the Decree-Law for the Recovery and Insolvency Desk, as well as new legislation on Market Conduct and Consumer Protection. The Market Conduct and Compliance Division (DMCC) will advance regulatory adherence through the development of an Action Plan Matrix for the 2024 Mutual Evaluation. The Division will further standardize compliance for non-bank entities by drafting E-KYC and Customer Due Diligence (CDD) procedures for microcredit institutions and pawnbrokers in alignment with Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) standards.
The strategic priorities are as follows:

I. **Sanctioning & Administrative Regimes:** Finalize the Sanctioning Regime for Financial Institutions and internal administrative procedures to ensure fair and timely enforcement.

II. **Recovery and Insolvency:** Finalize the Decree-Law for the Recovery and Insolvency Desk in collaboration with international partners.

III. **Market Conduct & Consumer Protection:** Finalize new legislation to be presented to the Government and National Parliament.

IV. **International Standards:** Introduce instructions mandating insurance companies to adopt IFRS 17 standards by 2027.

V. **AML/CFT Action Plan:** Develop an Action Plan Matrix for the 2024 Mutual Evaluation, outlining specific task assignments and resource allocations.

VI. **Non-Bank Compliance:** Draft E-KYC and CDD procedures tailored for microcredit institutions and pawnbrokers.

Licensing and Supervisory Operations

The BCTL will further strengthen and expand the financial ecosystem by advancing the evaluation of license applications and reinforcing supervisory oversight. The Banking Supervision Division (DSB) and Insurance Supervision Division (DSS) will support this objective by intensifying regulatory supervision through targeted inspections, coordinated AML/CFT examinations, and enhanced market transparency measures.

The details of activities are as follows:

I. **License Processing:** Evaluate applications for the National Development Bank, two private banks, two insurance firms, four financial companies, and multiple MTOs and exchange services.

II. **Targeted Inspections:** Conduct risk and credit operation audits on ANZTL, BNF, and BNCTL.

III. **Joint AML/CFT Examinations:** Coordinate comprehensive reviews of all MTOs to enforce compliance.

IV. **Insurance Oversight:** Conduct partial inspections of FIT and SMI to verify adherence to previous regulatory recommendations.

V. **Market Transparency:** Format and publish Financial Soundness Indicators on the Central Bank's website.

Payment Systems Modernization and Digital Innovation

The Central Bank continues to modernize the national payment system to enhance efficiency, security, and financial inclusion. In 2025, BCTL will advance key initiatives to strengthen digital infrastructure, improve regulatory frameworks, and promote innovation in line with national development priorities. The main initiatives are as follows:

I. **Instant Payment System (IPS):** Finalize IPS implementation, introducing the TUQR code and the "BESIX ho ita" digital wallet for immediate 24/7 settlement.

II. **System Upgrades:** Roll out R-TiMOR V2 and expand P24 POS terminals and ATM functionalities (dual dispenser/recycling).

III. **SWIFT Optimization:** Directly subscribe to the SWIFT global payment network and Alliance Cloud.

VI. **Future Digital Currency:** Conduct feasibility studies for the "e-centavos" (CBDC) project.

Currency Management and Financial Inclusion

The Central Bank continues to reinforce the stability of the physical currency ecosystem while advancing digital payment literacy and financial inclusion nationwide. In 2025, the Bank will ensure a robust supply of banknotes and coins, rigorously manage currency quality, strengthen anti-counterfeiting coordination, and lead the development of the National Strategy for Financial Inclusion (NSFI) 2026–2031. The main initiatives are as follows:

I. **Currency Supply & Quality:** Maintain sufficient stock of banknotes and coins, classify and withdraw mutilated notes, update the US Dollar Registry System, and coordinate anti-counterfeiting measures with Polícia Científica de Investigação Criminal (PSIK).

II. **Commemorative Issuances:** Produce a 15th Anniversary Commemorative Coin and introduce a new 500 Centavos coin denomination.

III. **NSFI 2026-2031:** Engage consultants and stakeholders to draft and launch the new National Strategy for Financial Inclusion (NSFI) 2026–2031.

IV. **Educational Outreach:** Implement Financial Education Programs in Basic Education, digitize financial literacy e-learning portals, and partner with the Universidade Nacional Timor Lorosa'e (UNTL) Faculty of Economics.

V. **Public Campaigns:** Promote the "Ha'u Nia Futuru" (HNF) account and conduct the 11th National Savings Day and Digital Camp events in partnership with the Ministry of Education and Credit Cooperatives.

Macroeconomic Policy, Data, and Research

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:

I. **Policy Adaptation in a Dollarized Economy:** Develop enhanced liquidity monitoring frameworks and conduct analysis of the Real Effective Exchange Rate (REER) to better assess external competitiveness and imported inflation dynamics.

II. **National Currency Research:** Conduct technical and analytical studies to examine the potential introduction of a national currency, assessing economic, institutional, and operational considerations, as well as long-term feasibility within Timor-Leste's structural context.

III. **Advanced Nowcasting & Forecasting Model:** Establish nowcasting and forecasting models for GDP and quarterly inflation projections to strengthen forward-looking macroeconomic analysis.

IV. **Data Integrity & Statistical Strengthening:** Improve the quality of National Accounts, Balance of Payments (BoP), and Foreign Direct Investment (FDI) statistics through Memoranda of Understanding (MoUs) with Instituto Nacional de Estatística de Timor-Leste (INETL) and the Australian Bureau of Statistics (ABS).

V. **Transparency & Research Dissemination:** Develop internal high-frequency data dashboards to support policy monitoring and publish accessible economic research and working papers to enhance transparency and informed policy dialogue with Government stakeholders and international institutions.

Investment Management and Strategic Reserves

The Banco Central de Timor-Leste continues to strengthen its investment management framework to safeguard official reserves, enhance risk monitoring, and improve operational efficiency. In 2025, the Bank will upgrade portfolio management platforms, optimize reserve allocation, maintain independent asset valuations, and assess domestic market development instruments. The main initiatives are as follows:

I. **Platform Upgrades:** Maintain Bloomberg AIM and acquire Bloomberg PORT Enterprise to monitor asset allocation and tracking errors.

II. **Reserve Management:** Manage BCTL reserves via US Treasuries (0-5 years), REPOs, and BIS FIXBIS instruments.

III. **Independent Valuations:** Retain KROLL for the annual Fair Value assessment of of the Timor Gap loan.

IV. **Tax & Custody Optimization:** Acquire a Tax Consultant for investment income reclamation and review MERCER's recommendations for Custodian Bank services.

V. **Market Development:** Conduct in-depth studies on issuing Central Bank Certificates (CBC) while acknowledging the Ministry of Finance's jurisdiction over Treasury Bills.

Strengthening infrastructure and technology systems

The Banco Central de Timor-Leste continues to invest in human capital, institutional restructuring, international cooperation, and digital resilience to strengthen its operational effectiveness and long-term sustainability. In 2025, the Bank will modernize its human resource systems, expand professional development opportunities, deepen regional and global engagement, and undertake major upgrades to its IT and cybersecurity infrastructure. The main initiatives are as follows:

I. **HR Modernization:** Launch a mobile HR app, execute the Medical Assistance Program (partnering with three clinics), and finalize specialized recruitment.

II. **Capacity Building:** Provide Master's scholarships, CFA/CIPM investment certifications, and advanced IT credentials (ISO 27001, SOC Tier 1).

III. **Structural Reorganization:** Establish new dedicated units for Retail Payment Systems, R-TiMOR, and Regulatory Compliance.

VI. **Global Integration:** Formalize cooperation with ASEAN central banks, participatein WTO/ASEAN committees, and create a Protocol Division.

V. **Data Centers & CSOC:** Initiate the construction of a Main Production Data Center and establish a Cyber Security Operations Center (CSOC) over a five-year timeline.

VI. **Operational Autonomy:** Gradually take over R-TiMOR and P24 communication networks and firewall services from Timor Telecom.

VII. **Infrastructure Resilience:** Implement BGP for IP transit, obtain an ASN via APNIC, and establish server redundancies using virtualization.

VIII. **Cybersecurity Fortification:** Conduct internal/external penetration testing, enforce SWIFT CSP compliance, and deploy Web Application Firewalls (WAF) and SIEM/SOC monitoring.

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

Our Board Members

Helder Lopes
Governor

Sara Lobo Brites
Deputy-Governors

Rafael Borges
Deputy-Governors

Aicha B.U. Bassarewan
Non-Executive Members

Benjamim A Corte-Real
Non-Executive Members

João M Saldanha
Non-Executive Members

Laurentina B Soares
Non-Executive Members

Management Committee

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

Helder Lopes
The Governor

Rafael Borges
The Deputy-Governor

Sara Lobo Brites
The Deputy-Governor

Raquel G. da Costa
The Director of the Institutional Cooperation Affairs Unit

Fernando da Silva Carvalho
The Chief Financial Officer

Ana Paula Amaral
The Director of the Administration Department

Gastão de Sousa
The Director of the Department of Economic and Monetary Policy

André da Costa
The Director of the Payment System Department

Pascoela da Silva
The Director of the Department of Supervision of the Financial System

Tobias Ferreira
The Executive Director of the Petroleum Fund Department

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**

Financial Statements

For the year ended 31 December 2025

31 March 2026

STATEMENT OF COMPLIANCE

The financial statements presented on pages 2 to 5, along with the accompanying notes on pages 6 to 35, constitute the complete financial picture of Banco Central de Timor-Leste as of December 31, 2025. 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, 31 March 2026

Helder Lopes
Governor

Statement of Financial Position

As at 31 December

	Note	2025	2024
		US$ 000	US$ 000
Assets			
Cash and cash equivalents	7	559,413	581,764
Financial assets at fair value through other comprehensive income	8	166,366	121,635
IMF related assets	10	73,239	69,790
Other assets	12	3,392	3,232
Property, plant and equipment	11	2,928	1,511
Total Assets		**805,338**	**777,932**
Liabilities			
Government deposits	13	269,577	210,259
Other deposits	14	325,057	335,327
Other Liabilities	15,28	13,076	63,765
Currency issued	27	37,643	33,599
Total Liabilities		**645,353**	**642,950**
Capital	16	90,000	85,000
Fair value through OCI	26	988	-490
General reserve		50,472	32,650
Net profit		18,525	17,822
Total Equity		**159,985**	**134,982**
Total Liabilities and Equity		**805,338**	**777,932**

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

Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December

	Note	2025	2024
		US$ '000	US$ '000
Operating Income			
Investment Income:			
Interest Income	18	20,061	24,366
Interest expense	18	-5,614	-8,147
Net Interest income		**14,447**	**16,219**
Petroleum fund management fee	21	15,406	14,985
Petroleum fund administration expenses		-7,604	-7,921
Net fee and commision Income		**7,803**	**7,064**
Interest on financial assets at fair value			
through other comprehensive income	19	5,176	3,514
Fees and commissions	20	1,456	741
Other Income		177	563
Total Operating Income		**29,059**	**28,101**
Expenses			
Personnel expenses	22,25	4,991	5,111
Currency distribution expenses		1,713	1,312
Administration expenses	23	3,400	3,428
Depreciation	11	430	428
Total Expenses		**10,534**	**10,279**
Profit		18,525	17,822
Other comprehensive income		988	2,417
Total prorit and orner comprenensive income		**19,513**	**20,239**

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

Statement of Changes in Equity

For the year ended 31 December

	Capital	General Reserve	Fair Value Through OCI	Net Profit	Total Equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
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**
Balance at 1-1-2025	**85,000**	**32,650**	**-490**	**17,822**	**134,982**
Profit for the period	-	-	-	18,525	18,525
Other Comprehensive income	-	-	1,478	-	1,478
Total Comnrehensive income	-	-	**988**	**18,525**	**19,513**
General reserve	-	17,822	-	17,822	-
Capital Increase	5,000	-	-	-	5,000
Cash dividends	-	-	-	-	-
Balance at 31-12-2025	**90,000**	**50,472**	**988**	**18,525**	**159,985**

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

Statement of Cash Flows

For the Year Ended 31 December

	Note	2025	2024
		US$ '000	US$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		18,525	17,822
Depreciation	11	430	428
Net Interest income	18	-14,447	-16,219
Operating profit before working capital changes		**4,508**	**2,031**
Changes in receivables, prepayments & stock	12	-159	2,045
Changes in goverment deposits	13	59,318	-130,957
Changes in other deposits	14	-13,719	8,550
Changes in other labilities	15	-50,690	42,895
Changes in fair value	26	1,478	2,417
Net cash from operations before interest		**736**	**-73,019**
Interest received	18	20,061	24,366
Interest paid	18	-5,614	-8,147
Net cash (used in)/from operating activities		**15,183**	**-56,800**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investment from financial assets at			
fair value through other comprehensive income	8	-44,731	-1,936
Acquisitions of property, plant & equipment	11	-1,847	-401
Net cash (used in)/from Investing activities		**-46,578**	**-2,337**
CASH FLOWS FROM FINANCING ACTIVITIES		4,044	2,511
Currency issued	27	5,000	5,000
Capital subscription by government		**9,044**	**7,511**
Net cash from financing activities			
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		-22,351	-51,626
Cash & cash equivalents at the beginning of year		581,764	633,390
CASH & CASH EQUIVALENTS AT THE END OF YEAR		**559,413**	**581,764**

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

Notes to the financial statements

For the Year Ended 31 December 2025

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, 2025, 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 the International Accounting Standard Board (IASB). The financial statements also comply with the specific financial reporting requirements set out in Organic Law No. 5/2011, which regulates the Bank's operations.

(b) Basis of Measurement

The financial statements are prepared based on the historical cost principle, with certain financial assets measured at fair value. Key items valued at fair value include financial assets classified as Fair Value Through Other Comprehensive Income (FVOCI) and certain financial instruments classified as Fair Value Through Profit or Loss (FVTPL). All other financial assets and liabilities, including those related to the IMF and currency in circulation, are reported at amortised cost. 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 2025. No other new or revised standards adopted in 2025 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.

Currency	31-Dec-25	31-Dec-24
Australian dollars (AUD)	1.4991	1.6056
Special Drawing Rights (SDR)	1.4432	0.7668
Euro (EUR)	**1.1732**	**0.9600**

(b) Financial Instruments

(i) Initial Recognition and Measurement:

The Bank recognizes loans, advances, and deposits at origination, whereas all other financial assets are recognized at settlement. Financial assets and liabilities are initially measured at fair value, with transaction costs that are directly attributable either added or subtracted for items not classified as Fair Value Through Profit or Loss (FVTPL).

(ii) Classification:

The Bank adheres to IFRS 9 in classifying financial assets based on the business model and the nature of contractual cash flows, specifically whether they consist solely of payments of principal and interest (SPPI). The Bank classifies its financial instruments exclusively at Fair Value Through Other Comprehensive Income (FVOCI) or amortized cost, with no instruments measured at Fair Value Through Profit or Loss (FVTPL).

(iii) Amortised Cost

A financial asset is classified as such if it is held within a business model to collect contractual cash flows and meets the SPPI test. These assets are recognized using the Effective Interest Rate (EIR) method, which calculates the rate that discounts expected future cash flows to the carrying value.

(iv) Fair Value Through Other Comprehensive Income (FVOCI):

Debt instruments held in a business model for both cash flow collection and asset sales are subject to the SPPI test. Changes in fair value are recognized in Other Comprehensive Income (OCI), and disposals are conducted on a first-in, first-out (FIFO) basis.

(v) Fair Value Measurement:

Fair values are determined using quoted, unadjusted market prices in active markets. An active market is characterized by readily available prices that reflect regular, arm's-length transactions. The Bank classifies its fair value measurements into a three-level hierarchy, based on the lowest-level input that is significant to the measurement.

(vi) De-recognition:

Upon de-recognition, the difference between the carrying amount and the consideration received, along with the cumulative gains or losses in other comprehensive income (OCI), is recognized in profit or loss. As for the reporting dates, there were no qualifying offsetting arrangements.

(c) Impairment of Financial Assets (ECL Framework)

At each balance date, the Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss (FVTPL). This allowance is calculated by discounting at an approximation of the original effective interest rate.

- Stage 1 (12-Month ECL): For exposures without a significant increase in credit risk since initial recognition, ECLs are provided for possible default events within the next 12 months.

- Stages 2 & 3 (Lifetime ECL): For exposures that show a notable rise in credit risk, it is essential to establish a loss allowance for expected credit losses over the remaining duration of the exposure. A financial asset is deemed to be in default when payments are overdue by 90 days or when available information indicates that full recovery is improbable. Assets are written off when there is no realistic expectation of recovery.

(d) *Specific Balances and Transactions*

i. Cash and Cash Equivalents:

Includes notes, coins, unrestricted balances, and overnight reverse-repurchase agreements. These are recorded at their nominal amounts, which approximate their fair value.

ii. IMF Related Assets/Liabilities:

The Democratic Republic of Timor-Leste became a member of the International Monetary Fund (IMF) on July 23, 2002. The Bank was designated as the official depository under Article XIII of the IMF Articles of Incorporation. In accordance with Article 19 (f) and (g) of Organic Law No. 5/2011, the Bank holds Timor-Leste's reserve position subscription in the IMF.

The recognition of transactions and balances with the IMF follows the guidance provided by this institution, which considers the specific characteristics of the financial relations of member countries with the Fund.

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

The Bank recognizes an asset and a liability account in relation to the IMF Securities. Both are subsequently measured at amortized cost.

iii. Currency in circulation

Refers to the total currency issued, including collectors' currency, which is recorded as a liability on the balance sheet at face value. This figure represents a claim on the issuing bank.

(e) *Property, Plant and Equipment (PPE)*

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:

	2025	2024
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 Year

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.

(f) Employee Benefits

(i). Short-term:

Salaries and accrued leave are included, expensed as the related service is provided. Accruals are recorded under other liabilities.

(ii). Long-term (Reintegration Fund):

The Bank operates a Reintegration Fund, established under Regulation 7/2023, which is classified as a defined benefit plan. The plan provides lump-sum payments to Bank officials who meet stringent eligibility criteria, including 25 years of cumulative service or other qualifying triggering events such as permanent incapacity.

The benefits payable are predetermined by professional category in accordance with Regulation 7/2023 and do not accrue further benefits beyond the 25-year service threshold. Under IAS 19, the Bank recognizes a defined benefit obligation that reflects the present value of expected future payments, which are properly discounted. Service costs related to the plan are systematically expensed in profit or loss. The present value of the defined benefit obligation for the years ending December 31, 2025, is disclosed in note 28.

(g) Other Policies

- **Taxation:**
  The Bank is exempt from income taxes under Article 72, Organic Law no. 5/2011.
- **Fees and Operating Profit:**
  Fee income is recognised as services are performed. Operating profit comprises net gains/losses on trading assets and realised/unrealised fair value changes.
- **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 2025. These new standards, revisions, amendments, and improvements to standards and interpretations are the following:

- The Effects of Changes in Exchange Rates: Lack of Interchangeability - Amendments to IAS 21

(iv). 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 revisions, 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 meets 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:

There were no impairment losses as at December 31, 2025 and 2024.

The carrying amount of these assets approximates their fair value as at December 31, 2025 and 2024.

(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.

	Rating*	Dec-25 US$ '000	Rating*	Dec-24 US$ '000
Cash and cash equivalents				
Cash	AAA	62,371	AAA	47,860
Deposits at central banks	AAA	489,212	AAA	525,788
Resident banks	BBB-	7,678	Baa2	7,967
Non-resident banks	AA-	152	A-	149
		559,413		**581,764**
Financial assets at fair value through other comprehensive income				
Investment in securities	AAA	166,188	AAA	121,635
IMF related asseta				
International Monetary Fund - "SDR"	N/A	73,239	N/A	69,790
TOTAL ASSETS		**798,840**		**773,189**

Summary by credit rating	Dec-25	Dec-25 US$ '000	Dec-24	Dec-24 US$ '000
AAA	90%	717,771	91%	695,283
AA-	0%	152	0%	149
BBB-	1%	7,678	0%	0
Not applicable	9%	73,239	9%	69,790
TOTAL ASSETS	**100%**	**798,840**	**100%**	**765.222**

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

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.

	2025	"Contractual Cash Flow"	
	Carrying Amounts	6 Months or Less	Over 6 Months
	US$ '000	US$ '000	US$ '000
Cash and cash equivalents	559,413	559,413	-
Financial assets at fair value through other comprehensive income	166,366	82,291	84,075
IMF related assets	73,239		73,239
Total assets (Excluding PPE)	**799,018**	**641,704**	**157,314**
Government deposits	269,577	269,577	-
Other deposits	325,057	251,769	73,288
Other liabilities	13,076	13,076	-
Currency Issued	37,643	37,643	-
Total liabilities	**645,353**	**572,065**	**73,288**

	2025	"Contractual Cash Flow"	
	Carrying Amounts	6 Months or Less	Over 6 Months
	US$ '000	US$ '000	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)	**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**

(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:

		"Interest Sensitivity'	
	Total Carrying Amount 2025	Non-Interest Sensitive	Interest Sensitive
	US$ 000	US$ 000	US$ 000
Cash and cash equivalents	559,413	62,371	497,042
Financial assets at fair value through other comprehensive income	166,366	-	166,366
IMF related assets	73,239	73,239	-
Other assets	3,392	3,392	-
Total assets (Excluding PPE and other assets)	**802,410**	**139,002**	**663,408**
			-
Government deposits	269,577	-	269,577
Other deposits	325,057	73,288	251,769
Other liabilities	13,076	13,076	-
Currency issued	37,643	37,643	-
Total liabilities	**645,353**	**124,007**	**521,346**
Interest Rate Sensitivity Gap	**157,057**	**14,995**	**142,062**

		"Interest Sensitivity"	
	Total Carrying Amount 2024	Non-Interest Sensitive	Interest Sensitive
	US$ '000	US$ '000	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**

(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 2025, it is estimated that a general increase/decrease of one percentage point in interest rates would increase/decrease the Bank's profit by approximately $997 thousand (2024 - $1,659 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 2025 and 2024, the Bank's net exposure to major currencies was as follows:

	Total 2025	United States Dollars	Australian Dollars	SDR	Euro
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cash and cash equivalents	559,413	559,191	135	-	87
Financial assets at fair value through other comprehensive income	166,366	166,366	-	-	-
IMF related assets	73,239	-	-	73,239	-
Other assets	3,392	3,392	-	-	-
Total assets (Excluding PPE and other assets)	802,410	728,949	**135**	**73,239**	**87**
Government deposits	269,577	269,577	-	-	-
Other deposits	325,057	251,769	-	73,288	-
Other liabilities	13,076	13,076	-	-	-
Currency issued	37,643	37,643	-	-	-
Total Habilities	645,353	572,065	-	**73,288**	-
Net Foreign Currency Exposure	157,057	156,884	**135**	**48**	**870**

	Total 2024	United States Dollars	Australian Dollars	SDR	Euro
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cash and cash equivalents	559,413	559,191	135	-	87
Financial assets at fair value through other comprehensive income	166,366	166,366	-	-	-
IMF related assets	73,239	-	-	73,239	-
Other assets	3,392	3,392	-	-	-
Total assets (Excluding PPE and other assets)	802,410	728,949	**135**	**73,239**	**87**
Government deposits	269,577	269,577	-	-	-
Other deposits	325,057	251,769	-	73,288	-
Other liabilities	13,076	13,076	-	-	-
Currency issued	37,643	37,643	-	-	-
Total Habilities	645,353	572,065	-	**73,288**	-
Net Foreign Currency Exposure	157,057	156,884	**135**	**48**	**870**

(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, 2025, 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 among specific operations and activities is, to a large extent, driven by the need to provide liquidity to Timor-Leste's financial and economic systems. 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

	2025	2024
	US$ '000	US$ '000
Cash and Cash Equivalents		
Cash	62,371	17,860
Deposits at central banks	489,212	525,788
Resident banks	7,678	7,967
Non-resident banks	152	149
Total	**559,413**	**581,764**

8. Financial Assets at fair value through other comprehensive income

	2025	2024
	US$ '000	US$ '000
Designated as fair value through		
other comprehensive Income		
US Goverment Treasury Notes	84,075	43,038
FIXBIS - Fixed-Rate Investments at the BIS	82.292	78.597
Totals	166,366	121,635

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 Comprahensive Income	
Financial assets	2025	2024	2025	2024	2025	2024
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cash and cash equivalents	-	-	559,413	581,764	-	-
Financial assets at fair value through other						
comprehensive income	-	-	-	-	166.366	121,635
IMF related assets	-	-	73,239	69,790	-	-
Other Assets			3,392	3,232	-	-
Total assets (Excluding PPE and other assets)	-	-	636,044	654,786	166,360	121,636
Financial liabilities						
Goverment deposits	-	-	269,577	210,259	-	-
Other deposits	-	-	325,057	335,327	-	-
Other liabilities	-	-	13,076	63,765	-	-
Currency issued	-	-	37,843	33,599	-	-
Total liabilities	-	-	645,353	642,950	-	-

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:

	2025		2024	
	In SDR	In USD	In SDR	In USD
	US$ '000	US$ '000	US$ '000	US$ '000
IMF Holdings of Currency	21,250	21,250	21,250	21,250
IMF SDR Holdings	32,229	32,229	32,229	32,229
Total	**53,479**	**73,239**	**53,514**	**69,790**

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	Plant	Office Equipment	Computer Equipment	Vehicles	Work in Progress	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cost							
Balance at 1 January 2024	1,698	520	1,463	4,641	945	-	9,267
Acquisitions	7	9	44	284	56	-	400
Adjustment	-	-	-	-	-	-	-
WIP	-	-	-	-	-		-
Balance at 31 December 2024	**1.705**	**529**	**1,507**	**4,925**	**1,001**	-	**9,667**
Acquisitions			3	222	206	-	431
Adjustment	-	-	-	-	-	-	-
Work in Progress	-	-	-	-	-	1,416	1,416
Balance at 31 December 2025	**1,705**	**529**	**1.510**	**5,147**	**1,207**	**1,416**	**11.514**
Accumulated depreciation							
Balance at 1 January 2024	1,0410	437	1,182	4,310	757	-	7,727
Depreciation for the year	51	21	79	202	75	-	429
Adjustment	-	-	-	-	-	-	-
Balance at 31 December 2024	1,092	458	1,261	4,512	832	-	8,156
Depreciation for the year	45	21	74	200	90	-	430
Adjustment	-	-	-	-	-	-	-
Balance at 31 December 2025	**1,137**	**479**	**1,335**	**4,712**	**922**	-	**8,586**
Net carrying amounts							
As at 31 December 2025	**568**	**50**	**175**	**435**	**285**	**1,416**	**2.928**
As at 31 December 2024	**613**	**71**	**246**	**413**	**169**	-	**1,511**

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:

	2025	2024
	US$ '000	US$ '000
Other Assets		
Accounts receivable	1,560	2,209
Advance, security & prepayment	738	598
Inventories	1,094	425
Total	**3,392**	**3,232**

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

13. Government deposits

	2025 US$ '000	2024 US$ '000
Government Deposits		
Consolidated Fund	101,719	28,209
Infrastructure Fund	38,233	14,803
Human Development Capital Fund	313	2,120
Autonomous Agency Account	115,938	148,250
Municipalities Accounts	13,374	16,877
Total	**269,577**	**210,259**

14. Other deposits

	2025 US$ '000	2024 US$ '000
Other deposits		
Domestic financial institutions	251,769	265,537
International financial institutions (Note 10a)	73.288	69.790
Total	**325,057**	**335,327**

15. Other Liabilities

	2025 US$ '000	2024 US$ '000
Other Liabilities		
Accounts payable	6,741	12,051
Withholding tax payable	180	92
Provision for Long service account	106	69
Reintegration Fund Acc	2,898	1,970
Letters of Credit	892	2,804
Operating accounts	2,259	46,779
Total	**13,076**	**63,765**

16. Capital and Reserves

According to the Governing Board's decision, the bank's capital rose to $90,000,000 in 2025, compared to $85,000,000 in 2024.

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:

	2025	2024
	US$ '000	US$ '000
Transfer to Government		
Net profit for the year ended 31 December 2025	18,525	17,822
Transfer to General Reserve Account	-18,525	17,822
Total transfer to Government	-	-

In line with the Government's pledge to boost the Bank's capital to USD 100 million, the Governing Board has decided to direct the entire year-end profit of USD 18.525 million (up from USD 17.822 million in 2024) to the General Reserve Fund. This strategic choice represents a significant shift from conventional profit distribution methods, underscoring our commitment to rapidly increasing our capital reserves. By focusing on this accumulation, we are not only strengthening the Bank's financial foundation but also preparing ourselves for sustainable growth and resilience, considering upcoming challenges.

18. Net Interest Income

	2025 US$ '000	2024 US$ '000
Interest Income from Financial Assets		
Interest on deposits at foreign central banks	19,939	23,092
Interest on deposits at domestic banks	122	1,274
Total interest income	**20,061**	**24,366**
Interest paid on Financial Liabilities		
Interest paid on Government accounts	5,400	7,939
Interest paid to commercial banks	214	207
Total interest expenses	**5,614**	**8,147**
Net Interest Income	**14,447**	**16,219**

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

	2025 US$ '000	2024 US$ '000
Interest on financial assets at fair value through other comprehensive income		
Interest on financial assets at fair value through other comprehensive income	5,176	3,514
Total interest	**5,176**	**3,514**

20. Fee and Commission Income

	2025 US$ '000	2024 US$ '000
Fees and commissions		
Currency withdrawal fees	44	32
Licensing and supervision fees	535	209
Government account management fees	877	500
Total fees and commissions	**1,456**	**741**

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, 2025, the Petroleum Fund had an unaudited balance of USD 18,609 million, compared to an audited balance of USD 18,274 million in 2024.

According to the operational management agreement with the Ministry of Finance, BCTL receives an annual management fee of 0.08%, based on the Petroleum Fund's Net Asset Value (NAV).

This fee covers custody services (asset safeguarding), costs related to external managers, expenses for the Investment Advisory Board, and BCTL's operational management fee, which is set at 0.04% of the NAV—half of the total 0.08% fee.

For the year ending December 31, 2025, the management fee earned was USD 15,406 thousand, compared to USD 14,985 thousand in 2024.

This amount corresponds to eight (8) basis points of the Fund's average NAV for each year. Below is the income derived from the petroleum fund management fee nature:

	2025	2024
	US$ '000	US$ '000
Total Petroleum fund management fee Income	15,406	14,985
External managers & custody mgmt services	-7,170	-7,268
Investment Advisory Management services	-278	-271
Others	-155	-
Net fee and commission income	**7,803**	**7,446**

In 2025, the net fee income from fund management increased to $7.8 million from $7.4 million in 2024. This revenue was allocated towards expenses, including personnel, operational costs, technology, and other administrative needs, as detailed below.

	2025	2024
	US$ '000	US$ '000
Salary, capacity building and Other personnel related costs	1,561	1,489
IT services, systems and data	2,497	2,383
Research, consulting and legal fees	1,951	1,862
Allocated common costs BCTL	1,405	1,340
Other costs	390	372
Total BCTL Operational Expenses	**7,803**	**7,446**

22. Personnel Expenses

	2025	2024
	US$ '000	US$ '000
Personnel Expenses		
Salaries and related payments	2,798	2,909
Staff welfare payments	1,235	1,044
Capacity building and staff development	230	219
Representation at conferences and meetings	728	939
Total personnel expenses	**4,991**	**5,111**

23. Administration Expenses

	2025	2024
	US$ '000	US$ '000
Administration Expenses		
Asset maintenance	240	61
Communications	79	76
Information systems	1,996	1,565
General expenses	102	93
Office Expenses	387	554
Professional fees	518	840
Other Assets management expenses	79	239
Total Administration Expenses	3,401	3,428

24. Petroleum Fund of Timor-Leste

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

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

- An "earmarked receipts account" has been opened by the Bank in its 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 2025* were as follows:

	2025	2024
	US$ '000	US$ '000
Petroleum Fund Assets		
Cash and Cash Equivalents	333,430	3,285,083
Other receivables	17,875	48,731
Financial assets at fair value through profit or loss	18,279,487	15,643,621
Less: Pending Purchase of Securities & Account payables	-21,684	-703,379
	18,609,108	**18,274,056**
Capital		
Capital	18,609,108	18,274,056
	18,609,108	**18,274,056**

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.

	2025	2024
	US$ '000	US$ '000
Executive Board members Compensation		
(Included in personnel expenses)		
Short-term employee benefits	214	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.

	2025	2024
	US$ '000	US$ '000
Non-Executive Board members Compensation		
Sitting allorrance (Included in personnel expenses)	84	82
Total	84	82

Key Management Personnel

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

	2025	2024
	US$ '000	US$ '000
Key Management Personnel Compensation		
(Included in personnel expenses)		
Short-term employee benefits	229	172
Long-term benefits	17	7
Total	**246**	**179**

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.

	2025	2024
	US$ '000	US$ '000
Fair value revaluation		
Opening balance	-490	2,907
Fair value changes (FVOCI bonds)	1,478	2,417
Closing Balance	988	-490

27. Currency issued.

The currency issued by the Bank, in the form of centavo coins, which are officially considered a subunit of the United States dollar in Timor-Leste, represents a claim on the Bank in favor of the holder. The obligation for the value of this circulating currency is recorded on the balance sheet at its nominal value. The table below outlines the details of the financial position line item "currency issue" and the changes in this currency issuance throughout the year. A detailed description follows:

	2025	2024
	US$ '000	US$ '000
Currency Issued		
Opening balance	33,599	31,089
Coins issuance	4,044	2,510
Total	**37,643**	**33,599**

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:

	2025	2024
	US$ '000	US$ '000
Reintegration fund (included in other liabilities)		
Opening balance	1,970	1,429
Contributions	928	752
Benefits paid	-	(212)
Total	**2,898**	**1,970**

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 24 April 2026.

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.

Ernst & Young
Audit & Associados - SROC, S.A.
Avenida da Índia, 10 – Piso 1
1349-066 Lisboa
Portugal

Tel: +351 217 912000
Fax: +351 217 957 586
www.ey.com

Shape the future
with confidence

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 2025 (showing a total asset value of 805,338 thousand USD and a total equity of 159,985 thousand USD, including a net profit of 18,525 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 2025, 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, May 19th, 2026

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

António Filipe Dias da Fonseca Brás - ROC No. 1661
Registered with the Portuguese Securities Market Commission under license nr. 20161271

BANCO CENTRAL DE TIMOR-LESTE

Av. Xavier do Amaral
No 09 P.O Box 59
Posto Administrativo Nain Feto Suco
Gricenfor, Aldeia Formosa
Dili, Timor-Leste
info@bancocentral.tl
www.bancocentral.tl