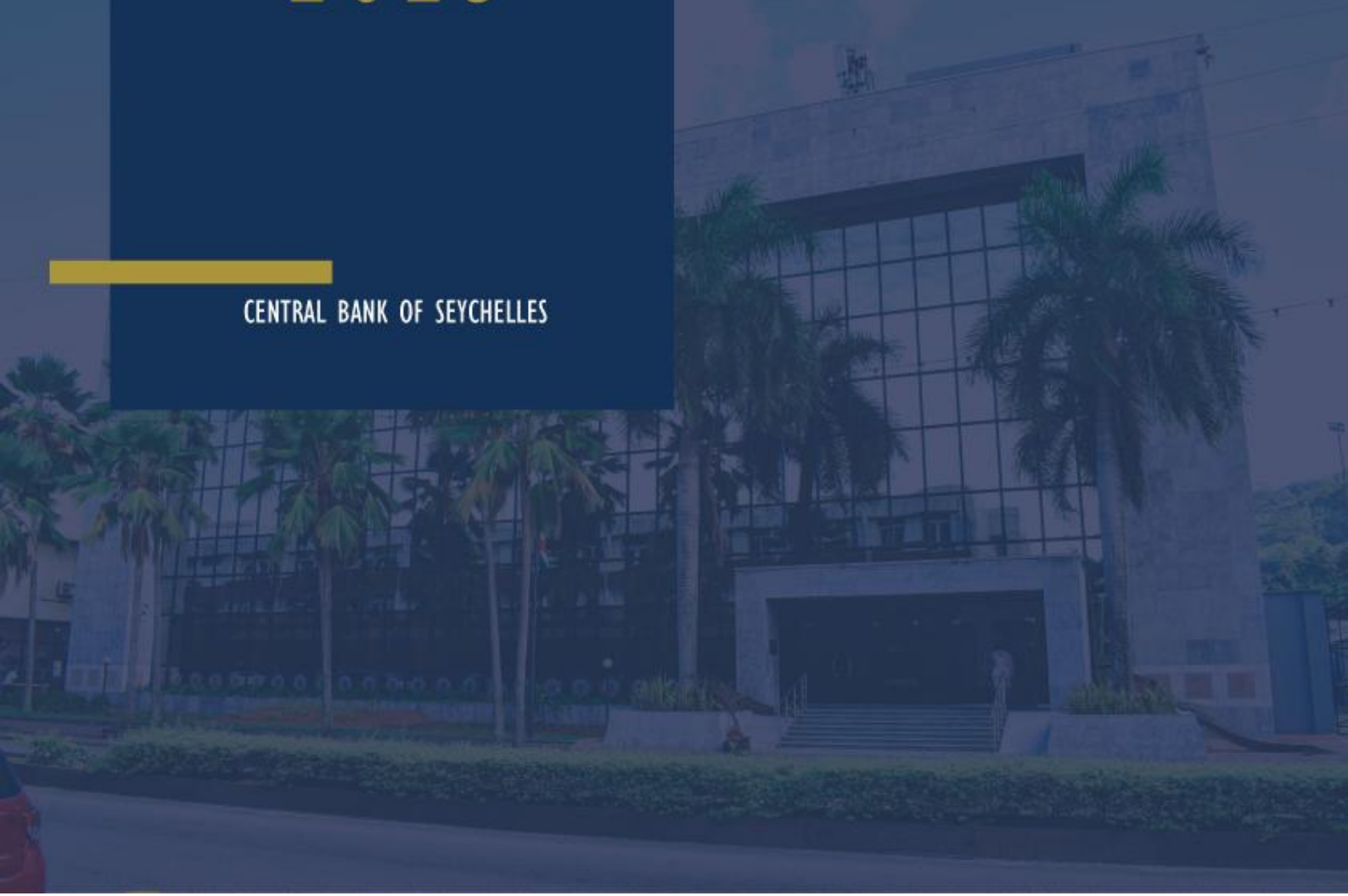




# INTERNATIONAL RESERVES MANAGEMENT REPORT 2025

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CENTRAL BANK OF SEYCHELLES



# Report on International Reserves Management

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### **List of Acronyms**

ACI	Association Cambiste Internationale
AfDB	African Development Bank
ARC	Audit and Risk Committee
AUD	Australian Dollar
BIS	Bank for International Settlements
BofA	Bank of America
BOC	Bank of Canada
BOE	Bank of England
BSD	Banking Services Division
CAD	Canadian Dollar
CAIM	Crown Agent Investment Management
CBS	Central Bank of Seychelles
CFA	Chartered Financial Analyst
CNY	Chinese Renminbi
CU	Compliance Unit
ECB	European Central Bank
EFF	Extended Fund Facility
EUR	Euro
FEA	Foreign Exchange Auction

Fed	Federal Reserve Bank
FMD	Financial Markets Division
FRM	Financial Risk Manager
FSD	Financial Surveillance Division
FX	Foreign Exchange
GBP	Great British Pound
GIR	Gross International Reserves
IAD	Internal Audit Division
IBRD	International Bank for Reconstruction and Development
IC	Investment Committee
ICE	Intercontinental Exchange
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
MMF	Money Market Fund
NAV	Net Asset Value
NIR	Net International Reserves
OPEC	Organisation for Petroleum Exporting Countries
ORM	Operational Risk Management
PBOC	People's Bank of China
RAMP	Reserve Advisory and Management Partnership
RMU	Risk Management Unit
RSD	Research and Statistics Division
RSF	Resilience and Sustainability Facility
SAA	Strategic Asset Allocation
SCR	Seychelles Rupee
SDR	Special Drawing Rights
UBS	Union Bank of Switzerland
UK	United Kingdom
US	United States
USD	United States Dollar
UST	United States Treasuries

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## Message from the Governor

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The year 2025 marked another chapter in the Central Bank of Seychelles' (the Bank) commitment to safeguarding the country's external position through prudent reserves management. In keeping with the Bank's dedication to transparency and accountability, I am pleased to present the eleventh edition of the International Reserves Management report. This report outlines the strategies undertaken to manage the country's international reserves amid an increasingly complex and evolving global environment.

Geopolitical risks and heightened uncertainty remained a dominant theme, continuing to shape the global economic conditions throughout 2025. Despite these challenges, most economies implemented policy measures aimed at safeguarding economic stability. Market expectations shifted to more accommodative monetary policy conditions as countries made progress in easing inflationary pressures.

Similarly, the Bank remained steadfast in its commitment to maintain financial stability. In the management of international reserves the objectives were to preserve the capital, maintain liquidity, and achieve sustainable returns. These objectives were achieved through disciplined investment strategies and robust risk management frameworks, consistent with international best practices. Consequently, the Bank recorded positive results, with the Gross International Reserves amounting to US\$878 million at the end of the year under review.

The stability of international reserves during this period was supported by the continued contribution of multilateral partners, including the International Monetary Fund, World Bank, African Development Bank, and OPEC Fund, alongside effective domestic foreign exchange accumulation. This showcases the importance of collaboration and sound policy execution in sustaining macroeconomic stability. Furthermore, collaboration with partners such as the World Bank's Reserve Advisory and Management Partnership (RAMP), the Crown Agents Investment Management (CAIM) and the Southern African Development Community (SADC) remained invaluable in ensuring the maintenance of best practices while advancing the country's management of the international reserves.

Looking ahead, it is my hope that the Bank continues to adapt to evolving global dynamics, including the integration of sustainability principles, innovation and digital solutions, consistent with international best practices in reserves management. Our focus remains clear: to safeguard Seychelles' financial stability and strengthen confidence in the economy through prudent stewardship of the international reserves.

I extend my sincere gratitude to our dedicated team and stakeholders for their unwavering support and commitment to excellence.



**C. Abel**

## **1.0 Introduction**

This report outlines the activities and developments in international reserves management for the year 2025. It begins by providing an overview of the governance and operational structures, followed by an assessment of the performance, including international reserves level and investment returns. Thereafter, the report details the different risk categories and explains risk mitigation actions undertaken when investing the international reserves. The review also highlights the various challenges and capacity development initiatives adopted during the year. The report concludes with an outlook for international reserves management over the upcoming years.

## **2.0 Governance Structure**

As mandated under Part VI of the CBS Act 2004 as amended, the Central Bank of Seychelles (the Bank) manages the country's international reserves. The Board of Directors (the Board) is the highest governing authority for international reserves management and is responsible for providing strategic guidance by means of the Investment Policy (the Policy). By delegation from the Board, the Investment Committee (IC) operationalises the Policy directives through the Investment Guidelines (the Guidelines). At the operational level, the Financial Markets Division (FMD) and the Banking Services Division (BSD) are responsible for undertaking the daily duties in international reserves management.

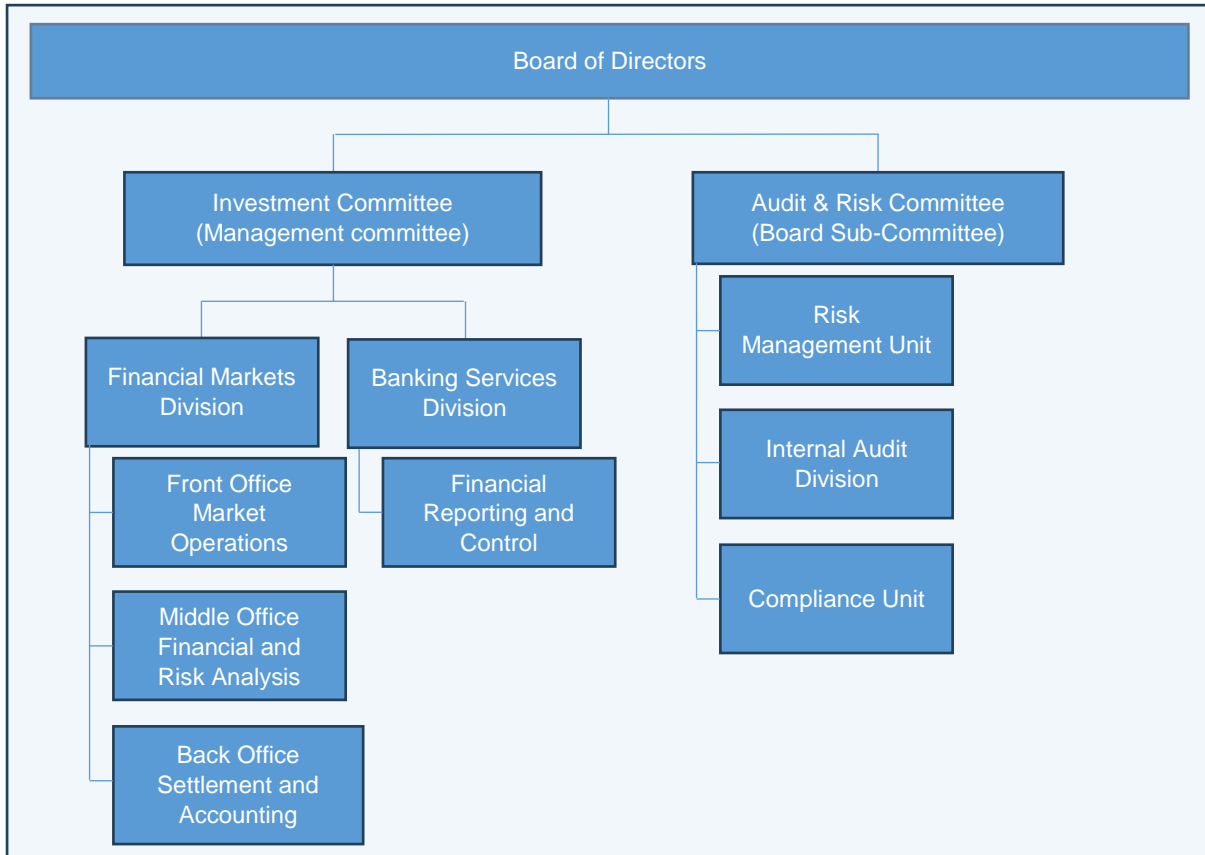
The IC is chaired by the Second Deputy Governor and comprises five other members: The First Deputy Governor and the Heads, or the representatives, of the Banking Services Division (BSD), the Financial Markets Division (FMD), the Financial Surveillance Division (FSD), and the Research and Statistics Division (RSD). The role of the IC is to ensure compliance to the Policy through its oversight of the application of the Guidelines in the operations of the FMD and the BSD. The Risk Management Unit (RMU), the Compliance Unit (CU) and the Internal Audit Division (IAD) also attend the IC meetings to observe and report any concern to the Audit and Risk Committee (ARC), which is a sub-committee of the Board.

The Policy also outlines the three investment objectives; capital preservation, liquidity and return generation, listed in order of priority. These objectives ensure that investment support the achievement of the macroeconomic objectives for holding international reserves, which are to support exchange rate and monetary policies, meet foreign currency obligations and minimise the economic effect in cases of external shocks or natural disasters. The Policy defines the Strategic Asset Allocation (SAA) which informs the Guidelines for optimal tranche sizes, target currency composition, eligible asset classes and counterparties, along with the acceptable risk limits.

The risk management framework is established with three distinct lines of defence. The first line are the FMD and the BSD, that have ownership of the risks arising from the daily activities. The second layer comprises of the RMU and the CU. The RMU is responsible for identifying, measuring, monitoring and reporting risks on an enterprise level. Additionally, the CU ensures that reserves management activities comply with the legislations, standards and procedures adopted by the Bank. As the final layer of defence, the IAD conducts risk-based audits with the objective of providing assurance that the governance framework is effective and that policies and procedures are being employed effectively.

Figure 1 illustrates the Bank’s governance structure for international reserves management.

**Figure 1 Governance Structure for International Reserves Management**



### 3.0 Operational Aspects of International Reserves Management

In accordance with international best practice for reserves management, the FMD is separated into three distinct sections, the front, middle and back offices. The front office activities are conducted by the Portfolio Analysts from the Market Operations Section, who carry out negotiation and execution of trades along with portfolio management. The middle office duties are done by the Financial and Risk Analysis Section. They are responsible for market research, risk analyses, performance reporting and maintenance of the Policy and subsequent guidelines. Additionally, the middle office monitors the operations of the front and back offices to ensure compliance to relevant frameworks. The Settlement and Accounting Section undertakes the back office functions, where they also collaborate with BSD. The back office is responsible for settling the trades initiated by the front office and maintaining accounting records of the activities in line with the International Financial Reporting Standards (IFRS).

The structure of the international reserves is aligned with the three investment objectives, and the funds are separated into three sub-portfolios, termed tranches. The three tranches are the operational, the liquidity and the investment tranches. The operational tranche is structured to provide the working capital for the daily payment activities of the government and its agencies, as well as the Bank’s payments and potential foreign exchange (FX) interventions. As such, the funds within the operational tranche are subject to a short investment horizon of up to three months and include the lowest risk and

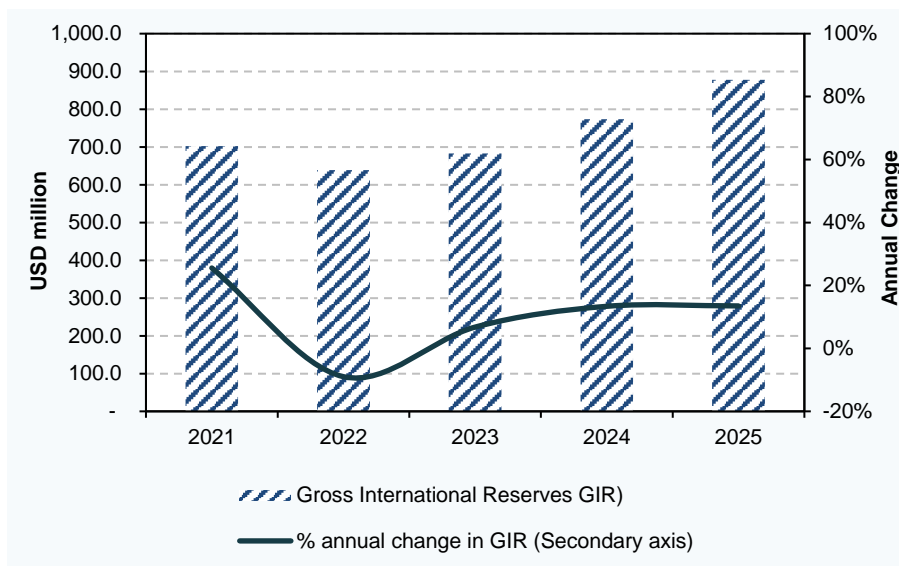
most liquid investments. The liquidity tranche is designated to cover the country’s short-term debt obligations of up to one year and three months’ worth of potential imports. As a result, the tranche consists of low-risk liquid assets with an investment horizon of not more than one year. Lastly, the investment tranche is made up of the excess funds from the operational and liquidity tranches. The investment tranche is targeted towards return generation and thus, has a longer investment horizon of up to five years. This tranche is intended to support the country’s longer-term contingencies, including future debt obligations, prolonged national emergencies or severe economic crises.

## 4.0 Performance

### 4.1 International Reserves Position

At the end of 2025, the Gross International Reserves (GIR) was US\$878.1 million, the highest level on record, representing an annual growth of approximately 13.5 per cent from US\$773.7 million in the previous year. The higher GIR was primarily driven by the purchases of foreign currency by the Bank from the domestic market through Foreign Exchange Auctions (FEA) conducted during periods of continuous surplus of foreign currency in the domestic banking system. Moreover, external financing in the form of budget support loans from international organisations such as the African Development Bank (AfDB), the World Bank’s International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF), supported the improved GIR position. Chart 1 shows the GIR position over the past five years, which has increased by 25.1 per cent, over the period.

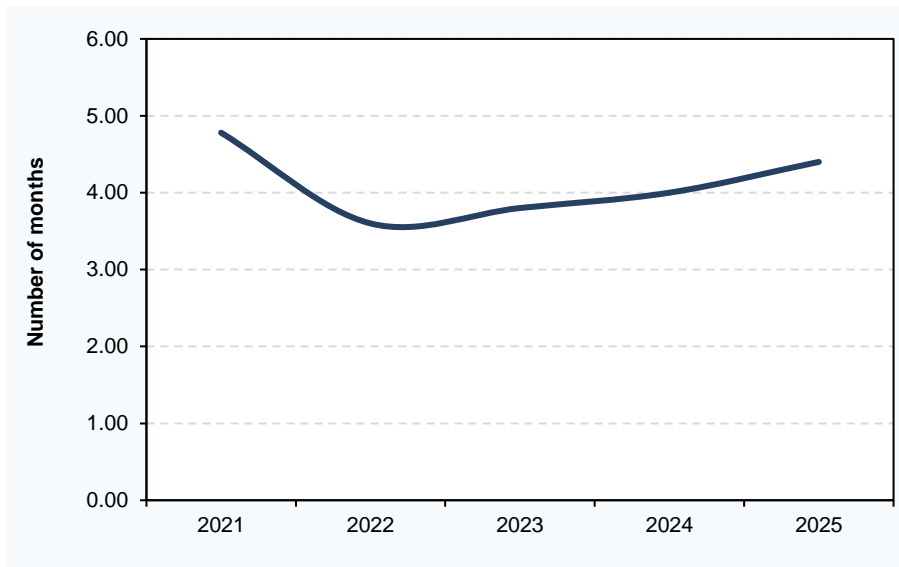
Chart 1: Gross International Reserves; 2021 – 2025



Note: End of year figures  
Source: Central Bank of Seychelles

Chart 2 displays the international reserves level expressed in terms of months of imports cover. This is an internationally accepted standard to measure a country’s reserves adequacy, with the traditional rule-of-thumb benchmark of a minimum of 3.0 months of imports. Based on the level of reserves at the end of 2025, the import cover stood at 4.4 months, an increase from 4.0 months in 2024. The improvement reflects the increase in the reserves level for the reporting year.

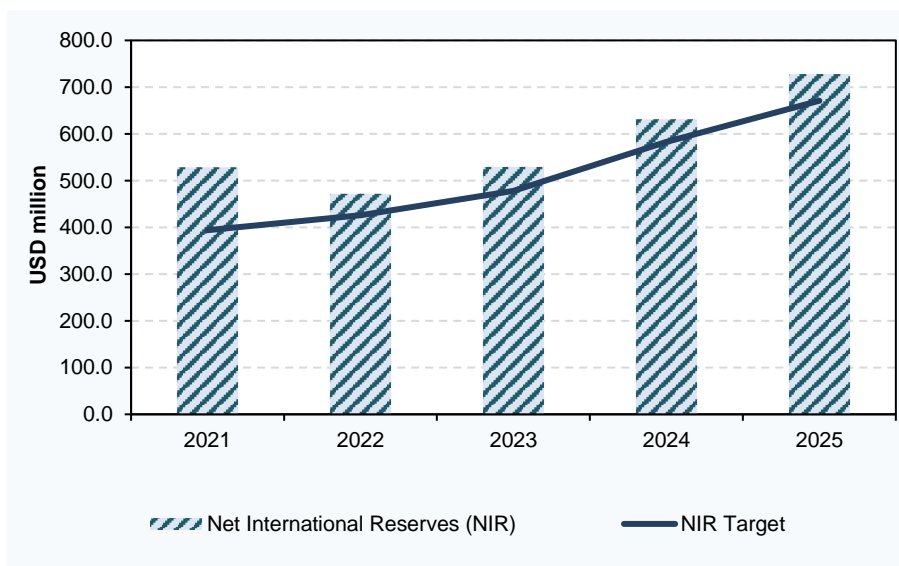
**Chart 2: Import Cover; 2021 – 2025**



*Note: End of year figures*  
*Source: Central Bank of Seychelles*

Under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) agreed with the IMF in May 2023, the country was subject to several economic performance criteria. One performance indicator was the Net International Reserves (NIR), where the end of quarters two and four were the key evaluation dates. As illustrated in Chart 3, at the end of 2025, the NIR was US\$727.9 million, surpassing the fourth quarter target of US\$670.9 million. The level was an improvement of 15.2 per cent compared to US\$631.6 million in the last quarter of 2024.

**Chart 3: Net International Reserves against Target; 2021 – 2025**



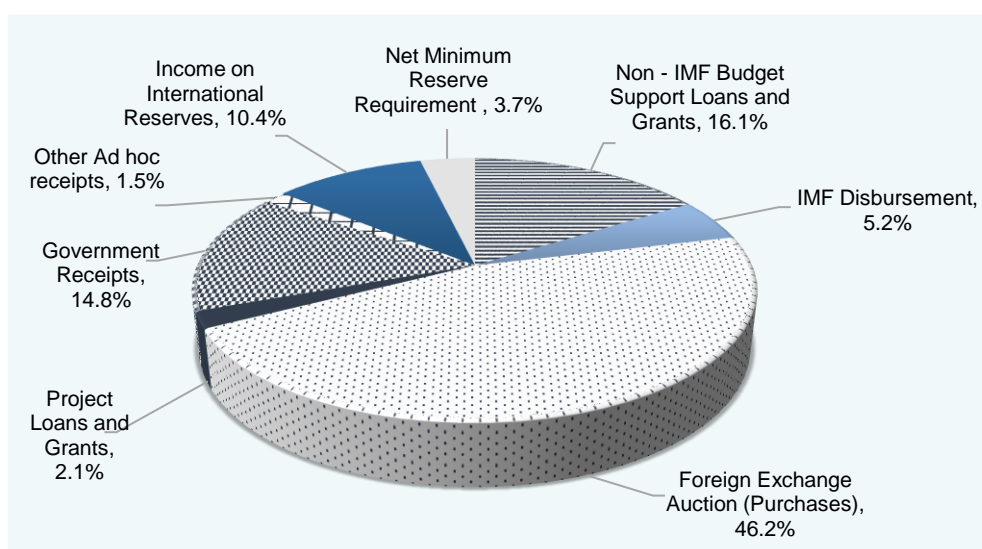
*Note: End of year figures*  
*Source: Central Bank of Seychelles*

#### 4.2 Sources and Uses of International Reserves

The sources of international reserves for 2025 are illustrated in Chart 4. Overall FX inflows during the year under review amounted to US\$263.3 million. The majority of FX inflows was the Bank’s FEA

purchases from the domestic market, accounting for 46.2 per cent of total inflows, equivalent to US\$121.6 million. Representing 18.2 per cent of overall inflows, the second most significant source included the total receipts of approximately US\$47.8 million from multilateral and bilateral partners. These inflows consisted of budget support, and project loans and grants, mainly from the AfDB and the IBRD. Government receipts represented 14.8 per cent of FX inflows, primarily from fishing licence fees and inflows from various ministries. Income generated from the investment of the international reserves accounted for 10.4 per cent of total FX inflows, amounting to approximately US\$33.6 million, as discussed in greater detail in Section 4.4. Meanwhile the disbursements of the IMF budget support loans—namely the EFF and the RSF—contributed 5.2 per cent to the total FX inflows, equivalent to approximately US\$13.7 million.

**Chart 4: Sources of International Reserves; 2025**

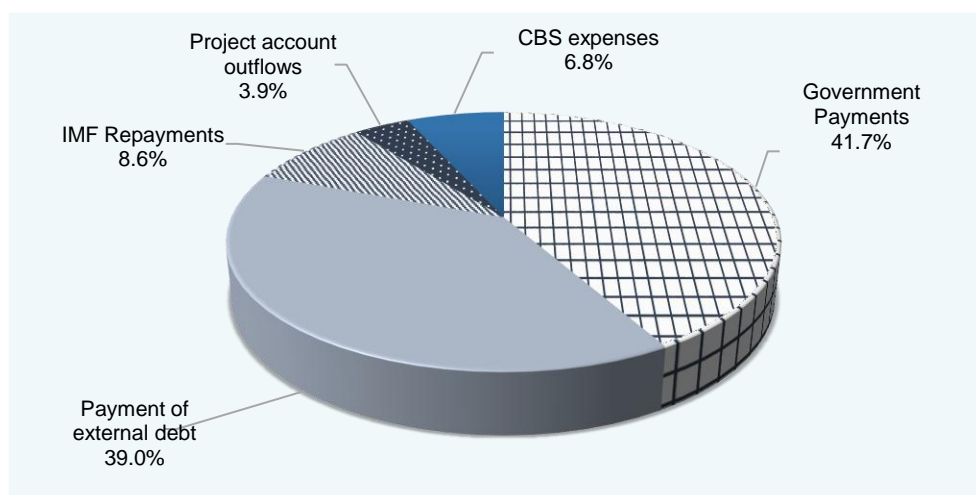


*Note: End of year figures<sup>1</sup>*  
*Source: Central Bank of Seychelles*

Chart 5 depicts the use of the international reserves for the year 2025. The largest share of FX outflows was attributed to the purchase of goods and services by the Government and public entities. These included payments made by various ministries and departments, contributing to 41.7 per cent of total outflows, equivalent to US\$77.3 million. Repayments of external debt to the country’s multilateral, bilateral and commercial creditors were the second highest contributor to the drawdown of the international reserves, accounting for 39.0 per cent of total FX outflows, or US\$72.4 million. Repayments to the IMF represented 8.6 per cent of total FX outflows and amounted to US\$16.0 million. By the end of the year under review, total FX outflows stood at US\$185.5 million, resulting in a net FX inflow of US\$77.8 million recorded for 2025.

<sup>1</sup> In view of decimals, figures may be subject to rounding error.

Chart 5: Uses of International Reserves; 2025



Note: End of year figures<sup>2</sup>  
Source: Central Bank of Seychelles

#### 4.3 Asset Allocation and Currency Composition of International Reserves

As previously mentioned, reserves managers face multiple objectives in managing the international reserves and the Strategic Asset Allocation (SAA) serves as the key driver of investment decisions. The SAA defines the strategic currency and asset composition across tranches, ensuring exposures align with the country's external obligations. Informed by the Policy, an ideal currency mix is established as benchmark for each tranche, enabling each tranche to meet its objectives while collectively supporting the overall purpose of holding reserves.

The Bank conducts an annual review of the SAA to maintain strategic positioning and optimise diversification. This review considers domestic and global economic developments, anticipated reserve drawdowns and potential market risks. Based on these assessments, allocations are realigned to hedge against risks and mitigate capital losses. Above all, the preservation of capital remains the primary objective in managing the country's international reserves, supported by prudent diversification and risk management strategies.

The currency composition of each tranche is calculated as a share of the tranche's total value, excluding Special Drawing Rights (SDR) and non-reserve currencies. Each currency is allowed a minimum and maximum deviation of up to 5.0 per cent from its ideal position at the tranche level. To enhance the effectiveness of reserves management, the IC may allow deviations from the strategic benchmark. There were no revisions to the composition and limits of each currency within the three tranches for the year under review. Table 1 presents the strategic currency composition benchmark for each tranche for 2025.

<sup>2</sup> In view of decimals, figures may be subject to rounding error.

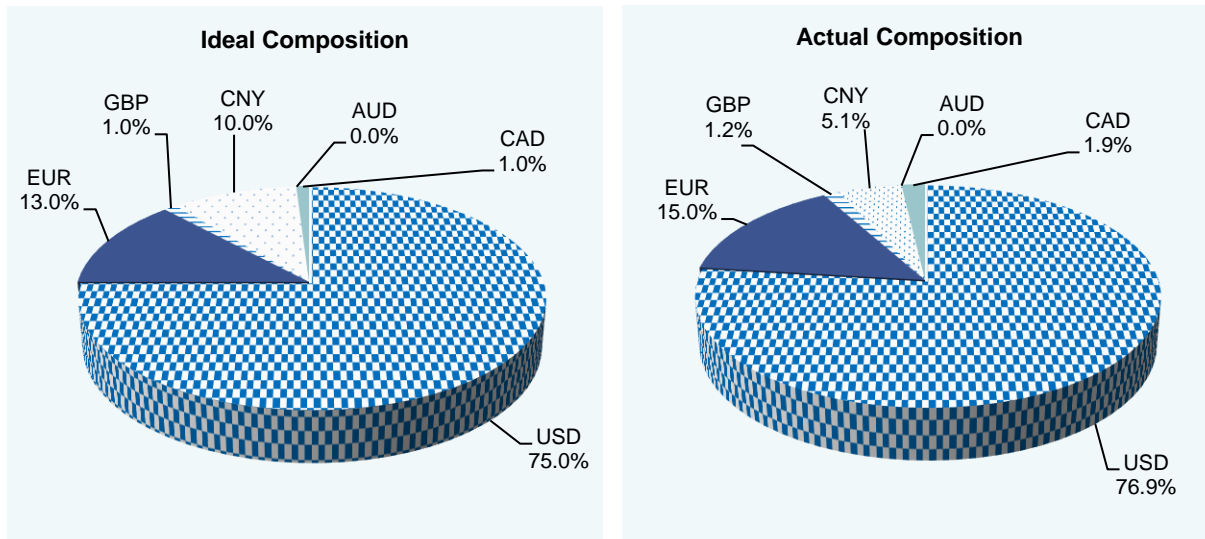
**Table 1: Benchmark for Strategic Currency Composition per Tranche**

	Lower -5%	<b>Operational Tranche Ideal</b>	Upper 5%	Lower -5%	<b>Liquidity Tranche Ideal</b>	Upper 5%	Lower -5%	<b>Investment Tranche Ideal</b>	Upper 5%
<b>USD</b>	65%	70%	75%	73%	78%	83%	45%	50%	55%
<b>EUR</b>	16%	21%	26%	10%	15%	20%			
<b>GBP</b>	4%	9%	14%	0%	1%	6%			
<b>CNY</b>				0%	4%	9%	45%	50%	55%
<b>AUD</b>				0%	1%	6%			
<b>CAD</b>				0%	1%	6%			

Source: Central Bank of Seychelles – Investment Guidelines

Throughout the year under review, the Bank maintained the international reserves in US dollar (USD), Pound sterling (GBP), Euro (EUR), Chinese renminbi (CNY), Canadian dollar (CAD) and Australian dollar (AUD). The overall currency composition of the international reserves at the end of 2025 is illustrated in Chart 6, showing the benchmark or ideal levels compared to the actuals.

**Chart 6: Currency Composition of GIR at the end of 2025**



Note: End of year figures

Source: Central Bank of Seychelles

Consistent with previous years, most of the international reserves were held in the USD, accounting for 76.9 per cent of total holdings, approximately 1.9 percentage points above the benchmark for the currency at the end of 2025. To facilitate the execution of day-to-day payment obligations of the country, a proportion of the currency continued to be maintained within the operational tranche. The USD also remained within the liquidity tranche, which primarily comprised of investments in fixed deposits and government securities. Notably, the composition of the currency within the liquidity tranche was supported by the purchase of the USD through FEAs. In the investment tranche, this consisted only of bonds managed externally by the Crown Agents Investment Management (CAIM), and comprised a 50-50 split between the USD and CNY in support of portfolio diversification.

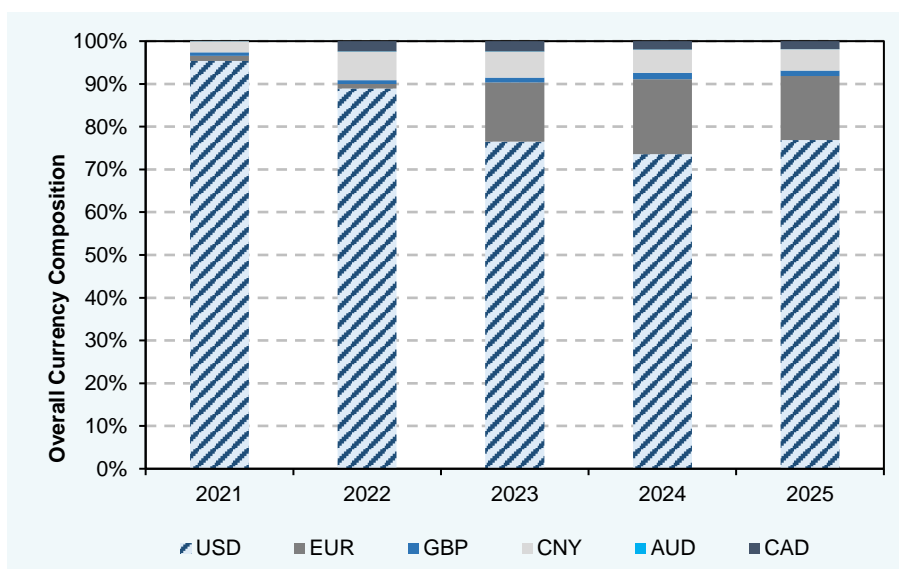
The actual composition of the EUR was 15.0 per cent of the GIR in 2025, exceeding the ideal benchmark by 2.0 percentage points. The limited purchases of the EUR through the FEA in the first quarter of the year, supported the positive allocation in the currency. Even though the EUR composition declined slightly compared to 2024, it remained allocated across both the operational and liquidity tranches during the period under review, with no exposure in the investment tranche. Within the liquidity tranche, EUR holdings were invested in fixed deposits.

Similar to the EUR, during the period, the GBP holdings featured within the operational and liquidity tranches only, although at comparatively lower amounts. At the end of the year, GBP holdings stood at 1.2 per cent of the GIR, relatively in line with the ideal currency composition. The funds were maintained for operational requirements and fixed deposit investments.

Like in the previous years, the CNY holdings were maintained in the liquidity tranche as fixed deposit investments, representing 5.1 per cent of the GIR. The CNY also featured within the investment tranche in a proportional split with the USD to support portfolio diversification.

The allocation of the CAD within the liquidity tranche remained within the prescribed limits at 1.9 per cent and consisted entirely of fixed deposit investments. No investments were undertaken in AUD during 2025; however, a small portion of the currency was maintained with the Bank for International Settlements (BIS). The limited holdings of the CAD and the AUD were aligned with the ideal currency composition defined under the SAA. Chart 7 shows the trend in the actual foreign currency composition of the GIR over the past five years.

**Chart 7: Trend in Actual Currency Composition as a percentage of the GIR; 2021 – 2025**



*Note: End of year figures*

*Source: Central Bank of Seychelles*

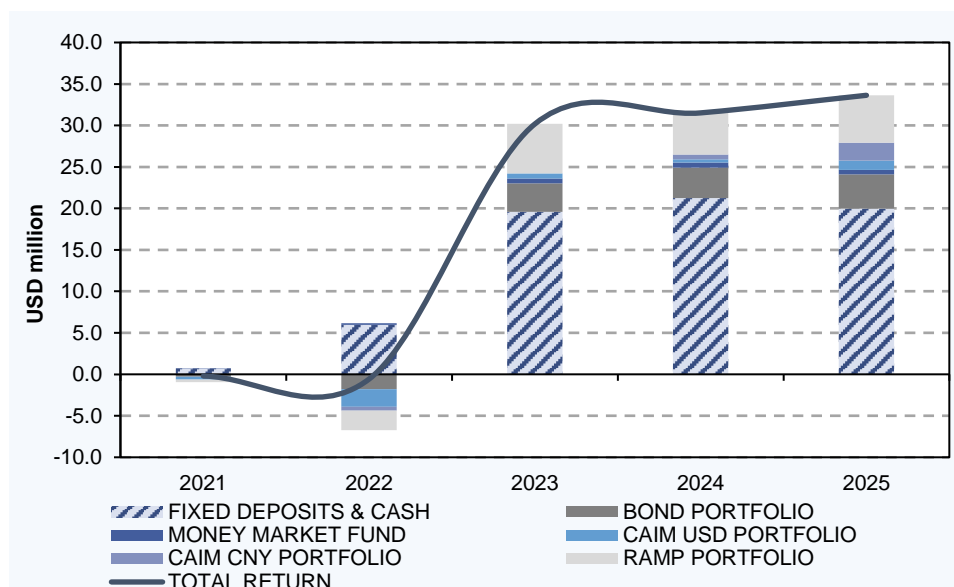
#### 4.4 Returns Generated

Diversification remained instrumental in supporting income generation across different asset classes, particularly against the backdrop of evolving market conditions and shifting risk dynamics during the year. Accordingly, the Bank maintained a diverse portfolio mix, combining internally managed

investments with externally managed mandates to enhance resilience and stabilise returns. Internally managed investments comprised primarily of fixed deposit placements, alongside fixed-income investments through the passively managed US Treasury (UST) bond portfolio. External management was maintained through investments in the Union Bank of Switzerland (UBS) Money Market Fund, as well as investment mandates with CAIM and the World Bank's Reserve Advisory & Management Partnership (RAMP), which provided more active management opportunities.

As global inflationary pressures continued to ease during the year, several central banks progressed on the path of monetary policy normalisation, resulting in a lower interest rate environment compared to the previous period of high interest rates in 2023. Nonetheless, a total return of US\$33.6 million was recorded on the Bank's overall investments for 2025. This represented an improvement of 6.7 per cent from the previous year, and a marked turnaround from the loss recorded in 2021. Despite lower interest rates on deposits, fixed deposits and cash remained the largest contributor to total investment returns, supported by a larger fixed deposit portfolio maintained during the year. In addition, valuation gains from the bond portfolios, arising from declining yields on short-dated UST securities, partially offset the impact of lower interest yields. Chart 8 displays the performance of the Bank's overall investments over the past five years.

**Chart 8: Return on International Reserves per Investment Portfolio; 2021 – 2025**



*Note: End of year figures*

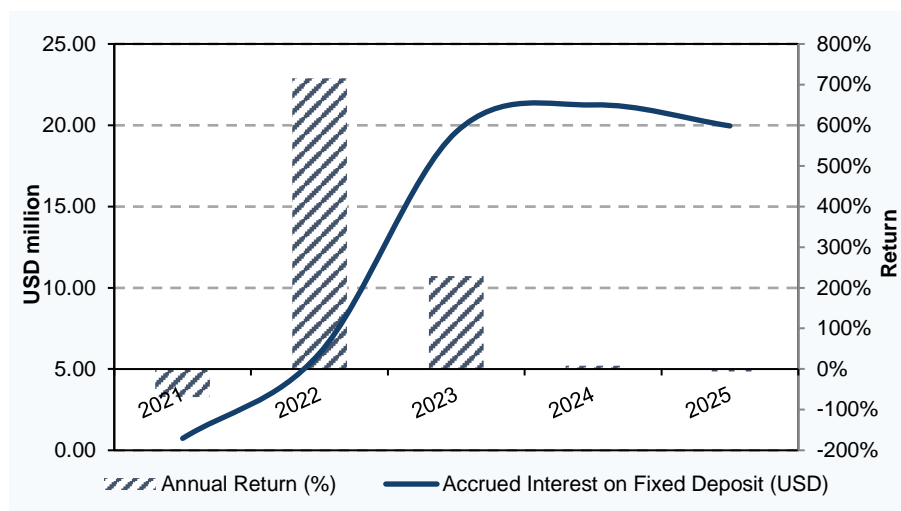
*Source: Central Bank of Seychelles*

#### 4.4.1 Returns Generated from Fixed Deposits

After a pause in 2024, major central banks began easing monetary policy in 2025, reducing policy rates over the year. In line with these developments, deposit yields declined relative to the 2024 levels. Despite the lower interest rate environment, the larger fixed deposit base sustained the returns generated on fixed deposit investments. The total return generated on fixed deposits for the year, amounted to US\$20.0 million, representing a moderate decrease of 6.1 per cent, compared to US\$21.3 million recorded in 2024. Nonetheless, total returns remained higher than pre-2023 levels, supported

by a larger fixed deposit base and higher interest rates than in 2021 and 2022. Chart 9 presents the evolution of returns generated on fixed deposits since 2021.

**Chart 9: Interest Return Generated from Fixed Deposits; 2021 – 2025**



*Note: End of year figures*  
*Source: Central Bank of Seychelles*

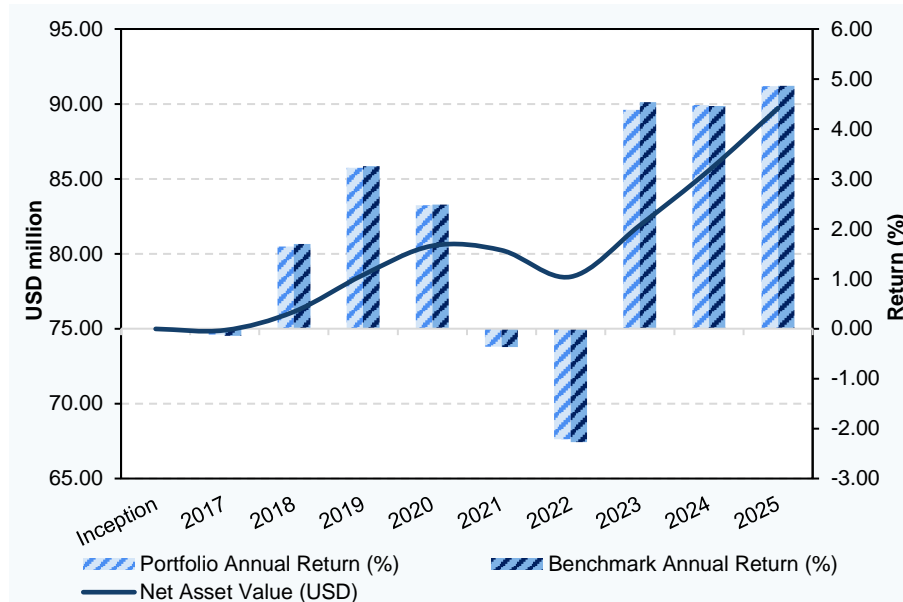
As mentioned earlier, the majority of fixed deposit investments were denominated in USD, which contributed the largest share of total returns generated on fixed deposits. In 2025, the returns on the USD portfolio increased marginally, by 2.0 per cent to US\$16.2 million. This increase was supported by the higher deposit base in the USD despite a generally declining yield environment. In contrast, returns generated from the EUR fixed deposit investments decreased by 33.1 per cent to US\$2.8 million, reflecting lower reinvestment yields and a smaller deposit base in 2025 compared to 2024. Fixed deposit investments in GBP, CAD and CNY contributed only marginally to total fixed deposit returns, consistent with their limited portfolio weights. Interest income on GBP-denominated deposits increased by 15.3 per cent to US\$0.4 million during the year, given a larger deposit base despite lower interest rates. Conversely, returns on CAD-denominated deposits declined by 41.9 per cent to US\$0.4 million, reflecting lower yields amid policy easing. As for CNY-denominated fixed deposits, interest income declined marginally by 0.1 per cent to US\$0.2 million, driven by lower deposit rates due to China’s steady accommodative monetary policy. Overall, fixed deposit investments continued to provide a stable income stream in 2025.

#### 4.4.2 Return on Internally Managed Fixed Income Securities

In 2025, the Bank continued to manage the internal UST bond portfolio under a passive investment approach. The Intercontinental Exchange (ICE) Bank of America Merrill Lynch 0–3 Year UST Index served as the benchmark for risk and performance for the portfolio. During the year, the accommodative monetary policy stance in the US, resulted in lower yields on short-term UST securities. However, this environment supported higher market valuations within the portfolio, given the inverse relationship between yields and bond prices. As illustrated in Chart 10, the portfolio’s Net Asset Value (NAV)

reached US\$89.7 million at the end of 2025, reflecting an annual increase of 4.9 per cent and a cumulative growth of 19.7 per cent since inception.

**Chart 10: US Treasury Portfolio Performance against the ICE BofA Merrill Lynch Benchmark since Inception; 2017 – 2025**

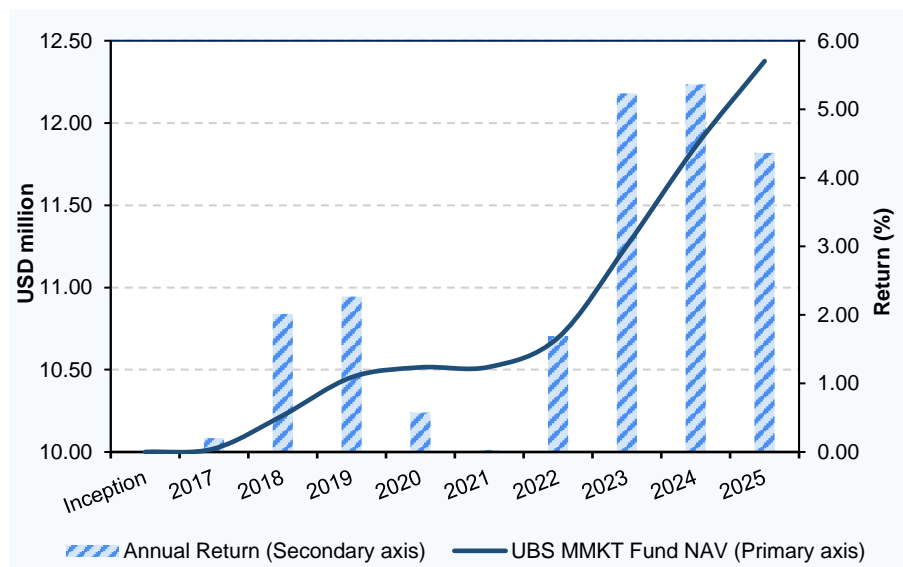


*Note: End of year figures*  
*Source: Central Bank of Seychelles*

#### 4.4.3 Return Generated from Money Market Fund

The Bank also maintained the investment with the UBS for the year under review. The Money Market Fund was initially funded with US\$10.0 million in 2017 and recorded a NAV of US\$12.4 million at the end of 2025. The increase of 24.0 per cent was primarily driven by higher market valuations due to declining yields. As illustrated in Chart 11, the portfolio recorded an annual growth of 4.36 per cent at the end of 2025 in comparison to 2024.

**Chart 11: UBS MMF Performance since Inception; 2017 – 2025**



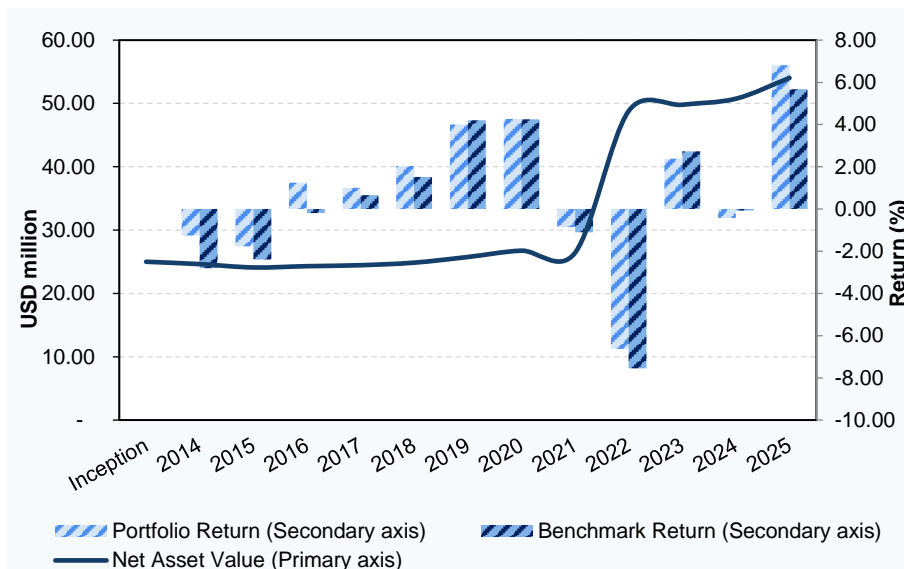
*Note: End of year figures*

Source: Central Bank of Seychelles

#### 4.4.4. Return generated from the Crown Agents Investment Management

As part of the external management mandate, the Bank maintained the fixed income securities portfolio initially valued at US\$50.0 million with the CAIM for the year under review. The active management mandate commenced in 2014 with an initial funding of US\$25.0 million. In April 2022, a further US\$25.0 million was converted into the equivalent of CNY162 million for investment in CNY denominated bonds. Consequently, the portfolio has been managed on a 50–50 allocation basis, benchmarked against the ICE BofA 1–5 Year US Treasury Index and the ICE BofA 1–5 Year China Government Index. At the end of 2025, the NAV of the CAIM portfolio, comprising both USD and CNY denominated investments increased to US\$54.0 million from US\$50.8 million in 2024. This increase reflected an annual growth rate of 6.46 per cent. Chart 12 highlights the portfolio’s performance from its inception.

**Chart 12: CAIM Externally Managed Portfolio Performance against the 50-50 ICE BofA Benchmark since inception; 2014 – 2025**

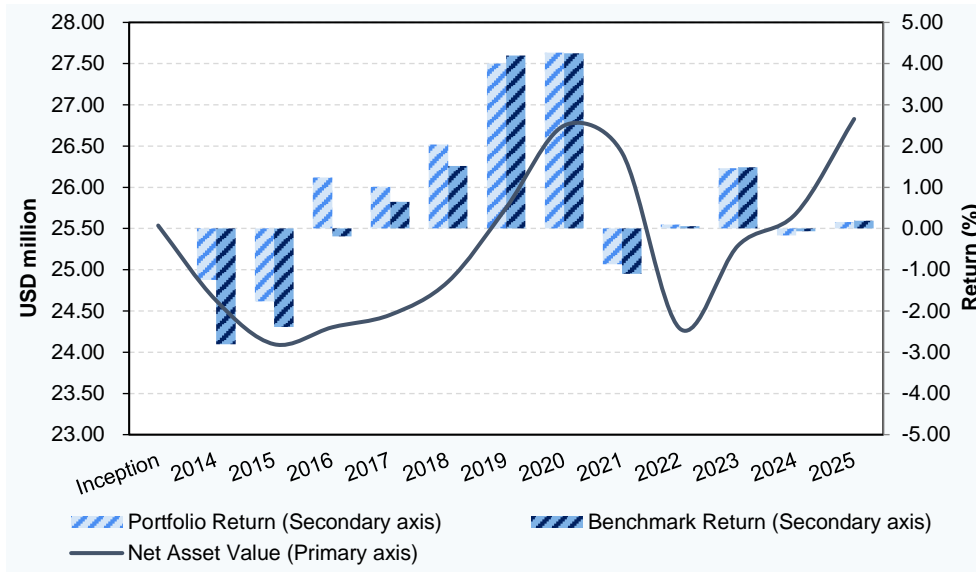


Note: End of year figures  
Source: Central Bank of Seychelles

##### 4.4.4.1 Return Generated from the USD-denominated portfolio

The USD-denominated sub-portfolio within the CAIM portfolio amounted to US\$26.8 million at the end of 2025. This represented an increase of 4.45 per cent compared to US\$25.7 million at the end of the previous year. The performance of the USD bond investments was supported by valuation gains in a lower yield environment, following three interest rate cuts by the US Federal Reserve Bank (Fed), namely in September, October and December of 2025. Overall, the USD bond sub-portfolio recorded positive returns and remained broadly in line with its benchmark. Chart 13 presents the performance of the CAIM USD sub-portfolio since inception.

**Chart 13: CAIM Externally Managed USD Portfolio Performance against the ICE BofA Benchmark since inception; 2014 – 2025**

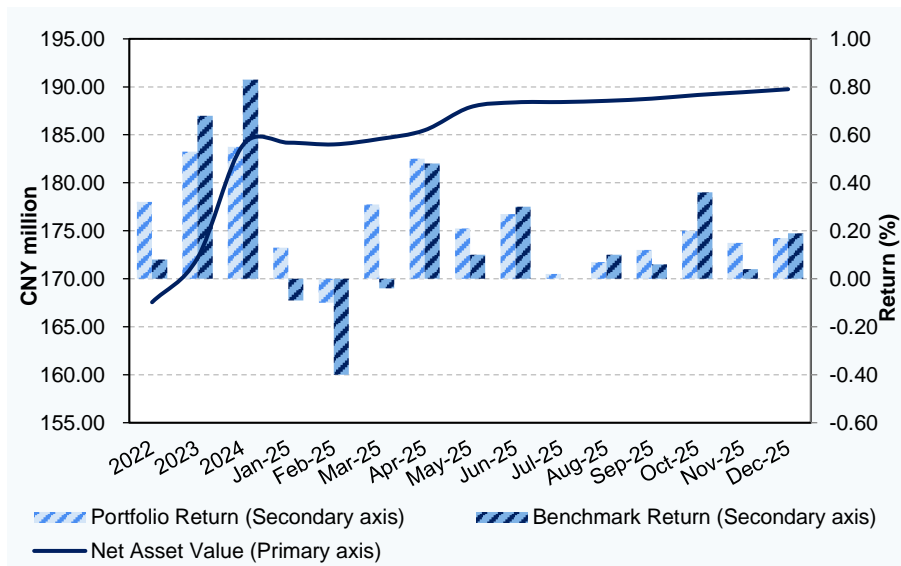


*Note: End of year figures*  
*Source: Central Bank of Seychelles*

#### 4.4.4.2 Return Generated from the CNY-denominated portfolio

At the end of 2025, the CNY sub-portfolio was CNY190 million, representing an increase of 3.16 per cent in NAV compared to CNY184 million at the end of 2024. Since inception, the CNY sub-portfolio generated a cumulative return of 17.4 per cent. Chart 14 illustrates the performance of the CAIM CNY sub-portfolio from its onset.

**Chart 14: CAIM Externally Managed CNY Portfolio Performance against the ICE BofA Benchmark since inception; 2022 – 2025**

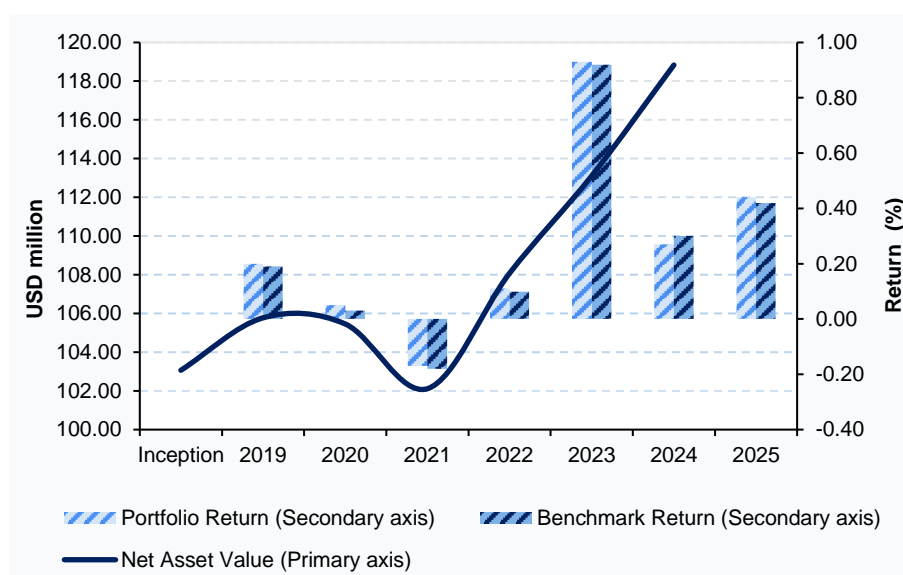


*Note: End of year figures*  
*Source: Central Bank of Seychelles*

#### 4.4.5 Return Generated from the Reserve Advisory and Management Partnership

The Bank's externally managed portfolio under the World Bank's RAMP, initially funded in 2019 with US\$100 million, was managed against the ICE BofA UST 0–3 Year Index. At the end of 2025, the RAMP portfolio amounted to US\$119 million, reflecting a 5.06 per cent increase in the NAV compared to the previous year. Since inception, the portfolio has recorded a cumulative return of 2.53 per cent, outperforming the benchmark return of 2.38 per cent. Overall, the portfolio's performance remained broadly in line with the benchmark during the year under review. Chart 15 presents the annual performance of the RAMP portfolio since inception.

**Chart 15: RAMP Externally Managed Portfolio Performance against the ICE BofA 0-3 Years Benchmark since inception; 2019 – 2025**



*Note: End of quarter figures  
Source: Central Bank of Seychelles*

## 5.0 Risk Management

The Policy and the Guidelines establish the governance and oversight framework for reserves management, setting out the roles, responsibilities, and controls to support sound risk management practices. In addition, risk guidelines and procedural manuals for the operational units provide clear instructions to ensure that specific risks are appropriately identified, measured, monitored, and controlled on an ongoing basis.

The principal risks associated with international reserves management include market risk, liquidity risk, credit risk, and operational risk, all of which are managed within approved risk tolerances and limits.

### 5.1 Market Risk

Market risk refers to the potential for financial losses arising from movements in market prices. In the context of the Bank's investment activities, market risk primarily arises from fluctuations in interest rates and exchange rates.

Similar to the previous year, interest rate movements remained the principal source of market risk affecting the value of the international reserves throughout 2025. The cycle of interest rate cuts continued during the first half of the year, particularly in the United Kingdom, Europe, Canada, and Australia, while the United States deferred further rate cuts until the latter half of 2025. However, bond prices and interest rates generally move in opposite directions: falling rates support higher bond valuations, while rising rates put downward pressure on prices.

Another aspect of market risk is currency risk, resulting from the translation of investments held in foreign currencies into Seychelles Rupees (SCR) and United States Dollars (USD) for reporting purposes. During the year under review, the SCR generally depreciated against the major currencies, namely the USD, EUR, and GBP. In addition, the Bank continued to maintain a natural currency hedge by aligning the strategic currency composition of the reserves with the country's foreign currency liabilities.

The Bank managed market risks through the conduct of its annual review of the Strategic Asset Allocation (SAA) at the start of the year. The exercise optimised the distribution of currencies and assets within the international reserves in line with the prevailing macroeconomic conditions and the medium-term market outlook.

## 5.2 Liquidity Risk

Consistent with the second investment objective of international reserves management, the Bank continued to invest in assets with an active and liquid secondary market or assets that can be readily converted to cash when required.

## 5.3 Credit Risk

Credit risk refers to the probability that an issuer or counterparty will fail to meet its payment obligations in accordance with agreed terms. To manage credit risk, the credit ratings and exposures of issuers and counterparties were continuously monitored through monthly compliance and risk reports. As a result, all investments remained within the approved credit rating and counterparty exposure limits throughout the year under review.

In addition, a due diligence assessment was conducted on a new prospective counterparty for deposit placements and foreign currency transactions. This due diligence process ensures that any new engagement is fully aligned with the Bank's approved credit risk appetite and tolerance.

## 5.4 Operational Risk

Operational risk refers to the potential for loss resulting from inadequate or failed internal processes, systems, policies, or from external events that disrupt business operations. The Bank manages operational risk through the Operational Risk Management (ORM) framework approved by the Board. During the year under review, the Bank continued to systematically monitor, record, and analyse operational risk events to implement timely and appropriate corrective actions. The management of operational risk is further strengthened through continuous training and capacity-building, ensuring that staff have the adequate skills and competencies to perform their assigned roles and responsibilities.

## **6.0 Challenges**

Geopolitical risks and heightened uncertainty influenced global economic conditions for much of 2025. Conflicts such as the ongoing Russia–Ukraine war and tensions in the Middle East contributed to a complex global environment. Attention also focused on the new US administration’s economic policies, particularly the introduction of trade tariffs and its impact on global trade and supply chains. Despite these developments, major economies implemented policy measures aimed at maintaining economic stability. As inflationary pressures eased over the year, many economies moved towards monetary policy normalisation, with several central banks reducing policy rates.

Amid the global environment of declining interest rates, the Bank adopted tactical measures to mitigate the impact on returns. In the US, the Fed implemented three 25-basis-point cuts, lowering the Fed fund rate to the range of 3.50% to 3.75% by the end of the year. In response to the US Fed’s cautious easing, the Bank allocated USD fixed deposits across various tenors, particularly to longer maturities. Furthermore, the Bank also maintained precautionary balances to manage liquidity risks in the event of any unforeseen FX outflows. Similarly, EUR fixed deposits were extended to longer maturities in anticipation of the European Central Bank’s four rate cuts, while UK pound investments reflected the Bank of England’s gradual reductions, with the official Bank rate ending at 3.75%. In China, the People’s Bank of China maintained an accommodative stance, injecting liquidity and deploying targeted policy tools to support growth. Therefore, CNY money market investments were placed in slightly longer-term deposits to reduce rollover exposure. However, lower short-term yields contributed positively to valuations of short-dated securities in both internal and externally managed portfolios, reflecting the inverse relationship between yields and bond prices.

Another key concern remained counterparty risk within reserves management, given the limited number of counterparts for investment activities. This further restricted market access and limited price discovery in investment activities. The Bank did not undertake new investments in other allowable asset classes during the year, as it prioritised the implementation of several key initiatives and projects.

## **7.0 Training and Capacity Building**

For the year under review, a comprehensive programme of training and capacity-building was made available to staff across all seniority levels, encompassing both operational units and governance functions. These initiatives were delivered through either in-person or virtual formats to maximise accessibility and effectiveness. On the operational and technical fronts, staff were provided with targeted opportunities to enhance their expertise in portfolio management, risk management, operations, as well as the legal and governance aspects of international reserves management.

Many of these initiatives were facilitated through the World Bank’s RAMP. Five in-person workshops were prioritised for operational units, aligned with identified areas for further development. In the area of portfolio management, staff participated in workshops covering the fundamentals of active management, liquidity management, and payment operations. Risk management training focused on credit and operational risks, while additional workshops addressed operations and accounting, including

settlement and custodian relationships. In addition, staff members participated in a virtual workshop on the use of Excel in investment management.

These sessions equipped staff with key insights on the developments in the global financial landscape, supporting the Bank's continued adherence to international standards and best practices. For instance, the active management workshop provided attendees with insights on investment strategies and techniques applicable to high-grade fixed-income assets, to strengthen staff understanding of investment strategies and techniques applicable to high-grade fixed-income assets. The settlement and custodian relationships workshop addressed the end-to-end lifecycle of transactions from an operational perspective, while the risk management workshops provided an overview of key concepts and techniques for market risk analysis and measurement. The Excel-based investment management workshop further enhanced staff capacity in financial modelling, enabling more efficient execution of day-to-day analytical tasks.

In addition to workshops, members of the Board and IC participated in executive-level forums, hosted by the RAMP, that examined global macroeconomic policy themes, prevailing financial market conditions, and topical issues affecting the global public asset management community. RAMP also sponsored four staff members to pursue professional qualifications: one staff member undertook the Chartered Financial Analyst (CFA) course, two staff members pursued the Financial Risk Manager (FRM) qualification, and one staff member sat the Dealing Certificate exam offered by the ACI Financial Markets Association.

The Bank also continued to expose staff involved in reserves management to international best practices through engagement with its international counterparties. The CAIM conducted a Central Bank Seminar, during which participants engaged with counterparts from other institutions and deepened their understanding of quantitative analysis, asset allocation, and evolving trends in major financial markets. To further support professional development at an executive level, CAIM also conducted an investment forum for the Board, where the recurring theme remained the global financial market condition and the contemporary investment landscape.

As in previous years, UBS invited the Bank to its Annual Reserves Management Seminar, providing staff with the opportunity to participate in a week-long exchange on current and emerging issues in reserves management, as well as to strengthen professional networks within the global central banking community.

## **8.0 Way Forward**

In 2026, the Bank's main priority will be the implementation of a reserves management solution that is expected to become operational during the year. The solution is expected to strengthen risk oversight, performance reporting, and operational efficiency. As these improvements take effect, the Bank will be in a better position to prudently assess opportunities for the gradual enhancement of reserves management activities, including the potential use of additional asset classes. This will also support a more informed assessment of relationships with existing and potential counterparties. Moreover,

having access to these tools will support the continued application of best practices in risk oversight and compliance monitoring in line with approved policies and guidelines.

The Bank actively monitors developments in the international markets and global geopolitical landscape to identify emerging risks and manage their potential impact on investment activities and strategies. In 2026 and the years ahead, monitoring will remain a key focus, alongside continued adaptation of appropriate measures to ensure the safety and liquidity of the international reserves. The aim is to support the prudent growth of the international reserves to strengthen the country's resilience to external shocks.

In parallel, the Bank will continue to provide appropriate training opportunities to enhance the skills of the staff and strengthen institutional capacity in reserves management.



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