CENTRAL BANK OF SEYCHELLES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

CENTRAL BANK OF SEYCHELLES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CENTRAL BANK OF SEYCHELLES FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

The accompanying financial statements set out on pages 5 to 105, which comprise of the statement of financial position as at 31 December 2023, 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 the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Grant Thornton UAE auditors, appointed under Section 19 of the Auditor General Act, 2010 read with Section 47(3) of the Central Bank of Seychelles Act, 2004 (as amended). As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

(a) proper accounting records have been kept by the Bank as far as it appears from examination of those records; and

(b) the financial statements on pages 5 to 105 give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Central Bank of Seychelles Act, 2004 (as amended).

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Bank in accordance with the INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Board of Directors is responsible for the other information which comprises the information included in the annual report. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work performed on the other information that was obtained prior to the date of the audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibility of the Board of Directors of the Bank for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Central Bank of Seychelles Act, 2004, (as amended) and for such internal control as Board of Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 in accordance with Part IV of the Central Bank of Seychelles Act 2004, (as amended).

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Central Bank of Seychelles Act, 2004 (as amended). 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 the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the 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;
- evaluates the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concludes on the appropriateness of the Board of Directors' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Bank to cease to continue as a going concern;
- evaluates 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;
- obtains sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Bank to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the audit. I remain responsible for the audit opinion;
- communicates with directors among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Gamini Herath
Auditor General

26 March 2024
Victoria, Seychelles

CENTRAL BANK OF SEYCHELLES

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 Foreign currency SCR' 000	2023 Local currency SCR' 000	2023 Total SCR' 000	2022 Foreign currency SCR' 000	2022 Local currency SCR' 000	2022 Total SCR' 000
ASSETS							
Cash and cash equivalents	7	**3,710,459**	**-**	**3,710,459**	3,898,008	-	3,898,008
Other balances and placements	8	**2,551,279**	**-**	**2,551,279**	1,761,793	-	1,761,793
Financial assets at fair value through profit or loss	9	**3,489,301**	**11,751**	**3,501,052**	3,415,775	12,480	3,428,255
Investment securities	10	**-**	**1,186,271**	**1,186,271**	-	1,187,114	1,187,114
Loans and advances	11	**-**	**154,780**	**154,780**	-	242,455	242,455
Other assets	12	**-**	**85,588**	**85,588**	-	81,001	81,001
Currency replacement costs	13	**-**	**17,387**	**17,387**	-	19,877	19,877
Property and equipment	14	**-**	**94,767**	**94,767**	-	94,256	94,256
Intangible assets	15	**-**	**28,093**	**28,093**	-	7,847	7,847
Total assets		**9,751,039**	**1,578,637**	**11,329,676**	9,075,576	1,645,030	10,720,606
LIABILITIES							
Currency in circulation	16	**-**	**1,641,447**	**1,641,447**	-	1,658,006	1,658,006
Deposits from government	17	**389,318**	**990,038**	**1,379,356**	532,125	1,347,794	1,879,919
Deposits from banks	18	**1,776,902**	**3,193,832**	**4,970,734**	1,769,570	3,409,794	5,179,364
Deposits from other financial institutions	19	**-**	**107,443**	**107,443**	-	116,279	116,279
Other deposits	20	**59,860**	**50,000**	**109,860**	46,301	46,714	93,015
Open Market Operations	21	**-**	**1,231,405**	**1,231,405**	-	200,011	200,011
Other liabilities	22	**-**	**200,756**	**200,756**	-	104,534	104,534
International Monetary Fund obligations	23	**656,192**	**1,493**	**657,685**	698,988	1,534	700,522
Total liabilities		**2,882,272**	**7,416,414**	**10,298,686**	3,046,984	6,884,666	9,931,650
EQUITY							
Capital and reserves							
Authorised capital	24	**-**	**231,222**	**231,222**	-	151,377	151,377
General reserve	24	**-**	**46,197**	**46,197**	-	46,197	46,197
Revaluation reserve	25	**-**	**755,405**	**755,405**	-	600,543	600,543
Actuarial reserve	26	**-**	**(1,834)**	**(1,834)**	-	(9,161)	(9,161)
Total equity		**-**	**1,030,990**	**1,030,990**	-	788,956	788,956
Total equity and liabilities		**2,882,272**	**8,447,404**	**11,329,676**	3,046,984	7,673,622	10,720,606

These financial statements were approved and authorised for issue on 25 March 2024 by the undersigned:

C. Abel **Governor**	**B. Commettant** **First Deputy Governor**	**W. Ogara** **Director**	**S. Marie** **Director**	**J. Jean** **Director**	**JP. Barbier** **Director**

The notes on pages 10 to 105 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 SCR' 000	2022 SCR' 000
Interest income	**27**	**345,310**	138,386
Interest expense	**28**	**(16,845)**	(8,594)
Net interest income		**328,465**	129,792
Fees and commission income	**29**	**33,934**	27,604
Other income	**30**	**2,802**	2,788
Gains/(losses) arising from dealings in foreign currency transactions	**32**	**8,227**	(1,758)
Gains arising from fair valuation of domestic financial assets at fair value through profit or loss	**31**	**233**	182
Gain/(losses) arising from fair valuation of foreign financial assets at fair value through profit or loss	**32**	**158,606**	(217,283)
Gain/(losses) arising from revaluation of foreign currency monetary assets and liabilities	**32**	**42,118**	(150,635)
Revenue		**574,385**	(209,310)
Staff costs	**33**	**(134,342)**	(115,697)
Currency expenses	**34**	**(6,471)**	(6,733)
Depreciation charge	**14**	**(4,556)**	(6,596)
Amortisation charge	**15**	**(276)**	(317)
Professional charges	**35**	**(10,810)**	(11,622)
International Monetary Fund ("IMF") charges	**36**	**(26,715)**	(10,879)
Policy costs	**37**	**(2,909)**	(408)
Private sector relief credit line facilities costs	**38**	**-**	(3,961)
Expected credit loss on financial assets	**39**	**(206)**	3,439
Administrative expenses	**40**	**(18,475)**	(18,660)
Other operating expenses	**41**	**(55,073)**	(41,380)
Profit/(loss) for the year		**314,552**	(422,124)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Actuarial gains/(losses)	**22(a)**	**7,327**	(787)
		7,327	(787)
Items that are or may be reclassified to profit or loss		**-**	-
Other comprehensive income		**7,327**	(787)
Total comprehensive income for the year		**321,879**	(422,911)

The notes on pages 10 to 105 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES

STATEMENT OF DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	SCR' 000	SCR' 000
Total comprehensive income for the year	**321,879**	(422,911)
Adjusted as follows:		
Realised losses transferred from revaluation reserve	**(49,028)**	(2,569)
Unrealised (gains)/losses transferred (to)/from revaluation reserve	**(105,834)**	380,750
Actuarial (gains)/losses as per IAS 19	**(7,327)**	787
Distributable earnings	**159,690**	(43,943)
Amount distributed		
Distributed as specified by the Central Bank of Seychelles Act, 2004 as amended		
Transfer to authorised capital	**79,845**	-
Transfer from General reserve	**-**	(43,943)
Transfer to Government Consolidated Fund (Note 6)	**79,845**	-
	159,690	(43,943)

The above information has been compiled from information contained in the statement of changes in equity as set out on page 8 and does not form part of the primary statements.

CENTRAL BANK OF SEYCHELLES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Authorised capital SCR' 000	General reserve SCR' 000	Revaluation reserve SCR' 000	Actuarial reserve SCR' 000	Retained earnings SCR' 000	Total equity SCR' 000
At 1 January 2022	151,377	90,140	978,724	(8,374)	-	1,211,867
Loss for the year	-	-	-	-	(422,124)	(422,124)
Other comprehensive income:						
Actuarial losses	-	-	-	(787)	-	(787)
	151,377	90,140	978,724	(9,161)	(422,124)	788,956
Transfer from revaluation reserve (realised losses)	-	-	2,569	-	(2,569)	-
Transfer from revaluation reserve (unrealised losses)	-	-	(380,750)	-	380,750	-
Transfer from general reserve	-	(43,943)	-	-	43,943	-
At 31 December 2022	**151,377**	**46,197**	**600,543**	**(9,161)**	**-**	**788,956**
Profit for the year	**-**	**-**	**-**	**-**	**314,552**	**314,552**
Other comprehensive income:						
Actuarial gains	**-**	**-**	**-**	**7,327**	**-**	**7,327**
	151,377	**46,197**	**600,543**	**(1,834)**	**314,552**	**1,110,835**
Transfer from revaluation reserve (realised losses)	**-**	**-**	**49,028**	**-**	**(49,028)**	**-**
Transfer to revaluation reserve (unrealised gains)	**-**	**-**	**105,834**	**-**	**(105,834)**	**-**
Transfer to authorised capital	**79,845**	**-**	**-**	**-**	**(79,845)**	**-**
Transfer to Government consolidated fund	**-**	**-**	**-**	**-**	**(79,845)**	**(79,845)**
At 31 December 2023	**231,222**	**46,197**	**755,405**	**(1,834)**	**-**	**1,030,990**

The notes on pages 10 to 105 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
		SCR' 000	SCR' 000
Net cash flows from/ (used in) operating activities	**42**	**140,592**	(656,276)
Cash flows from investing activities			
Payments for acquisition of other balances and placements		**(760,252)**	(488,226)
Payments for acquisition of financial assets at fair value through profit or loss		**(2,375,156)**	(2,207,229)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,399,307**	1,825,084
Payments for currency replacement	**13**	**(3,895)**	(11,195)
Payments for acquisition of property and equipment	**14**	**(11,767)**	(9,853)
Proceeds from disposal of property and equipment		**576**	324
Payments for acquisition of intangible assets	**15**	**(20,522)**	(7,870)
Dividends received		**1,431**	1,281
Interest received		**310,410**	89,940
Net cash used in investing activities		**(459,868)**	(807,744)
Cash flows from financing activities			
Decrease in International Monetary Fund obligations		**(51,495)**	(71,009)
Net cash used in financing activities		**(51,495)**	(71,009)
Net decrease in cash and cash equivalents		**(370,771)**	(1,535,029)
Cash and cash equivalents at 1 January		**3,898,008**	5,792,643
Effects of exchange rate changes on cash and cash equivalents		**183,222**	(359,606)
Cash and cash equivalents at 31 December	**7**	**3,710,459**	3,898,008

The notes on pages 10 to 105 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Central Bank of Seychelles (the "Bank") is established and domiciled in the Republic of Seychelles. The address of its registered office is Independence Avenue, Victoria, Mahé, Seychelles. The Bank is established by statute under Section 3 of the CBS Act, 2004 as amended, hereafter referred to as the CBS Act. Section 3 of the CBS Act states; "there is hereby established the Central Bank of Seychelles which shall be a body corporate with perpetual succession and a common seal."

The financial statements for the year ended 31 December 2023 have been approved for issue by the Board of Directors on 25 March 2024. Neither the Bank nor the Government of Seychelles (Government) has the power to amend the financial statements after issue.

The primary objective of the Bank is to promote domestic price stability.

The other objectives of the Bank are:

- to advise the Government on banking, monetary and financial matters, including the monetary implications of proposed fiscal policies, credit policies and operations of the Government; and
- to promote a sound financial system.

2. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Bank has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Bank has adopted the following new standards and amendments to standards with a date of initial application of 1 January 2023.

Standard/Interpretation		Effective date Periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

The amendments to IAS 8 and IAS 1 and IFRS Practice Statement 2 did not have a significant impact on the financial statements of the Bank for the year ended 31 December 2023.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are set out below. Policies disclosed are those which are deemed by the Bank to be material if omitting, misstating or obscuring them could reasonably be expected to influence decisions that the primary users of these financial statements make on the basis of these reports. These accounting policies have been consistently applied to all the years presented unless otherwise stated.

3.1 *Basis of preparation*

In accordance with Section 45(2) of the CBS Act, the financial statements of the Bank shall be maintained at all times in conformity with the applicable law, if any, and an internationally recognised financial reporting framework.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the CBS Act.

The disclosures on risks from financial instruments are presented in the financial risk management disclosures contained in Note 45.

The financial statements comprise the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes, as well as the statement of distribution in accordance with the CBS Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which are reviewed and updated as and when required. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a material impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions for the year are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are material to the financial statements are disclosed in Note 5.

3.2 *Foreign currency translation*

(a) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The financial statements are presented in Seychelles Rupees ("SCR"), rounded to the nearest thousand, which is the Bank's functional and presentation currency.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 *Foreign currency translation (continued)*

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into SCR and recorded at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into SCR at the closing exchange rates ruling on the reporting date.

Foreign exchange differences resulting from the settlement of foreign currency transactions and from the translation at year end closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses recognised in profit or loss are presented net.

Unrealised foreign exchange gains and losses are transferred from retained earnings to revaluation reserve, in accordance with the CBS Act, as these are not allowed for distribution. Unrealised foreign exchange gains and losses consist of revaluation of monetary asset and liabilities denominated in foreign currencies as a result of translation. Where financial assets at fair value through profit or loss ("FVTPL") are re-invested and the portfolios are not exited, the foreign exchange gains and losses as a result of translation are treated as unrealised.

Realised foreign exchange gains and losses are considered for distribution in accordance with the CBS Act (see Note 6). These realised foreign exchange gains and losses result from the settlement of foreign currency receipts and payments as well as foreign exchange gains or losses, due to price movements on financial assets at FVTPL disposed during the year.

The exchange rate of the SCR is determined by the market and the rates applied on all foreign currency transactions are the weighted average traded exchange rates of authorised dealers which are banks, hereafter referred to as banks, and bureau de change, except for the IMF SDR ("XDR") rate which applies the international market rate. The XDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of exchange rates of the five major currencies (Euro, Japanese Yen, British Pound Sterling, United States Dollar and Chinese Yuan Renminbi). For accounting purposes, XDR is treated as a foreign currency.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 *Foreign currency translation (continued)*

(b) Transactions and balances (continued)

The following rates of exchange were applied:

	31 December 2023	31 December 2022
IMF Special Drawing Rights	**XDR 1 = SCR 19.0450**	XDR 1 = SCR 18.7964
United States Dollar	**USD 1 = SCR 14.1947**	USD 1 = SCR 14.1241
British Pound Sterling	**GBP 1 = SCR 18.1577**	GBP 1 = SCR 17.0604
Euro	**EUR 1 = SCR 15.8475**	EUR 1 = SCR 15.0997
Australian Dollar	**AUD 1 = SCR 9.7021**	AUD 1 = SCR 9.6312
Canadian Dollar	**CAD 1 = SCR 10.7482**	CAD 1 = SCR 10.4391
South African Rand	**ZAR 1 = SCR 0.7632**	ZAR 1 = SCR 0.8274
Chinese Yuan Renminbi	**CNY 1 = SCR 1.9986**	CNY 1 = SCR 2.0480
Chinese Yuan Renminbi (offshore)	**CNH 1 = SCR 1.9929**	CNH 1 = SCR 2.0438

3.3 *Financial instruments*

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognises all financial instruments on its statement of financial position when it becomes a party to the contractual provision of the instrument.

(a) Initial recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets designated at FVTPL are recognised on settlement-date. In line with settlement-date accounting for financial assets designated at FVTPL, any fair value gains or losses between trade-date and settlement-date are recognised in profit or loss.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 ***Financial instruments (continued)***

(b) Classification and subsequent measurement of financial assets

Up to 31 December 2023, the Bank classified its financial assets into one of the following categories:

- as loans and receivables; or
- at FVTPL, and within this category as:
  - held for trading; or
  - designated at FVTPL.

All financial liabilities were measured at amortised cost.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and measured subsequently at amortised cost using the effective interest method. The Bank determines the appropriate effective interest rate applicable (see Note 3.25). Loans and receivables are subject to expected credit loss ("ECL") requirements. Interest on financial assets is recognised in profit or loss and is reported as 'interest income'.

The Bank uses settlement-date accounting for regular way contracts when recording financial asset transactions. Financial assets, consisting of investment securities, that are transferred to a third party but do not qualify for de-recognition remain within investment securities but disclosed as "pledged as collateral", if the transferee has the right to sell or re-pledge them.

(ii) *Financial assets at FVTPL*

FVTPL category comprises of financial assets designated at FVTPL. These are initially recognised at fair value, with transaction costs recognised in profit or loss and subsequently measured at fair value. Interest on financial assets is recognised in profit or loss and is reported as gains arising from fair valuation of financial assets at FVTPL. Dividend income is recognised in profit or loss on the date on which the right to receive payment is established.

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- at amortised cost; or
- at FVTPL.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 ***Financial instruments (continued)***

(b) Classification and subsequent measurement of financial assets (continued)

(ii) *Financial assets at FVTPL (continued)*

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and Government bonds. Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model

The business model reflects how the Bank manages its assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and how risks are assessed and managed.

Solely Payments of Principal and Interest ("SPPI") test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI" test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 ***Financial instruments (continued)***

(b) Classification and subsequent measurement of financial assets (continued)

(ii) *Financial assets at FVTPL (continued)*

Based on these factors, the Bank classifies its debt instruments into one of the following measurement categories:

- *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in Note 3.3(c). Interest income from these financial assets is included in interest income using the effective interest method.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

- *FVTPL*

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (“FVOCI”) are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented in profit or loss within gains arising from fair valuation of financial assets at FVTPL in the period in which it arises.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 *Financial instruments (continued)*

(b) Classification and subsequent measurement of financial assets (continued)

(ii) *Financial assets at FVTPL (continued)*

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity instruments at FVTPL. Dividends, when representing a return on such investments, continue to be recognised in profit or loss under ‘other income’ when the Bank's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the gains arising from fair valuation of financial assets at FVTPL line in profit or loss.

(c) Impairment

Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss. At 31 December 2023, the Bank did not have any financial assets measured at FVOCI (2022 – Nil).

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments.

The Bank recognises a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 *Financial instruments (continued)*

(d) Classification and subsequent measurement of financial liabilities

All the financial liabilities are measured at amortised cost under IFRS 9. The Bank recognises all its financial liabilities initially at the value of the consideration received for those liabilities, excluding transaction costs and subsequently measures them at amortised cost.

(e) De-recognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards of ownership have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition). Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 ***Financial instruments (continued)***

(f) Fair value measurement (continued)

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.4 ***Repurchase agreements***

In the course of its financial market operations, the Bank may engage in repurchase agreements involving investment securities.

Securities sold and contracted for repurchase under reverse repurchase agreements ("reverse repos") remain classified as investment securities and are disclosed as pledged assets, when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterpart obligation to repurchase the securities is reported in the statement of financial position as part of the Open Market Operations and carried at amortised cost. Securities purchased under agreements to resell ("repos") are recorded as loans and advances. The difference between the sale and repurchase price is treated as interest and accrued over the term of the agreements using the effective interest method.

3.5 ***Balances with International Monetary Fund ("IMF")***

(a) Receivables

Deposits with the IMF are included in cash and cash equivalents and represent the membership quota of the Seychelles with the IMF. Holdings of Special Drawing Rights (SDR) relates to the amounts with the IMF that are available for day-to-day operations of the Bank.

Reserve tranche position is the extent to which the IMF's holdings of a member's currency are less than the member's quota. This excludes holdings obtained by members through the use of IMF credit. Also excluded are holdings in the IMF number two account that are less than one tenth of one per cent quota. The reserve tranche position is part of the member country's external reserves.

(b) Liabilities

Borrowings from the IMF are financial liabilities held by the Bank on behalf of the Government of Seychelles, denominated in XDR and are included under the IMF obligations in the statement of financial position. Borrowings from the general resources of the IMF bear interest at rates set by the IMF weekly and are repayable according to the agreed repayment schedules. The interest rate amounted to **4.10 per cent** per annum as at 31 December 2023 (2022 – 2.92 per cent per annum).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 ***Balances with International Monetary Fund ("IMF") (continued)***

(b) Liabilities (continued)

All borrowings from the IMF are guaranteed by promissory notes which are issued by the Government and are payable on demand.

3.6 ***Impairment of financial assets***

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

a) material financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or another financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   - adverse changes in the payment status of borrowers in the portfolio; and
   - national or local economic conditions that correlate with defaults on the assets in the portfolio.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether material or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 ***Impairment of financial assets (continued)***

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

Impairment charges relating to loans and advances are classified in "impairment charges" in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

3.7 ***Impairment of non-financial assets***

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other groups of assets.

The 'recoverable amount' of a group of assets is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the group of assets.

An impairment loss is recognised if the carrying amount of a group of assets exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of the assets allocated within the group of assets on a pro-rata basis.

An impairment loss in respect of non-financial assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

3.9 *Cash and cash equivalents*

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including foreign currency notes, balances held with banks abroad, holdings of IMF SDR and Reserve tranche with IMF. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10 *Other balances and placements*

Other balances and placements comprise balances with more than three months' maturity from the date of acquisition, including deposits held with banks abroad. These are initially measured at fair value plus incremental direct transaction costs, and subsequently accounted for at amortised cost.

3.11 *Financial assets at FVTPL*

Financial assets at FVTPL represents investments in money market funds, securities, equity shares and funds outsourced to fund managers. Addedly, it comprises of treasury bills or other securities issued or guaranteed by the Government purchased in line with Section 41 of the CBS Act. These financial assets have been designated at FVTPL with the changes in fair value recognised immediately in profit or loss.

3.12 *Other assets*

Other assets are made up of cheques held for clearing and settlement after the reporting date, items due but not yet received, IMF charges adjustment receivable, prepaid employee benefits, currency and other prepayments made by the Bank as well as settlement receivables. These are measured at their carrying amounts and are subject to impairment and ECL (see Note 12).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 ***Currency replacement costs***

The Bank defers charging the costs of banknote printing and coin minting to profit or loss until the Bank is in receipt of the banknotes and coins. As, then the asset is in the location and condition necessary for it to be used in the manner intended by management.

Any portion of production left in storage overseas is accounted as currency prepayments until it is physically received in country. The Bank amortises the expense of received stock over the expected useful life of the currency. Useful lives are currently estimated to be 5 years and this is reviewed on an annual basis. Fully amortised costs of past replacements are treated as disposals and derecognised.

3.14 ***Property and equipment***

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. If material parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(b) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

(c) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	-	25 – 50 years;
Office furniture and fittings	-	2 – 10 years;
Office machine and equipment	-	4 years;
Motor vehicles	-	5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.14 *Property and equipment (continued)*

(d) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were impaired as at 31 December 2023 (2022 – Nil).

3.15 *Leases*

(a) The Bank as lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The Bank does not have any leases with lease terms longer than 12 months or leases of low value assets.

(b) The Bank as lessor

The Bank enters into lease agreements as a lessor with respect to portions of its buildings.
Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.16 *Intangible assets*

Intangible assets comprise computer software licences which are recognised at cost less accumulated amortisation and any accumulated impairment losses. The computer software has a definite useful life and is amortised using the straight-line method over its useful economic life assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.16 *Intangible assets (continued)*

The Bank chooses to use the cost model for the measurement after recognition. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.17 *Currency in circulation*

The Bank is the sole mandated statutory body in Seychelles to issue legal tender currency, in accordance with Section 18 of the CBS Act, 2004 as amended. Currency in circulation represents money released to the public for circulation in the form of banknotes and coins measured at face value. This represents an un-serviced liability of the Bank and is recorded in the statement of financial position.

When banknotes and coins are returned to the Bank by the banks, Seychelles Credit Union ("SCU"), Government entities and the general public, they are removed from currency in circulation. Depending on their condition or legal tender status, they are either sent for destruction or held for re-issue.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.18 *Deposits*

Deposits held by the Bank from banks, other financial institutions and the Government, whether SCR or foreign currency deposits are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position. Both SCR and foreign currency deposits are not allowed to be overdrawn and foreign currency deposits are revalued to reflect the market exchange rates at the reporting date.

(a) Deposits from banks

As at the reporting date, banks' demand deposits were earning no interest (see Note 18). These deposits are not normally allowed to be overdrawn. In the event that banks cannot meet daily settlement of payments and the minimum reserve requirement in SCR, the banks make use of the inter-bank market in the first instance to manage their liquidity positions and to meet their payment and settlement obligations. In the event that they fail to obtain the required funds to manage their liquidity positions and to meet their payment and settlement obligations, they are able to request short-term advances from the Bank through the form of the Standing Credit Facility ("SCF") which is an overnight collateralised lending facility. For more severe and persistent short-term liquidity problems they may access the Emergency Lending Facility ("ELF") provided they have adequate and sufficient collateral. The applicable interest rate on SCF was **3.5 per cent** per annum for the year 2023 (2022 – 3.5 per cent per annum). The ELF was not used during the year 2023 (2022 – Nil).

(b) Deposits from Government

Deposits from the Government, whether SCR or foreign currency, are not normally allowed to be overdrawn. In accordance with Section 40(1) and 40A of the CBS Act, the Bank may grant temporary short-term advances in SCR to the Government. The advances granted under both sections shall be consistent with the objectives of the Bank, the monetary policy and the established limit on public debt. These advances may be at such rates and on such terms and conditions determined and approved annually by the Board of Directors.

Under Section 40(1), temporary advances may be granted in respect of temporary deficiencies in revenue on the Government general account.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.18 Deposits (continued)

(b) Deposits from Government (continued)

Under Section 40A, temporary advances may be granted where there is a temporary deficiency of revenue, in the event of force majeure, defined by the CBS Act. To be approved under Section 40A, advances must be supported by explanation of the force majeure event and the means by which the event has impacted the Government budget. At the discretion of the Board of Directors these may be granted with longer repayment period or at lower interest rates than for those under Section 40(1).

In 2023, the Board approved a temporary advances limit of **SCR 100.0 million** provided for under Section 40(1) (2022 – SCR 250.0 million under Section 40A) at an interest rate equal to the latest average tender rate for the 91-day treasury bills plus a margin of 50 basis points. The approved repayment term was that any advances granted should be repaid not later than six months (2022 – one year) after the end of the financial year in which they are granted. In 2023, the Government did not access the facility, similar to 2022.

(c) Deposits from other financial institutions

Deposits held from other financial institutions are SCR demand deposits and are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position. As at the reporting date, these demand deposits from the SCU, the Seychelles Pension Fund (“SPF”) and the Development Bank of Seychelles (“DBS”) were earning no interest (see Note 19).

These deposits are not normally allowed to be overdrawn, however in the event of an overdraft on the demand deposit account of SCU only, the Bank will grant temporary short-term advances in the form of the SCF outlined in (a) above.

(d) Other deposits

These other deposits comprise mainly of local and foreign currency denominated abandoned properties, unclaimed funds and special (project funds) deposits. Apart from the special (project funds) deposits which earn a fixed interest of 2.0 per cent per annum every six months on the daily balance, all other deposits are non-interest bearing. These deposits are not allowed to be overdrawn and are payable on demand.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.19 *Other liabilities*

Other liabilities are made up primarily of provisions for employee benefits (gratuities, compensation, termination and post-employment benefits), items due and yet to be paid, cheques issued, income received in advance and other payables.

3.20 *Employee benefits*

(a) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably. Short-term employee benefits, including salaries, paid vacation leave, paid sick leave, accrued leave, accrued performance costs and non-monetary benefits such as medical care for current employees and their dependents are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(b) Defined benefit plan – Compensation

The Bank's defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and this is usually dependent on one or more factors such as age, years of service and compensation rate. As per the Employment Act 1995, as amended, an employee is entitled to compensation upon leaving the services of the Bank. As such, the Bank has to accrue one day's pay for each complete month of service to make provision for these payments when they fall due.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited immediately to other comprehensive income in actuarial reserve in the case of the defined benefit plan and are charged or credited to profit or loss in the case of other long-term employee benefits. Past service costs are recognised immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20 *Employee benefits (continued)*

(c) Other long-term employee benefits – Retirement gratuity (Retirement benefit)

The Bank provides for the payment of retirement benefit to long serving employees. From 2019, the permanent employees of the Bank on continuous contract who have accumulated a minimum of 20 years of continuous service are entitled to a retirement benefit upon retirement or resignation. The amount provided for every year is based on the discounted present value of the future obligations attributable to all employees of the Bank except for Key Management personnel who are not entitled to this benefit.

Both types of employee benefits, compensation and the retirement gratuity have characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less fair value of plan assets.

(d) Other long-term employee benefits – End of term gratuity

The Bank provides for a payment of end of term gratuity to certain Key Management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor, at the end of their contracts. The amount provisioned every year is based on the discounted present value of future obligations attributable to the completed years of service.

(e) Other post-employment benefits

As from 2018, the Bank provides for a one-off payment to certain Key Management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor, upon ceasing to hold office, in view that they are restricted from seeking employment within the domestic financial system for a period of twelve months immediately after they cease to hold office. The amount provisioned every year is based on the discounted present value of this future obligation attributable to the completed years of service.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement age, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20 ***Employee benefits (continued)***

(g) Defined contribution plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank pays contributions to the SPF on mandatory and voluntary basis. The contributions made are recognised under salaries and allowances.

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient amount to pay all employees the benefits relating to employee service in the current and prior period. The Bank contributes towards one defined contribution plan. This contribution goes to the SPF in accordance with the SPF Act. Payments to SPF are charged as an expense as they fall due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

3.21 ***Provisions***

Provisions for legal claims are recognised when:

- the Bank has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation based on the current market assessment of the time value of money and risks specific to the obligation.

3.22 ***Authorised capital and General reserve***

The statutory capital (which comprises the authorised capital and the General reserve) of the Bank was established by the CBS Act. The Bank maintains the General reserve to provide for events which are contingent and non-foreseeable, including covering losses from exceptionally large falls in the market value of its holdings of domestic and foreign securities that cannot be absorbed by its other resources. The initial authorised capital of the Bank was SCR 1.0 million and thereafter it shall be built to 3.33 per cent of monetary liabilities by transferring from retained earnings. All capital stock of the Bank as and when issued shall be for the sole account of the Government and shall not be transferable or subject to encumbrances. As per CBS Act, all authorised capital shall be deemed to be fully paid up.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.23 *Revaluation reserve*

The Bank also holds Revaluation Reserve Accounts. These comprise unrealised gains and losses arising from changes in the revaluation of the Bank's assets and liabilities including financial assets held at FVTPL denominated in foreign currencies. This is as a result of alterations of parity of the SCR which are credited or charged to profit or loss and are subsequently transferred to the Revaluation Reserve Account, in accordance with Sections 45(5) and 45(6) of the CBS Act.

3.24 *Actuarial reserve*

The Bank holds an actuarial reserve in which cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are transferred.

3.25 *Interest income and expense*

Interest income and interest expense are recognised in profit or loss for all financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the net carrying amount of these instruments.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.26 *Fees and commission income*

Fees and commissions are generally recognised in profit or loss on an accrual basis when the service has been provided. Commission on foreign exchange dealings are recognised on the date of transaction. Commission income is derived from charges on foreign currency transactions processed on behalf of the Government and is based on the difference between the Bank’s reference rate and the buying or selling rate.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.26 *Fees and commission income (continued)*

Fees are comprised of new licence application processing fees and annual licence fees, charged by the Bank to financial institutions, Bureaux de Change or payment services providers for the right to operate in Seychelles. All fees are recognised on an accrual basis and annual licence fees are payable in advance on an annual basis. The performance obligation of the Bank arises from fulfilling its supervisory functions under the Financial Institution Act, 2004 as amended and the National Payment System Act, 2014.

3.27 *International Monetary Fund ("IMF") charges*

Charges incurred for IMF membership and on the facilities from the IMF are recognised in profit or loss on an accrual basis for the period in which the charges relate. These are payable shortly after the end of the IMF's financial quarter. The charges (Note 36) include:

- *Charges on SDR allocation*

SDR allocations are subject to interest charges on the country's net cumulative allocation. The charges are based on the weighted average of interest rates on short-term financial instruments in the markets of the currencies included in the SDR basket.

- *General Resources Account (GRA) charges*

The GRA charges are computed by the IMF on the basis of the daily GRA outstanding credit balance.

- *Assessment charges*

SDR allocation is subject to an annual assessment to reimburse the IMF for expenses incurred in operating the SDR department. Assessment charges are calculated as a percentage of the net cumulative allocation and is incurred on an annual basis in April.

3.28 *Policy costs*

Policy expenses are incurred on foreign currency dealings relating to policy decisions vis-à-vis purchases and sales as part of the foreign reserves management activities. These costs are recognised in profit or loss on the dates of the transactions.

3.29 *Administrative expenses*

The costs of maintaining the premises, motor vehicles and equipment and providing support services to the Bank are recognised in profit or loss on an accrual basis for the period in which the expenses relate.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.30 *Other operating expenses*

The costs related to utilisation of digital technologies, maintenance of equipment, fees, contributions, subscriptions to services, required for the Bank's daily operations as well as the services offered by World Bank through the Reimbursable Advisory Services ("RAS") and the Guy Morel High Achievement Scholarship amongst others which are recognised in profit or loss on an accrual basis for the period in which the expenses relate.

3.31 *Gains and losses from financial assets at FVTPL*

Net gain or loss from financial assets at FVTPL includes all realised and unrealised fair value changes on securities sold and foreign exchange differences. Net realised gain or loss from financial assets at FVTPL is calculated using the average cost method.

3.32 *Distributable earnings*

Under Section 16(2) of the CBS Act, the Bank is required to transfer between 50 to 100 per cent of its distributable earnings to the Government Consolidated Fund on the basis described in Note 6 of the financial statements.

3.33 *Comparatives*

During the current financial year, certain amounts of the Financial Statements reported in the previous year have been reclassified to conform to the current year presentations; with the objective of improving the quality of information presented. The re-classifications did not have an impact on the previously reported profit for the year, total assets or total equity of the Bank.

The following amounts presented in the Financial Statements for the year ended 31 December 2022 have been reclassified in the Statement of Cash Flows for the year ended 31 December 2023. The change in classification does not affect previously reported cash flows from operating activities in the Statements of Cash Flows.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.33 *Comparatives (continued)*

	Note	Amount previously published in 2022	Amount reclassified	**Amount disclosed in 2023**
		SCR' 000	SCR' 000	**SCR' 000**
Net cash flows used in operating activities	**42**	(798,240)	141,964	**(656,276)**
Cash flows from investing activities				
Payments for acquisition of other balances and placements		(488,226)	-	**(488,226)**
Payments for acquisition of financial assets at fair value through profit or loss		(2,207,229)	-	**(2,207,229)**
Proceeds from disposal of financial assets at fair value through profit or loss		1,214,894	610,190	**1,825,084**
Payments for currency replacement	**13**	(11,195)	-	**(11,195)**
Payments for acquisition of property and equipment	**14**	(9,853)	-	**(9,853)**
Proceeds from disposal of property and equipment		324	-	**324**
Payments for acquisition of intangible assets	**15**	(7,870)	-	**(7,870)**
Dividends received		1,281	-	**1,281**
Interest received		89,940	-	**89,940**
Net cash used in investing activities		(1,417,934)	610,190	**(807,744)**
Cash flows from financing activities				
Decrease in International Monetary Fund obligations		-	(71,009)	**(71,009)**
Net cash used in financing activities		-	(71,009)	**(71,009)**
Net decrease in cash and cash equivalents		(2,216,174)	681,145	**(1,535,029)**
Cash and cash equivalents at 1 January		5,792,643	-	**5,792,643**
Effects of exchange rate changes on cash and cash equivalents		321,539	(681,145)	**(359,606)**
Cash and cash equivalents at 31 December	**7**	3,898,008	-	**3,898,008**

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2024. Those which may be relevant to the Bank are set out and the Bank is of opinion that the impact of their application will be as per the below. The Bank does not plan to early adopt these standards, they will be adopted in the period that they become mandatory unless otherwise indicated.

	Standard/Interpretation	**Effective date Periods beginning on or after**
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

4.1 *Amendments to IAS 1: Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments provide more guidance in the following areas:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on the financial statements.

4.2 *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

The amendments aim to specify the subsequent measurement requirements, that a seller-lessee uses when measuring the lease liability arising in sale and leaseback transactions in such a way that the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The application of the new requirements does not however prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on the financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and Management's judgement, which necessarily have to be made in the course of preparing the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions are required to be in conformity with IFRS and are based on the Management's best estimates in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5.1 *Measurement of the ECL allowance*

The following estimates were made by Management:
The measurement of the ECL allowance for financial assets measured at amortised cost is an area that requires the use of complex models and material assumptions about future economic conditions and credit behaviour (e.g. the likelihood of default and the resulting losses).

A number of material judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for material increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL along with information about the judgements and estimates made by the Bank in the above areas is further detailed in Note 45, which also sets out key sensitivities of the ECL to changes in these elements.

5.2 *Employee benefits*

The present value of the employee benefits, consisting of compensation and retirement gratuity (retirement benefit), depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

The assumptions used in determining the net cost or income for employee benefits include the life expectancy, discount rate, inflation and salary expectations. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.2 *Employee benefits (continued)*

In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

5.3 *Termination and post-employment benefits*

The present value of both termination and post-employment benefits depends on assumption of an appropriate discount rate. The Bank determines the appropriate discount rate at the date of making the provision.

This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the termination benefit obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

The Bank also considers expected rate of increase in remuneration and this is estimated from the expected rate of inflation.

Other key assumptions for the employee benefits obligations are based on current market conditions.

The carrying amount of the defined benefit obligations at 31 December 2023 is **SCR 26.5 million** (2022 – SCR 31.3 million). Details of the defined benefit obligation is disclosed in Note 22(a).

The financial assumptions used for purposes of these calculations are as follows:

- Discount rate: **7.40 per cent** per annum (2022 – 6.15 per cent per annum)
- Salary increase rate: **5.0 per cent** per annum (2022 – 5.0 per cent per annum)

It has been assumed that all employees will opt for retirement on reaching the age of 65.

No allowance has been made for withdrawal from service or pre-retirement mortality as the benefits payable in such circumstances are not material and the turnover ratio for cases other than death, retirement or dismissal is low.

5.4 *Determination of fair value*

Information about assumptions and estimation uncertainties relating to the determination of fair value of financial instruments is included in Note 46.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.5 *Disclosure of accounting policies*

The disclosure notes in the financial statements are notes deemed material for the understanding of the primary users. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial reports make on the basis of those reports, which provide financial information about the Bank.

In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. The disclosure notes do not provide any information that relates to immaterial transactions, other events or conditions that do not need to be disclosed.

6. TRANSFER TO GOVERNMENT CONSOLIDATED FUND

Transfer to the Government Consolidated Fund has been carried out in accordance with Section 16(2) of the CBS Act.

Movements during the year are as follows:

	2023	2022
	SCR' 000	SCR' 000
At 1 January	**-**	-
Transfer from retained earnings	**79,845**	-
At 31 December	**79,845**	-

Section 16 of the CBS Act requires that the distributable earnings of the Bank be calculated as follows:

a) net profit, less an amount equal to the total amount of unrealised gains, included in the net profit; and
b) by adding to the amount remaining after applying paragraph (a), the total amount of unrealised gains, if those unrealised gains, included in the net profit of a previous year, are realised; and
c) by the retention of the unrealised revaluation losses to the extent that they exceed any balance in the relevant Revaluation Reserve Account.

6. TRANSFER TO GOVERNMENT CONSOLIDATED FUND (CONTINUED)

Where the Bank has distributable earnings for any financial year, 50 per cent of those earnings shall be distributed in the following priority to the statutory capital until;

a) authorised capital reaches 3.33 per cent of monetary liabilities; and
b) the General reserve reaches 6.67 per cent of monetary liabilities.

Provided that any residual distributable earnings remaining after a distribution in paragraphs (a) and (b) shall be transferred to the Consolidated Fund.

Where the distributable earnings of the Bank is less than zero, they shall be offset against the General reserve.

7. CASH AND CASH EQUIVALENTS

	2023	2022
	SCR' 000	SCR' 000
Balances held abroad and foreign currency notes	**3,326,301**	3,415,366
Allowance for ECL on Balances held abroad	**(30)**	(27)
Holdings of SDR	**315,981**	415,353
Reserve tranche with IMF (see Note 17)	**68,208**	67,318
Allowance for ECL on holdings of SDR and Reserve tranche with IMF	**(1)**	(2)
	3,710,459	3,898,008
Current	**3,710,459**	3,898,008

Included in cash and cash equivalents are pledged and encumbered balances held abroad.
Pledged balances, **SCR 2,081.0 million** (2022 – 2,157.5 million) represent funds deposited by Government, earmarked for specific projects being undertaken by the Government and Government related entities (Note 17), funds deposited by banks as part of their statutory foreign currency minimum reserve requirements (Note 18) and other pledges and contingent liabilities.

Encumbered balances, **SCR 17.1 million** (2022 – SCR 76.9 million) represent foreign exchange deposits which are blocked (Note 17) pending identification of the final beneficiary and funds held by the Bank on behalf of Government that was exclusively for the purpose of the repayment of an outstanding debt which has been fully serviced in 2023.

The Reserve tranche with IMF is held on behalf of the Government and is not available for use by the Bank (see Note 17).

8. OTHER BALANCES AND PLACEMENTS

	2023	2022
	SCR' 000	SCR' 000
Other balances and placements held abroad	**2,551,298**	1,761,809
Allowance for ECL on other balances and placements	**(19)**	(16)
	2,551,279	1,761,793
Current	**2,551,279**	1,761,793

Other balances and placements comprise balances of term deposits with residual maturity of more than three months. These represent short-term money market placements with foreign banks and other financial institutions. These are denominated in USD and EUR and attract a fixed rate of interest ranging from **5.44 per cent** to **5.51 per cent** per annum for the USD placements (31 December 2022 - 3.04 per cent to 4.53 per cent per annum) and **3.74 per cent** per annum for EUR placements (31 December 2022 – Nil EUR placements).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 SCR' 000	2022 SCR' 000
Financial assets at fair value through profit or loss – domestic securities buybacks	**11,751**	12,480
Financial assets at fair value through profit or loss – fund managers' investments	**2,208,400**	2,111,672
Financial assets at fair value through profit or loss – investments in shares	**47,163**	45,099
Financial assets at fair value through profit or loss – investments in money market funds	**159,762**	151,062
Financial assets at fair value through profit or loss – internally managed portfolio	**1,073,976**	1,107,942
	3,501,052	3,428,255
Current	**855,375**	979,865
Non-current	**2,645,677**	2,448,390
	3,501,052	3,428,255

The financial assets at FVTPL comprise of underlying investments in treasury bills, notes and bonds from funds outsourced to fund managers, namely Crown Agents Investment Management ("CAIM") and the World Bank under the Reserves Advisory and Management Partnership ("RAMP"). It also comprises investment in shares with the African Export-Import Bank ("Afreximbank"), investments in money market funds under the UBS Money Market Fund ("UBS") as well as the Bank's internally managed portfolio.

In addition, in the year 2021, under the force majeure, the Bank, under Section 41(3) of the CBS Act, engaged in the purchase ("buyback") and re-sell ("sellback") of Government securities (Government treasury bills, Government bonds as well as other Government-guaranteed securities) to facilitate investors who wish to liquidate their investments due to tight liquidity conditions. In July 2022, as part of the Bank's unwinding strategy of the COVID-19 policy and measures, the Bank closed this facility.

10. INVESTMENT SECURITIES

	2023 SCR' 000	2022 SCR' 000
Investment in Government treasury bills	**1,189,770**	1,189,918
Allowance for ECL on investment in Government treasury bills	**(3,499)**	(2,804)
	1,186,271	1,187,114
Current	**1,186,271**	1,187,114

The Bank's holdings of Government treasury bills (see note 43.2) as at the reporting date carried average interest rates as follows: **1.91 per cent** per annum for 182-day treasury bills (2022 – 1.94 per cent) and **2.44 per cent** per annum for the 365-day treasury bills (2022 – 2.70 per cent).

11. LOANS AND ADVANCES

	2023 SCR' 000	2022 SCR' 000
Staff loans	**64,238**	56,160
Allowance for ECL on staff loans	**(365)**	(334)
Private sector (MSME[1]) relief credit line facility	**36,889**	78,328
Allowance for ECL on private sector (MSME) relief credit line facility	**(222)**	(439)
Private sector (large enterprise) relief credit line facility	**54,568**	109,376
Allowance for ECL on private sector (large enterprise) relief credit line facility	**(328)**	(636)
	154,780	242,455
Current	**38,393**	85,791
Non-current	**116,387**	156,664
	154,780	242,455

The Bank grants loans to its employees at preferential rates. The Bank holds outstanding balances for the facilities granted to the banks and DBS under the private sector relief credit line schemes extended in accordance with Section 29A of the CBS Act, from May 2020 to March 2022 in the form of the Private Sector Relief Credit Line Facility ("PSRCLF") for MSMEs and the Private Sector (Large Enterprise) Relief Credit Line Facility ("PSLERCLF").

[1] Micro, Small and Medium Enterprise ("MSME")

12. OTHER ASSETS

	2023	2022
	SCR' 000	SCR' 000
Cheques held for clearing (including for the ECC)	**838**	4,620
Items due and not yet received	**19,357**	15,571
IMF charges adjustment receivable	**17,684**	11,946
Prepaid employee benefits	**31,816**	29,066
Currency prepayments	**12,817**	16,377
Settlement receivables for SEFT	**774**	1,301
Others	**2,305**	2,123
Allowance for ECL on other assets – stage 3	**(3)**	(3)
	85,588	81,001
Current	**85,588**	81,001

Seychelles Electronic Funds Transfer ("SEFT") is a domestic currency denominated electronic funds transfer system operated and used by the Bank which facilitates funds transfers between all banks and SCU. The Electronic Cheque Clearing ("ECC") is a domestic currency denominated electronic cheque clearing system operated and used by the Bank which facilitates same day cheque clearing and electronic cheque image exchange between all banks and SCU.

IMF charges receivable, **SCR 17.7 million** (2022 – SCR 12.0 million) represents funds due from the Government in respect of IMF charges on the Rapid Financing Instrument ("RFI"), the third and fourth Extended Fund Facility ("EFF") and the Resilience and Sustainability Facility ("RSF"). This is in line with the Memorandam of Understanding (MoUs) that were signed between the Bank and the Government in August 2020, October 2021, October 2023 and November 2023.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
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13. CURRENCY REPLACEMENT COSTS

	SCR' 000
Cost	
Balance as at 1 January 2022	28,735
Additions	11,195
Disposals	(695)
Balance as at 31 December 2022	**39,235**
Additions	**3,895**
Disposals	**(10,603)**
Balance as at 31 December 2023	**32,527**
Accumulated amortisation	
Balance as at 1 January 2022	13,372
Amortisation charge	6,681
Disposals	(695)
Balance as at 31 December 2022	**19,358**
Amortisation charge	**6,385**
Disposals	**(10,603)**
Balance as at 31 December 2023	**15,140**
Carrying amounts	
31 December 2022	19,877
31 December 2023	**17,387**

Disposals relate to fully amortised costs derecognised.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. PROPERTY AND EQUIPMENT

	Land	Buildings	Buildings (Work in progress)	Office furniture and fittings	Office machine and equipment	Motor vehicles	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Cost							
Balance as at 1 January 2022	5,617	84,269	18,944	24,054	33,910	4,622	171,416
Additions	-	411	5,917	557	2,968	-	9,853
Reclassified	-	-	(221)	-	-	-	(221)
Disposals	-	-	-	-	(679)	(628)	(1,307)
Balance as at 31 December 2022	**5,617**	**84,680**	**24,640**	**24,611**	**36,199**	**3,994**	**179,741**
Additions	**-**	**6,452**	**2,346**	**383**	**1,160**	**1,426**	**11,767**
Reclassified	**-**	**-**	**(6,367)**	**-**	**-**	**-**	**(6,367)**
Disposals	**-**	**-**	**-**	**(397)**	**-**	**(1,078)**	**(1,475)**
Balance as at 31 December 2023	**5,617**	**91,132**	**20,619**	**24,597**	**37,359**	**4,342**	**183,666**
Accumulated depreciation							
Balance as at 1 January 2022	-	26,276	-	21,128	29,858	2,606	79,868
Depreciation charge	-	1,859	-	1,255	3,245	237	6,596
Disposals	-	-	-	-	(671)	(308)	(979)
Balance as at 31 December 2022	**-**	**28,135**	**-**	**22,383**	**32,432**	**2,535**	**85,485**
Depreciation charge	**-**	**1,878**	**-**	**743**	**1,597**	**338**	**4,556**
Disposals	**-**	**-**	**-**	**(388)**	**-**	**(754)**	**(1,142)**
Balance as at 31 December 2023	**-**	**30,013**	**-**	**22,738**	**34,029**	**2,119**	**88,899**
Carrying amounts							
31 December 2022	5,617	56,545	24,640	2,228	3,767	1,459	94,256
31 December 2023	**5,617**	**61,119**	**20,619**	**1,859**	**3,330**	**2,223**	**94,767**

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

15. INTANGIBLE ASSETS

	Computer software	Computer software (Work in progress)	Total
	SCR' 000	SCR' 000	SCR' 000
Cost			
Balance as at 1 January 2022	28,176	-	28,176
Additions	1,096	6,774	7,870
Balance as at 31 December 2022	**29,272**	**6,774**	**36,046**
Additions	**14**	**20,508**	**20,522**
Balance as at 31 December 2023	**29,286**	**27,282**	**56,568**
Accumulated amortisation			
Balance as at 1 January 2022	27,882	-	27,882
Amortisation charge	317	-	317
Balance as at 31 December 2022	**28,199**	**-**	**28,199**
Amortisation charge	**276**	**-**	**276**
Balance as at 31 December 2023	**28,475**	**-**	**28,475**
Carrying amounts			
31 December 2022	1,073	6,774	7,847
31 December 2023	**811**	**27,282**	**28,093**

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
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16. CURRENCY IN CIRCULATION

	2023	2022
	SCR' 000	SCR' 000
Banknotes issued	**1,541,911**	1,567,934
Coins issued	**99,536**	90,072
	1,641,447	1,658,006
Current	**1,641,447**	1,658,006

Movements were as follows:

	2023	2022
Opening Balance	**1,658,006**	1,769,943
Total deposits by banks and SCU for the year	**(2,287,493)**	(2,284,853)
Total withdrawals by banks and SCU for the year	**2,507,658**	2,453,525
Net deposits by the Bank for the year	**(236,724)**	(280,609)
Closing Balance	**1,641,447**	1,658,006

Banknotes and coins in circulation are shown at face value (Note 3.17).

17. DEPOSITS FROM GOVERNMENT

	2023	2022
	SCR' 000	SCR' 000
Government Rupee deposits	**990,038**	1,347,794
Government foreign exchange deposits (project accounts)	**304,050**	439,562
Government deposits with IMF (see Note 7)	**68,208**	67,318
Central Bank of Seychelles blocked foreign exchange deposits	**17,060**	25,245
	1,379,356	1,879,919
Current	**1,379,356**	1,879,919

Government foreign exchange deposits (project accounts) represent amounts deposited by the Government at the Bank and have been earmarked for specific local projects to be undertaken by the Government. These deposits are denominated in foreign currencies and are non-interest bearing.

18. DEPOSITS FROM BANKS

	2023	2022
	SCR' 000	SCR' 000
Demand deposits	**2,256,756**	2,531,782
Foreign currency minimum reserve requirement	**1,776,902**	1,769,570
Standing deposit facility	**937,076**	878,012
	4,970,734	5,179,364
Current	**4,970,734**	5,179,364

18.1 *Demand deposits*

Banks hold demand deposit accounts with the Bank to facilitate settlement of inter-bank transactions. Furthermore, as per regulations issued under the CBS Act, they are required to maintain a minimum statutory reserve amount which is adjusted on the basis of the monetary policy stance as approved by the Board of Directors. In 2023, the minimum statutory reserves requirement was maintained at **13.0 per cent** (2022 – 10.0 per cent from the first to second quarter and 13.0 per cent from 13 July to fourth quarter) on each bank's customers' Rupee deposits (held as demand, savings and time deposits held by residents, excluding inter-bank deposits). The remuneration on the total minimum statutory reserves remained at **zero per cent** (2022 – zero per cent).

18. DEPOSITS FROM BANKS (CONTINUED)

18.2 *Foreign currency Minimum Reserve Requirement*

All banks are required to maintain a minimum level of statutory reserves of their foreign currency by way of minimum deposits with the Bank. In 2023 the minimum deposit was maintained at **13.0 per cent** (2022 – 13.0 per cent) on each bank's customers' foreign currency deposits (held as demand, savings and time deposits held by residents excluding foreign currency deposits held by non-residents). Since its introduction in April 2009 up to the end of 2023, the Bank has not paid any interest on foreign currency minimum statutory reserves requirement.

18.3 *Standing Deposit Facility*

All banks and SCU can place their excess funds into overnight deposits with the Bank for remuneration, upon request, at a predetermined rate which is set by the Bank. This facility has been offered by the Bank since August 2014. As of June 2017, the interest rate corridor mechanism was adopted, whereby the Board of Directors also approves the interest rates applicable to the Standing Deposit Facility ("SDF") that is consistent with the Bank's monetary policy stance. The applicable interest rate on SDF was **0.5 per cent** per annum for the year 2023 (2022 – 0.5 per cent per annum).

19. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	2023 **SCR' 000**	2022 SCR' 000
Demand deposit	**107,443**	116,279
	========	========
Current	**107,443**	116,279
	========	========

Other financial institutions hold demand deposit accounts with the Bank to facilitate external transactions. These deposits are non-interest-bearing and repayable on demand. SCU which forms part of other financial institutions is also required by the Bank to maintain minimum statutory reserves requirement at **13.0 per cent** (2022 – 10.0 per cent from the first to second quarter and 13.0 per cent as of 13 July to the fourth quarter), similarly to banks (see Note 18.1).

CENTRAL BANK OF SEYCHELLES

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20. OTHER DEPOSITS

	2023 SCR' 000	2022 SCR' 000
Special deposits	**64**	63
Abandoned properties		
- Local currency	**45,068**	41,479
- Foreign currency	**59,849**	46,290
Unclaimed funds		
- Local currency	**443**	448
- Foreign currency	**11**	11
Others	**4,425**	4,724
	109,860	93,015
Current	**109,860**	93,015

As per the Financial Institutions Act, 2004 as amended ("FIA"), banks are required to publish and report to the Bank abandoned accounts or other properties, namely contents of safe deposit boxes, for which no transaction has been made for at least 10 years. In the 11th year, abandoned properties are transferred to the Bank. Funds transferred to the Bank are maintained in non-interest-bearing accounts whilst content of safe deposit boxes are kept in the Bank's vault. These abandoned properties are refundable to the clients on demand.

Section 8(1) of schedule 5 of the FIA, states that unclaimed funds which are not subject to other provisions of FIA shall, on the direction of the Bank, be transferred to a special account with the Bank. As at the reporting date the Bank's holding of unclaimed funds was **SCR 0.44 million** (2022 – SCR 0.45 million) in the domestic currency and **SCR 0.01 million** (2022 – SCR 0.01 million) in foreign currencies.

21. OPEN MARKET OPERATIONS

	2023	2022
	SCR' 000	SCR' 000
Deposit Auction Arrangement	**1,231,405**	200,011
	========	========
Current	**1,231,405**	200,011
	========	========

The Deposit Auction Arrangement ("DAA") is a liquidity management tool used by the Bank for Open Market Operations. It is made available by the Bank to the banks and SCU for better liquidity management by both parties. The Bank uses the instrument to mop up excess liquidity in the system whilst the banks and SCU use it as a means for them to invest their excess reserves and earn a return. The maturities offered were for six (6), seven (7), twenty-eight (28), thirty-five (35), sixty-three (63) and three hundred and sixty-four (364) days in 2023.

Banks and SCU are called to state the amount of funds they would like to bid and their respective bid interest rates in any of the maturities on offer. Each maturity on offer is set by the Bank and it is up to the Bank to decide on whether to accept or reject any bid.

At the reporting date, an amount of **SCR 1,231.4 million** was held by the Bank with maturity period of 6, 7, 28, 35, 63 and 364 days. For 2022, the corresponding figure stood at SCR 200.0 million with maturity periods of 7 days.

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22. OTHER LIABILITIES

	2023	2022
	SCR' 000	SCR' 000
Payable to Government Consolidated Fund (Note 6)		
- Transfer from retained earnings	**79,845**	-
Settlement payable for SEFT	**4,731**	2,306
Provision for accrued leave (Note 3.20 (a))	**6,551**	5,525
Provision for staff gratuities – contractual (Note 3.20 (a))	**17,680**	16,081
Provision for staff compensation – continuous (Note 3.19 and Note 22(a))	**19,342**	23,353
Provision for termination benefits (Note 3.19)	**2,860**	3,608
Provision for post-employment benefits (Note 3.20 (c and e))	**25,083**	21,548
Items due and not yet paid	**8,663**	9,093
IMF charges adjustment payable	**22,494**	15,819
Local currency cheques issued	**200**	200
Other payables	**8,736**	2,582
Income received in advance	**3,122**	3,172
Others	**1,449**	1,247
	200,756	104,534
Current	**173,296**	71,244
Non-current	**27,460**	33,290
	200,756	104,534

As at the reporting date, all permanent employees were on contracts which are considered continuous in nature. Continuous employment refers to a permanent employment with no pre-determined end date. The Bank also had employees contractually engaged on fixed term basis. These included two employees on fixed term contracts not exceeding two years and the Key Management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor who as statutory appointees were on six-year contracts.

IMF charges payable is inclusive of charges to be refunded by the Government at **SCR 17.7 million** (2022 – SCR 12.0 million) (Note 12) and charges accrued by the Bank on SDR allocation and EFF at **SCR 4.8 million** (2022 – SCR 3.9 million).

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22. OTHER LIABILITIES (CONTINUED)

(a) ***Employee Benefit Obligations***

	Total		**Compensation**		**Retirement gratuity**	
	2023	2022	**2023**	2022	**2023**	2022
	SCR' 000	SCR' 000	**SCR' 000**	SCR' 000	**SCR' 000**	SCR' 000
Present value of obligation:						
At 1 January	**31,265**	27,768	**23,353**	20,513	**7,912**	7,255
Included in profit or loss						
Current service cost	**1,945**	2,500	**1,295**	1,887	**650**	613
Interest cost	**1,924**	1,227	**1,437**	904	**487**	323
	3,869	3,727	**2,732**	2,791	**1,137**	936
Included in OCI						
Actuarial losses/(gains) arising from:						
- Financial assumptions	**(7,655)**	(476)	**(5,589)**	(325)	**(2,066)**	(151)
- Experience adjustment	**328**	1,263	**129**	1,254	**199**	9
	(7,327)	787	**(5,460)**	929	**(1,867)**	(142)
Others						
Employer contributions paid	**(1,283)**	(1,017)	**(1,283)**	(880)	**-**	(137)
Balance at 31 December	**26,524**	31,265	**19,342**	23,353	**7,182**	7,912
Represented by:						
Net defined benefit liability – Compensation	**19,342**	23,353	**19,342**	23,353	**-**	-
Net defined benefit liability – Retirement gratuity	**7,182**	7,912	**-**	-	**7,182**	7,912
Expected employer contribution	**2,016**	1,336	**1,490**	1,295	**526**	41
Discount rate			**7.40%**	6.15%	**7.40%**	6.15%
Future salary increases			**5.00%**	5.00%	**5.00%**	5.00%

The Bank does not have any plan assets as the employee benefit relates to unfunded obligation in relation to compensation and gratuities.

22. OTHER LIABILITIES (CONTINUED)

(a) ***Employee Benefit Obligations (continued)***

Compensation plan

All employees of the Bank, except for Key Management personnel, are entitled to compensation for their years of continuous service at retirement or upon leaving the services of the Bank. Provision for this compensation cost is made on an annual basis for every year completed by the employee and payments are made immediately after the last day of service. The Bank has recognised a net liability of **SCR 19.3 million** for this compensation plan as at 31 December 2023 (2022 – SCR 23.4 million).

Retirement gratuity plan (Retirement benefit plan)

The Bank provides for a payment of ex-gratia retirement benefit to permanent employees reaching a minimum of 20 years of continuous service upon retirement or resignation. The Bank has recognised a net liability of **SCR 7.2 million** for this retirement gratuity plan (retirement benefit plan) as at 31 December 2023 (2022 – SCR 7.9 million).

Funding

The Bank provides for the compensation and retirement gratuity costs for its permanent employees on an accrual basis and expenses the accrued amount in the financial year in which the service is rendered.

Duration

At 31 December 2023, the weighted-average duration of the defined benefit obligation was **21 years** for both the compensation and retirement benefit plan (2022 – 18 years for the compensation plan and 19 years for the retirement benefit plan).

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22. OTHER LIABILITIES (CONTINUED)

(b) ***Sensitivity analysis***

Possible reasonable changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Compensation plan		Retirement gratuity plan	
	Increase	**Decrease**	**Increase**	**Decrease**
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**
2023				
Discount rate (1.0% increase)	-	**3,384**	-	**1,251**
Discount rate (1.0% decrease)	**4,328**	-	**1,058**	-
2022				
Discount rate (1.0% increase)	-	3,743	-	1,345
Discount rate (1.0% decrease)	4,767	-	1,718	-

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The sensitivity analysis has been carried out by recalculating the present value of obligations at end of each period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

23. INTERNATIONAL MONETARY FUND OBLIGATIONS

	2023	2022
	SCR' 000	SCR' 000
Purchases outstanding		
- Extended Fund Facility	**80,441**	130,752
Allocation of SDR	**575,751**	568,236
IMF no. 1 account	**1,066**	1,096
IMF no. 2 account	**427**	438
	657,685	700,522
Current	**33,733**	51,361
Non-current	**623,952**	649,161
	657,685	700,522

23. INTERNATIONAL MONETARY FUND OBLIGATIONS (CONTINUED)

Seychelles became a member of the IMF on 30 June 1977 and was initially assigned a quota of XDR 1.0 million. The quota allocation determines the financial and organisational relation with the IMF. Subsequent increases in quota subscription were effected over the years which have brought the quota subscription to **XDR 22.9 million** as at reporting date (2022 – XDR 22.9 million). The portion payable in SCR is paid by way of non-negotiable, non-interest-bearing promissory notes issued by the Government in favour of the IMF and is payable on demand. These promissory notes are lodged with the Bank acting as custodian for the IMF.

In August 2021, the IMF approved a general allocation of SDR (Allocation) to boost the global economy of all its members. Seychelles was allocated an additional XDR 21.9 million in proportion to its existing quota of funds. As at 31 December 2023, SDR Allocation stood at **XDR 30.2 million** (2022 – XDR 30.2 million).

In May 2020 and July 2021, the IMF approved financial assistance for Seychelles under the RFI and EFF, respectively both for Government budget support. Respective MoUs were signed in August 2020 and October 2021 between the Government and the Bank to establish the framework for the modalities for the repayment and the servicing of interest and other charges. These MoUs shall remain in force until all repayments related to the RFI and EFF disbursements, charges, fees, interest payments have been made in full to the IMF.

In May 2020, the Government's request for emergency funding under the RFI amounting to XDR 22.9 million (equivalent to 100 per cent of quota) was approved. The funds received were used primarily to provide budget support to the Government as a result of the negative impact of the COVID-19 pandemic on the economy.

In June 2017, the Government successfully completed a three-year EFF which was the second EFF program that the Seychelles had with the IMF under its reform initiatives. These repayments will continue until December 2025. As at 31 December 2023, the outstanding repurchase stood at **XDR 4.2 million** (2022 – XDR 7.0 million).

In July 2021, the Government's request for a third EFF was approved for XDR 74.0 million (equivalent to 323.0 per cent of quota). This was for the purpose of Government budget support and governed by the terms of the MoU signed between the Government and the Bank in October 2021. Under this arrangement, Seychelles made significant progress in restoring macroeconomic stability and debt sustainability after the shock it experienced as a result of the COVID-19 pandemic. As at 31 December 2023, total disbursement under the third EFF was **XDR 61.0 million** (2022 – XDR 61.0 million).

23. INTERNATIONAL MONETARY FUND OBLIGATIONS (CONTINUED)

In May 2023, the Government's request for two new facilities; a three-year arrangement under a fourth EFF for XDR 42.4 million (equivalent to 185.0 per cent of quota) to replace the one approved in July 2021 and a three-year arrangement under the Resilience and Sustainability Facility (RSF) for XDR 34.4 million (equivalent to 150.0 per cent of quota) was approved. The fourth EFF was for budget financing needs and the RSF was to strengthen resilience to climate change. The facilities are governed by the terms of two MoUs between the Government and the Bank signed in October 2023 for the EFF, and in November 2023 for the RSF. As at 31 December 2023, total disbursements were XDR 12.2 million under the fourth EFF and XDR 3.1 million under the RSF.

The Bank, as fiscal agent to the Government continues to maintain the following balance sheet accounts with the IMF under the heading IMF Obligations: IMF Purchases Outstanding account for the first and second EFF, SDR Allocation account, IMF no.1 account and IMF no. 2 account. Other balance sheet accounts classified under cash and cash equivalents include SDR Holdings account and Reserve Tranche account, both denominated in XDR. SDR Allocations are subject to charges while SDR holdings earn interest on a quarterly basis. Total repayments made throughout the year 2023 under the first and second EFF amounted to **XDR 2.8 million** (2022 – XDR 3.7 million).

Bank holds off balance sheet records, in order to report the account movements and balances to the IMF on behalf of the Government, for the IMF Securities account backed by Government issued promissory notes amounting to **SCR 2,121.1 million** as at the reporting date (2022 – SCR 2,107.9 million). Other off balance sheet records include the IMF Purchases Outstanding account for the RFI amounting to **XDR 17.2 million** (2022 – XDR 22.9 million), the third EFF amounting to **XDR 61.0 million** (2022 – XDR 61.0 million), the fourth EFF amounting to **XDR 12.2 million** (2022 – Not applicable) and the IMF Purchases Outstanding account for RSF amounting to **XDR 3.1 million** (2022 – Not applicable). Total repayments made throughout the year 2023 under the third and fourth EFF was **Nil**, under RSF was **Nil** and amounted to **XDR 5.7 million** (2022 – Nil) under RFI.

The Bank revalues the IMF accounts in its statement of financial position in accordance with the practices of the IMF's Treasury Department. In general, the revaluation is effected annually on 30 April and whenever the IMF makes use of SCR in accordance with its designated plan. For accounting purposes, the IMF accounts have been revalued using exchange rates as at the reporting date.

24. STATUTORY CAPITAL

	2023 SCR' 000	2022 SCR' 000
Authorised capital	**231,222**	151,377
General reserve	**46,197**	46,197
	277,419	197,574

As per Section 14 of the CBS Act, the initial Authorised capital of the Bank shall be SCR 1.0 million and accumulate as per the distributable earnings under Section 16 of the CBS Act (see Note 6). The statutory capital of the Bank shall accumulate until it reaches 10.0 per cent of monetary liabilities of which 3.33 per cent shall relate to Authorised capital and the remaining 6.67 per cent shall relate to General reserve. As at the reporting date the statutory capital of the Bank stood at **3.44 per cent** of total monetary liabilities (2022 – 2.73 per cent). As at the reporting date, the Authorised capital was fully paid up.

Following the above, the Authorised capital and General reserve stood at **2.87 per cent** (2022 – 2.09 per cent) and **0.57 per cent** (2022 – 0.64 per cent) of monetary liabilities, respectively. Where the General reserve accumulates a balance of less than zero, the Government shall within 30 days of publication of the annual accounts, recapitalise the Bank by transferring marketable securities to the ownership of the Bank to restore the General reserve to zero. For the year 2023, **no recapitalisation** was required (2022 – Nil).

25. REVALUATION RESERVE

Unrealised gains and losses arise from changes in the valuation of the Bank's assets and liabilities denominated in foreign currencies and other units of account as a result of alterations of parity of the Seychelles Rupee. Unrealised gains and losses also arise on Financial assets at FVTPL as a result of fluctuations in market prices. These gains and losses have been credited or charged to profit or loss and subsequently transferred to the Revaluation Reserve Account in accordance with Section 45(5) and 45(6) of the CBS Act. They do not form part of distributable earnings and are offset against the Revaluation Reserve Account.

There was a net gain from the revaluation of foreign currency denominated monetary assets and liabilities of SCR 154.9 million. Additionally, a net gain of SCR 209.0 million on fair valuation of financial assets at FVTPL was recorded. The revaluation and fair valuation gains and losses were transferred to the revaluation reserve account resulting in a total revaluation reserve of **SCR 755.4 million** at the reporting date (2022 – SCR 600.5 million).

26. ACTUARIAL RESERVE

In line with IAS 19 (Revised), the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited immediately to other comprehensive income and the accumulated gains and losses form part of the Actuarial reserve. Actuarial gains and losses do not form part of distributable earnings and are accumulated in Actuarial reserve. The total Actuarial reserve for the year 2023 amounts to negative **SCR 1.8 million** (2022 – negative SCR 9.2 million).

27. INTEREST INCOME

	2023	2022
	SCR' 000	SCR' 000
Interest on investment securities	**26,140**	19,427
Interest on deposits with banks	**294,190**	91,626
Interest on advances to staff and local banks	**6,175**	5,911
Interest unwind on private sector relief credit line facilities	**18,805**	21,422
	345,310	138,386

28. INTEREST EXPENSE

	2023	2022
	SCR' 000	SCR' 000
Interest on Deposit Auction Arrangement	**11,900**	945
Interest on Standing deposit facility	**4,944**	7,373
Other interests	**1**	276
	16,845	8,594

29. FEES AND COMMISSION INCOME

	2023	2022
	SCR' 000	SCR' 000
Commission income	**28,104**	21,362
Licence fees – Financial institutions	**5,694**	6,081
Licence fees – Payment service providers	**75**	120
Others	**61**	41
	33,934	27,604

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30. OTHER INCOME

	2023 SCR' 000	2022 SCR' 000
Rent and contribution for building maintenance	**450**	396
Contribution from local payment systems participants	**594**	599
Dividends received	**1,431**	1,281
Others	**327**	512
	2,802	2,788

All banks and SCU are participants of the local payment systems - ECC and SEFT. Participants' annual contributions are based on their previous year's average usage. For the past three years, contributions were made for using the ECC system only. From March 2020 to December 2023 the Bank absorbed the SEFT system costs to encourage the development and more usage of digital payment platforms whilst the SEFT participants agreed to waive the transfer fees and charges related to their customers' SEFT payments.

31. FAIR VALUE GAINS AND LOSSES ARISING FROM DOMESTIC SECURITIES TRANSACTIONS

	2023 SCR' 000	2022 SCR' 000
Gains arising from fair value of financial assets at fair value through profit or loss (domestic securities buybacks) – realised	**860**	717
Losses arising from fair value of financial assets at fair value through profit or loss (domestic securities buybacks) – unrealised	**(627)**	(535)
	233	182

32. GAINS AND LOSSES ARISING FROM FOREIGN CURRENCY TRANSACTIONS

	2023 SCR' 000	2022 SCR' 000
Gains arising from dealings in foreign currency transactions – realised	**8,330**	757
Losses arising from dealings in foreign currency transactions – unrealised	**(103)**	(2,515)
Gains arising from fair value of financial assets at fair value through profit or loss – realised	**94,160**	9,782
Gains/(losses) arising from fair value of financial assets at fair value through profit or loss – unrealised	**64,446**	(227,065)
Gains/(losses) arising from revaluation of foreign currency monetary assets and liabilities – unrealised	**42,118**	(150,635)
	208,951	(369,676)

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33. STAFF COSTS

	2023 SCR' 000	2022 SCR' 000
Salaries and allowances	**84,346**	76,649
Staff accrued leave	**1,026**	407
Staff training and development	**14,159**	6,558
Gratuity costs	**19,974**	18,550
Compensation costs	**2,964**	4,077
Termination benefits	**(247)**	(723)
Post-employment benefits	**5,462**	3,836
Other staff costs	**6,658**	6,343
	134,342	115,697

34. CURRENCY EXPENSES

	2023 SCR' 000	2022 SCR' 000
Banknotes and coins expense	**86**	52
Amortisation of currency replacement costs (Note 13)	**6,385**	6,681
	6,471	6,733

35. PROFESSIONAL CHARGES

	2023 SCR' 000	2022 SCR' 000
Fees payable to auditor:		
- Statutory audit (including disbursements)	**1,303**	2,387
Consultancy fees	**7,210**	2,182
Legal fees	**352**	5,823
Directors fees and allowances	**954**	975
Others	**991**	255
	10,810	11,622

36. INTERNATIONAL MONETARY FUND ("IMF") CHARGES

	2023 SCR' 000	2022 SCR' 000
Charges on usage of SDR allocation	**21,862**	6,846
GRA charges	**4,846**	4,026
Assessment charges	**7**	7
	26,715	10,879

37. POLICY COSTS

	2023	2022
	SCR' 000	SCR' 000
Policy costs	**2,909**	408
	2,909	408

Policy costs pertain to losses incurred by the Bank due to difference between the Bank's foreign exchange mid-rates on transaction value date and the participant's accepted Foreign Exchange Auction ("FEA") exchange bid or offer rates. FEA is a policy instrument used in the domestic foreign exchange market for the purchase and sale of foreign currency as part of the Bank's monetary and foreign operations, for liquidity management purposes, accumulation of foreign exchange reserves and ensuring orderly market conduct. The purchase and sale of foreign currency through FEAs will be at the individual participant's accepted bid or offer exchanges rates or at a fixed price as determined by the Monetary Policy Technical Committee ("MPTC").

38. PRIVATE SECTOR RELIEF CREDIT LINE FACILITIES COSTS

	2023	2022
	SCR' 000	SCR' 000
Interest cost for fair value adjustment benefits on Private Sector Relief Credit Line Facility ("PSRCLF")	**-**	1,913
Interest cost for fair value adjustment benefits on Private Sector (Large Enterprise) Relief Credit Line Facility ("PSLERCLF")	**-**	2,048
	-	3,961

The Bank under the PSRCLF and PSLERCLF schemes (Note 11), disbursed funds to the banks, DBS and SCU at zero per cent interest. At inception, these facilities were recognised at fair value and subsequently measured at amortised cost. The difference between the present value and carrying value of the financial instruments are recognised in profit or loss.

39. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS

	2023 **SCR' 000**	2022 SCR' 000
Net losses/(gains) from expected credit loss on balances held abroad	**2**	(5)
Net losses from expected credit loss on other balances and placements held abroad	**3**	12
Net losses/(gains) from expected credit loss on investment in Government treasury bills	**695**	(1,613)
Net losses from expected credit loss on staff loans	**31**	17
Net gains from expected credit loss on staff loans – Stage 2	**-**	(2)
Net losses from expected credit loss on staff loans – Stage 3	**-**	3
Net gains from expected credit loss on private sector (MSME) credit line facilities	**(217)**	(404)
Net gains from expected credit loss on private sector (large enterprise) relief credit line facilities	**(308)**	(1,447)
	206	(3,439)

40. ADMINISTRATIVE EXPENSES

	2023 **SCR' 000**	2022 SCR' 000
Utilities costs	**2,988**	2,888
Upkeep of premises, motor vehicles and equipment	**5,120**	5,774
Insurance costs	**4,929**	4,889
Archiving costs	**45**	30
Security expenses	**3,087**	2,805
Telephone expenses	**1,263**	1,320
Loss on disposal of fixed assets	**17**	8
Communications and advertising expenses	**326**	210
Others	**700**	736
	18,475	18,660

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41. OTHER OPERATING EXPENSES

	2023 SCR' 000	2022 SCR' 000
Upkeep of intangible assets	**18,299**	18,276
Upkeep of office machines	**102**	121
Subscriptions	**9,908**	8,891
Reserve management fees	**6,730**	6,254
Reimbursable Advisory Services	**2,750**	1,440
Membership fees and contributions	**8,496**	1,964
SWIFT costs	**1,486**	1,391
Financial education and consumer protection	**22**	102
Board development and related costs	**837**	537
Guy Morel High Achievement Scholarship	**1,650**	1,801
Anniversary lecture and other hosted events	**4,007**	197
Miscellaneous operating expenses	**786**	406
	55,073	41,380

42. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2023 SCR' 000	2022 SCR' 000
Profit/(loss) for the year	**314,552**	(422,124)
Adjustments for:		
- Interest income	**(345,310)**	(138,386)
- Interest expense	**16,845**	8,594
- Depreciation and amortisation charges	**4,832**	6,913
- Amortisation of currency replacement costs	**6,385**	6,681
- Prepaid employee benefits	**3,550**	3,408
- Private sector relief credit line facilities costs	**-**	3,961
- Expected credit loss on financial assets	**206**	(3,439)
- (Profit)/loss on disposal of property and equipment	**(147)**	8
- Unrealised fair valuation and exchange losses on assets	**(165,109)**	601,897
- Realised fair valuation and exchange gains on assets	**(94,878)**	(10,500)
	(259,074)	57,013
Changes in:		
- Loans and advances	**87,675**	138,890
- Other assets	**(4,587)**	1,726
- Currency in circulation	**(16,559)**	(111,937)
- Deposits	**(701,183)**	(752,917)
- Open Market Operations	**1,031,394**	3
- Other liabilities	**14,976**	16,527
- Provisions for employee benefits	**1,400**	3,024
Cash from/(used in) operating activities	**154,042**	(647,671)
Interest paid	**(13,450)**	(8,605)
Net cash flows from/(used in) operating activities	**140,592**	(656,276)

43. RELATED PARTY TRANSACTIONS

The Bank, in its capacity as fiscal agent to the Government raises domestic debt, executes auctions, carries out back office operations, promotes financial education and the development of financial markets and works towards improving trading and settlement infrastructure.

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include Government and Key Management personnel, consisting of members of the Board of Directors. Unless stated, all transactions with related parties take place at arm's length.

As banker to the Government, the following are transactions entered into:

- Banking services;
- Foreign exchange transactions;
- Payment and settlement facility;
- Investment in Government Securities; and
- Agent to the Government in raising domestic debt.

Material transactions with the Government are as follows:

43.1 *Foreign exchange transactions*

	2023 SCR' 000	2022 SCR' 000
Purchase of foreign currency	**1,621,839**	990,363
Sale of foreign currency	**2,018,221**	1,807,795

43.2 *Investment in Government securities*

	2023 SCR' 000	2022 SCR' 000
182-day treasury bills	**747,053**	747,053
365-day treasury bills	**438,000**	438,000
Total face value	**1,185,053**	1,185,053
Accrued interest	**4,717**	4,865
Total investment in Government securities	**1,189,770**	1,189,918

43. *RELATED PARTY TRANSACTIONS (CONTINUED)*

43.2 *Investment in government securities (continued)*

The Bank's holdings of Government securities are derived from the monetisation of past advances to the Government in 2008 (SCR 997.1 million) into treasury bills and the treasury bills issued to recapitalise the Bank in 2010 (SCR 188.0 million). An MoU was signed between the Government and the Bank in 2011 in regards to the long-term Government debt held by the Bank which was converted to Government treasury bills with automatic roll-over at maturity at above-market rates, that is the weighted average interest rate of the most recent treasury bills auction of the same maturity plus 50 basis points (see Note 10).

Other transactions with the Government consist of receipts and payments in SCR made on behalf of the Government.

Outstanding balances from the Government consist of investment securities whilst outstanding balances to the Government consist of deposits from Government as disclosed in the financial statements and corresponding notes.

43.3 *Domestic securities issuance and buybacks*

(a) Domestic securities buybacks

In 2021, the Bank established a buyback facility to purchase securities such as treasury bills and treasury bonds, issued or guaranteed by the Government as permissible under Section 41(3) of the CBS Act. In July 2022, the Bank closed access to the facility in line with its unwinding strategy of the COVID-19 policy and measures.

In accordance with the requirements of IFRS 9, the securities purchased under the buyback facility have been accounted as financial assets at FVTPL considering that the objective and the business model for these purchases are that they would be available-for-sale rather than be solely held-to-maturity for the purpose of collecting contractual cash flows.

	2023 **SCR' 000**	2022 SCR' 000
Government treasury bonds buybacks at FVTPL	**5,665**	6,130
Government guaranteed bonds buybacks at FVTPL	**6,086**	6,350
Total Government treasury bonds and Government guaranteed bonds buybacks at FVTPL	**11,751**	12,480

The Bank accounted for fair value gains and losses arising from domestic securities buyback transactions in profit and loss.

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43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.3 *Domestic securities issuance and buybacks (continued)*

(b) Domestic securities issuance – Government treasury bonds

In 2023, the Bank managed the issuance of six treasury bonds (2022 - eleven treasury bonds) on behalf of the Government for fiscal purposes as detailed below.

2023

Auction month	**Treasury bonds term**	**Coupon rate p.a. (%)**	**Issuance limits (SCR million)**
March	**3-year**	**3.20**	**25.0**
	5-year	**4.60**	**25.0**
	7-year	**6.00**	**25.0**
June	**10-year**	**8.30**	**100.0**
September	**10-year**	**7.80**	**75.0**
November	**10-year**	**7.40**	**75.0**

2022

Auction month	Treasury bonds term	Coupon rate p.a. (%)	Issuance limits (SCR million)
March	3-year	2.50	250.0
	7-year	5.00	250.0
May	3-year	2.70	150.0
	5-year	4.30	150.0
	7-year	5.90	200.0
August	3-year	2.90	50.0
	5-year	4.40	75.0
	7-year	5.90	75.0
October	3-year	3.15	50.0
	5-year	4.65	75.0
	7-year	6.15	75.0

The coupon payment terms for the treasury bonds were semi-annual and the treasury bonds were issued through auctions comprising of competitive and non-competitive biddings. The competitive biddings were available to all banks and SCU, the SPF and insurance companies. Non-competitive biddings were available to all other eligible investors.

43. *RELATED PARTY TRANSACTIONS (CONTINUED)*

43.3 *Domestic securities issuance and buybacks (continued)*

(c) Domestic securities issuance – Government treasury bills

The Bank issued treasury bills, on behalf of the Government for fiscal purposes during 2023. The maturities offered were for ninety-one (91), one hundred and eighty-two (182) and three hundred and sixty-five (365) days as detailed below.

	2023		2022	
Duration (Days)	**Total auction volume (SCR million)**	**Average tender price (SCR)**	Total auction volume (SCR million)	Average tender price (SCR)
91	**254.0**	**99.11 to 99.78**	275.0	99.76 to 99.88
182	**508.0**	**98.13 to 99.31**	550.0	99.22 to 99.72
365	**508.0**	**96.20 to 98.16**	550.0	97.84 to 98.98

The treasury bills were issued through multiple price auctions whereby bids were allotted competitively and successful bidders were awarded their respective bid prices.

43.4 *Deposits from Government - Central Bank of Seychelles blocked foreign exchange deposits*

	2023 SCR' 000	2022 SCR' 000
Central Bank of Seychelles blocked foreign exchange Deposits (GBP)	**255**	687
Central Bank of Seychelles blocked foreign exchange Deposits (USD)	**6,050**	7,809
Central Bank of Seychelles blocked foreign exchange Deposits (EUR)	**10,755**	16,749
Total blocked foreign exchange deposits	**17,060**	25,245

The blocked foreign exchange deposits relate to unidentified Government foreign exchange denominated funds received by the Bank in the three main currencies, namely GBP, USD and EUR. The deposits are non-interest bearing and are placed in these blocked deposit accounts pending such time that information is received as to the correct Government accounts into which the proceeds are credited. The deposits from Government as at 31 December 2023 are disclosed in Note 17.

43. *RELATED PARTY TRANSACTIONS (CONTINUED)*

43.5 *Key management personnel*

Key Management personnel comprises the Governor, First Deputy Governor, Second Deputy Governor and the Non-Executive Board members. The latter are considered to be part of the Key Management personnel as they have the authority and responsibility for planning, directing and controlling the activities of the Bank.

The aggregate remuneration provided for and paid to Key Management personnel comprised:

	2023	2022
	SCR' 000	SCR' 000
Salary and allowances	**4,609**	3,958
Gratuity costs	**2,408**	1,979
Car benefits	**192**	329
Post-employment benefits	**4,137**	2,853
Others	**1,017**	278
Total	**12,363**	9,397

Movements in loans to Key Management personnel were as follows:

	2023	2022
	SCR' 000	SCR' 000
Balance as at 1 January 2023	**569**	-
Transfer	**-**	594
Total repayments	**(569)**	(25)
Balance as at 31 December 2023	**-**	569

Loans to Key Management personnel are approved and disbursed as per the Bank's loan policy. In 2023, the 2022 outstanding loan balance of **SCR 0.57 million** was repaid in full. As such, there were no loans to Key Management personnel outstanding as at 31 December 2023.

44. COMMITMENTS

Commitments not otherwise provided for in the financial statements and which existed at 31 December 2023 are as follows:

44.1 *Capital subscription in Afreximbank*

The Bank has a commitment to pay on call **USD 1.28 million** (2022 – USD 1.16 million) of nominal share value for capital subscription in Afreximbank. This amount has not been accounted for as a liability in the financial statements due to the unknown factor of the time and expected value of the shares to be called up. Furthermore, during the year, the Bank has applied part of its accumulated dividend earnings towards the acquisition of additional shares in Afreximbank.

44.2 *Advances to the Government*

The Bank is mandated under Sections 40(1) and 40A of the CBS Act to grant temporary advances in SCR to the Government (see Note 3.18(b)). For the year 2023, no advances were made to the Government under Section 40(1) (2022 – Nil) nor were any made under Section 40A (2022 – Nil).

The overall borrowing limit for the year 2023 of **SCR 1,298.0 million** (2022 – SCR 1,442.0 million) comprised of investment securities of **SCR 1,185.1 million** (2022 – SCR 1,185.1 million) and the Board of Directors approved short-term advances to the Government for the year of **SCR 100.0 million** under Section 40(1) (2022 – SCR 250.0 million under Section 40(A)).

44.3 *Employee loans approved but not yet disbursed*

The Bank has a loans policy under which it disburses loans to its staff at a preferential rate. For the year 2023, staff loans approved but not yet disbursed amounted to **SCR 5.11 million** (2022 – SCR 2.63 million). Employees shall be eligible for loans under the loans policy if they have worked with the Bank for a continuous period of at least 2 years from the date of appointment. All loans are disbursed in full in one instalment except loans for the construction of personal residential housing which are disbursed in a minimum of three instalments and in the case of loans for further education whereby the amount of the loan shall be drawn in annual instalments.

44.4 *Emergency Lending Facility*

As part of its prudential toolkit, the Bank has an emergency liquidity support facility primarily aimed at preventing severe and persistent short-term liquidity problems and thus minimising bank runs. As at year end 2023, the total lending under this facility was **Nil** (2022 – Nil). Access to this facility requires banks and SCU to provide adequate and sufficient collateral among other pre-requisites.

44.5 ***Major capital projects***

As at the reporting date, the Bank had contractual obligations for capital projects with amounts outstanding relating to the acquisition of Intangible Assets at **USD 1.73 million** (2022 – SCR 3.52 million) and Property and Equipment at **USD 0.09 million, EUR 0.01 million** and **SCR 13.20 million** (2022 – USD 0.09 million, EUR 0.05 million and SCR 13.69 million). These capital projects are considered to be work-in-progress until the contracts are fulfilled.

45. FINANCIAL RISK MANAGEMENT

The Bank's risks are principally attributed to its functional obligations. The Bank is exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

45.1 ***Market risk***

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: interest rate risk, currency risk and other price risk.

The Bank's exposure to market risk comes in the form of general and specific market fluctuations which affect the investments in interest bearing and foreign currency denominated financial instruments. Further to that, the exposure to market risk is generated from both trading and asset/liability management activities. The measures taken by the Bank to manage such risk are disclosed below:

(a) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed as follows:

- Foreign reserve interest rate risk management

  Interest rate risk increases or reduces the total return on the portfolio which consists mainly of demand and short-term deposits and is measured by daily calculation of the weighted average portfolio duration of the foreign exchange reserves as prescribed in the Bank's Investment Policy and Guidelines. Limits are set on interest rate risk with the aim of avoiding reporting losses as a result of market valuation changes over one-year reporting period.

- Domestic market operations interest rate risk

  The Bank's exposure to domestic market interest rate risk arises from its domestic market operations which are short-term in nature. These may include standing deposit and credit facilities, deposit and credit auctions, the buyback facility with other depository corporations and investment in Government treasury bills. The Bank cannot eliminate domestic market interest rate risk as it is a function of its monetary policy.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 *Market risk (continued)*

(a) Interest rate risk (continued)

The table below summarises concentration of the interest rate re-pricing risk categorised by the earlier of contractual re-pricing or maturity dates:

	Demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2023							
Financial assets							
Cash and cash equivalents	2,533,020	1,166,405	-	-	-	11,034	3,710,459
Other balances and placements	1,024,183	517,223	1,009,873	-	-	-	2,551,279
Financial assets at fair value through profit or loss	47,490	127,715	680,170	2,598,413	101	47,163	3,501,052
Investment securities[2]	-	-	1,186,271	-	-	-	1,186,271
Loans and advances	145	15,020	23,228	67,760	48,607	20	154,780
Total financial assets	3,604,838	1,826,363	2,899,542	2,666,173	48,708	58,217	11,103,841
Financial liabilities							
Currency in circulation	-	-	-	-	-	1,641,447	1,641,447
Deposits from Government	-	-	-	-	-	1,379,356	1,379,356
Deposits from banks	937,075	-	-	-	-	4,033,659	4,970,734
Deposits from other financial institutions	-	-	-	-	-	107,443	107,443
Other deposits	-	-	-	-	-	109,860	109,860
Open Market Operations	383,691	395,693	452,021	-	-	-	1,231,405
International Monetary Fund obligations	5,189	-	28,544	46,708	575,751	1,493	657,685
Total financial liabilities	1,325,955	395,693	480,565	46,708	575,751	7,273,258	10,097,930
Net financial position	2,278,883	1,430,670	2,418,977	2,619,465	(527,043)	(7,215,041)	1,005,911

[2] Though Investment securities mature within 12 months, it is the intention of the Bank to hold the asset to perpetuity.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 *Market risk (continued)*

(a) Interest rate risk (continued)

The table below summarises concentration of the interest rate re-pricing risk categorised by the earlier of contractual re-pricing or maturity dates:

	Demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2022	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Financial assets							
Cash and cash equivalents	1,963,021	1,923,528	-	-	-	11,459	3,898,008
Other balances and placements	793,039	566,352	402,402	-	-	-	1,761,793
Financial assets at fair value through profit or loss	79,503	130,901	769,461	2,402,932	359	45,099	3,428,255
Investment securities[3]	-	-	1,187,114	-	-	-	1,187,114
Loans and advances	102	23,154	62,536	99,659	56,947	57	242,455
Total financial assets	2,835,665	2,643,935	2,421,513	2,502,591	57,306	56,615	10,517,625
Financial liabilities							
Currency in circulation	-	-	-	-	-	1,658,006	1,658,006
Deposits from Government	-	-	-	-	-	1,879,919	1,879,919
Deposits from banks	878,012	-	-	-	-	4,301,352	5,179,364
Deposits from other financial institutions	-	-	-	-	-	116,279	116,279
Other deposits	-	-	-	-	-	93,015	93,015
Open Market Operations	200,011	-	-	-	-	-	200,011
International Monetary Fund obligations	5,122	-	46,239	79,391	568,236	1,534	700,522
Total financial liabilities	1,083,145	-	46,239	79,391	568,236	8,050,105	9,827,116
Net financial position	1,752,520	2,643,935	2,375,274	2,423,200	(510,930)	(7,993,490)	690,509

[3] Though Investment securities mature within 12 months, it is the intention of the Bank to hold the asset to perpetuity.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 ***Market risk (continued)***

(a) Interest rate risk (continued)

Sensitivity to interest rate risk

A sensitivity analysis is performed for each type of market risk to which the Bank is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The table below presents the sensitivity analysis of the Bank's financial assets and liabilities in relation to changes in interest rates.

	Total gain/(loss) impacting equity	Total gain/(loss) impacting equity	**Total gain/(loss) impacting profit or loss**	Total gain/(loss) impacting profit or loss
	2023	2022	**2023**	2022
	SCR' 000	SCR' 000	**SCR' 000**	SCR' 000
Impact of:				
An increase of 100 basis points in the domestic market interest rates	**63**	207	**63**	207
A decrease of 100 basis points in the domestic market interest rates	**(63)**	(207)	**(63)**	(207)
An increase of 100 basis points in the market interest rates for foreign currencies	**7,955**	5,413	**7,955**	5,413
A decrease of 100 basis points in the market interest rates for foreign currencies	**(7,955)**	(5,413)	**(7,955)**	(5,413)

The Bank's exposure to interest rate risk might remain unchanged on both its local and foreign financial assets, despite the Guidelines for the latter allowing for a more active approach and the former being solely inclusive of Government treasury bills in the Bank's portfolio of securities.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 *Market risk (continued)*

(b) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank through its reserve management function assumes currency risks, being changes in the prices of one currency against another. The currency composition of the reserves is strategically selected to mirror the country's foreign currency liabilities which forms a natural currency risk hedge. In addition to this strategic currency hedge, the Bank attempts to further mitigate exposures to short-term currency volatility through tactical management of the currency risk around the strategic currency composition. Exchange gains and losses arising from the revaluation of assets and liabilities denominated in foreign currencies are recognised in profit or loss and are transferred to the Revaluation Reserve Account in accordance with Section 16 of the CBS Act.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 ***Market risk (continued)***

(b) Currency risk (continued)

The table below discloses the financial assets and financial liabilities by concentration of currency risk.

	EUR	USD	GBP	XDR	SCR	CAD	AUD	ZAR	CNY	CNH	TOTAL
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2023											
Financial assets											
Cash and cash equivalents	1,149,058	1,614,730	104,562	384,188	-	220,181	57	5,850	226,999	4,834	3,710,459
Other balances and placements	146,056	2,405,223	-	-	-	-	-	-	-	-	2,551,279
Financial assets at fair value through profit or loss	-	3,145,230	-	-	11,751	-	-	-	344,071	-	3,501,052
Investment securities	-	-	-	-	1,186,271	-	-	-	-	-	1,186,271
Loans and advances	-	-	-	-	154,780	-	-	-	-	-	154,780
Total financial assets	1,295,114	7,165,183	104,562	384,188	1,352,802	220,181	57	5,850	571,070	4,834	11,103,841
Financial liabilities											
Currency in circulation	-	-	-	-	1,641,447	-	-	-	-	-	1,641,447
Deposits from Government	267,960	52,883	267	68,208	990,038	-	-	-	-	-	1,379,356
Deposits from banks	567,499	1,209,403	-	-	3,193,832	-	-	-	-	-	4,970,734
Deposits from other financial institutions	-	-	-	-	107,443	-	-	-	-	-	107,443
Other deposits	13,183	44,292	2,385	-	50,000	-	-	-	-	-	109,860
Open Market Operations	-	-	-	-	1,231,405	-	-	-	-	-	1,231,405
International Monetary Fund obligations	-	-	-	656,192	1,493	-	-	-	-	-	657,685
Total financial liabilities	848,642	1,306,578	2,652	724,400	7,215,658	-	-	-	-	-	10,097,930
Net financial position	446,472	5,858,605	101,910	(340,212)	(5,862,856)	220,181	57	5,850	571,070	4,834	1,005,911

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 *Market risk (continued)*

(b) Currency risk (continued)

	EUR	USD	GBP	XDR	SCR	CAD	AUD	ZAR	CNY	CNH	TOTAL
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2022											
Financial assets											
Cash and cash equivalents	84,590	2,810,352	78,556	482,669	-	204,357	55	4,430	228,590	4,409	3,898,008
Other balances and placements	-	1,761,793	-	-	-	-	-	-	-	-	1,761,793
Financial assets at fair value through profit or loss	-	3,072,598	-	-	12,480	-	-	-	343,177	-	3,428,255
Investment securities	-	-	-	-	1,187,114	-	-	-	-	-	1,187,114
Loans and advances	-	-	-	-	242,455	-	-	-	-	-	242,455
Total financial assets	84,590	7,644,743	78,556	482,669	1,442,049	204,357	55	4,430	571,767	4,409	10,517,625
Financial liabilities											
Currency in circulation	-	-	-	-	1,658,006	-	-	-	-	-	1,658,006
Deposits from Government	323,662	140,457	688	67,318	1,347,794	-	-	-	-	-	1,879,919
Deposits from banks	540,416	1,229,154	-	-	3,409,794	-	-	-	-	-	5,179,364
Deposits from other financial institutions	-	-	-	-	116,279	-	-	-	-	-	116,279
Other deposits	8,005	36,442	1,854	-	46,714	-	-	-	-	-	93,015
Open Market Operations	-	-	-	-	200,011	-	-	-	-	-	200,011
International Monetary Fund obligations	-	-	-	698,988	1,534	-	-	-	-	-	700,522
Total financial liabilities	872,083	1,406,053	2,542	766,306	6,780,132	-	-	-	-	-	9,827,116
Net financial position	(787,493)	6,238,690	76,014	(283,637)	(5,338,083)	204,357	55	4,430	571,767	4,409	690,509

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 ***Market risk (continued)***

(b) Currency risk (continued)

Sensitivity to currency risk

A sensitivity analysis is performed for each type of market risk to which the Bank is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The table below presents the sensitivity analysis of the Bank's financial assets and liabilities in relation to changes in foreign exchange rates.

		(Increase)/Decrease in impact on equity		**(Increase)/Decrease in profit or loss**	
	Currency	**2023**	2022	**2023**	2022
		SCR' 000	SCR' 000	**SCR' 000**	SCR' 000
Impact of:					
An appreciation of 5.0% in the value of the Seychelles Rupee against all other currencies	**EUR**	**22,324**	(39,375)	**22,324**	(39,375)
	USD	**292,930**	311,935	**292,930**	311,935
	GBP	**5,095**	3,801	**5,095**	3,801
	Others[4]	**23,089**	25,069	**23,089**	25,069
A depreciation of 5.0% in the value of the Seychelles Rupee against all other currencies	**EUR**	**(22,324)**	39,375	**(22,324)**	39,375
	USD	**(292,930)**	(311,935)	**(292,930)**	(311,935)
	GBP	**(5,095)**	(3,801)	**(5,095)**	(3,801)
	Others	**(23,089)**	(25,069)	**(23,089)**	(25,069)

Adherence to its Investment Policy and Guidelines implies that the Bank will continue to be exposed to foreign currency risk. Nonetheless, the Bank's foreign currency risk is limited by its investment in cash and cash equivalents, short-term investment and financial assets at FVTPL.

(c) Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management is assisted by external fund managers in its strategy to maximise investment returns. All assets managed by fund managers and all buy and sell decisions are approved by same in compliance with the agreement which reflects compliance to the Investment Policy and Guidelines.

[4] The others category consists of XDR, AUD, CAD, ZAR, CNY and CNH

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 *Market risk (continued)*

(c) Other price risk (continued)

Other price risks stemming from the money market fund and foreign treasury securities portfolio are generally managed according to parameters stipulated within the Investment Policy and Guidelines. However, since the money market fund is not a standalone eligible asset class as stipulated in the Investment Policy and Guidelines, it was expressly authorised by the Board of Directors. Therefore, the management of associated risks is conducted with reference made to the underlying assets making up the fund. In addition, the nature of the fund requires that consideration is also given to tolerable risk thresholds related to external asset management.

Sensitivity to price risk

The table below presents the sensitivity analysis of the Bank’s financial assets and liabilities in relation to changes in market price.

	Increase/(Decrease) in impact on equity		**Increase/(Decrease) in profit or loss**	
	2023	2022	**2023**	2022
Impact of:	**SCR’ 000**	SCR’ 000	**SCR’ 000**	SCR’ 000
An increase of 5% in the market price of foreign investments	**175,053**	171,413	**175,053**	171,413
A decrease of 5% in the market price of foreign investments	**(175,053)**	(171,413)	**(175,053)**	(171,413)

The Bank’s foreign price risk is limited by its investment in financial assets classified as financial assets at FVTPL.

45.2 *Credit risk*

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk also arises from loans and advances. Staff loans are managed by the Bank under the ambit of the staff loans policy which is approved by the Board of Directors. Depending on the staff loans category, appropriate security or collateral is taken in order to limit the impact of any potential default event. For staff still employed with the Bank, the risk of default is very unlikely in view that loan repayments are made from salary deductions and other dues to service the loans. The two relief credit line facilities, the PSRCLF and PSLERCLF are also subject to credit risk in view that the Bank provided loans to banks, DBS to further assist eligible micro, small, medium and large enterprises impacted by the COVID-19 pandemic.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

In the event of a default by the enterprises, the banks, DBS and SCU shall be liable to settle 30 per cent of the loans under PSRCLF and 50 per cent of the loans under PSLERCLF. The Government has provided a guarantee to cover 70 per cent of the loans for MSMEs under the PSRCLF and 50 per cent of the loans for the large enterprises under the PSLERCLF.

(a) Credit risk measurement

The Bank's maximum exposure is reflected in the carrying amount of financial assets in the statement of financial position.

The Bank's investments in short-term deposit instruments coupled with institutions of acceptable credit worthiness allows it to manage its credit risk effectively. As such, the Bank is not exposed to significant credit risk, which is the risk that its counterparts will be unable to fulfil their contractual obligations.

Credit risk related to the placement of deposits with international banks and other financial institutions, including correspondent banks, is guided by credit ratings obtained from Standard and Poor's, Moody's Investors Services, or Fitch Ratings. To be eligible for deposits, including holdings on correspondent account, the international bank must be rated investment grade and above.

To limit credit risk, no more than 35 per cent of reserves are invested in claims on international banks and other financial institutions with a minimum credit rating of 'A-'. Reflecting uncertainties regarding international banks and other financial institutions, the maturity of these deposits should not exceed 6 months. The exposure to credit risk in the local markets is limited due to the largest amount of domestic financial assets in the Bank's portfolio being Government securities which carry sovereign risk. Furthermore, given that the Bank is the regulatory authority for banks, any investment and transactions with them such as reverse repurchase agreements and foreign exchange swaps will be treated as low risk as such transactions are secured.

The following table presents the Bank's financial assets based on a composite of Standard and Poor's, Fitch and Moody's credit ratings. 'AAA' is the rating used for identification of highly reliable international financial institutions. This rating indicates that the entity has an extremely strong capacity to pay interest and principal. 'AA' is a high-grade rating and 'A' is an upper-medium grade rating, indicating a very strong capacity to pay interest and principal, respectively. 'BBB' is the lowest investment grade rating, indicating an adequate capacity to pay interest and principal. Ratings lower than 'AAA' can be modified by '+' or '–' signs to indicate relative standing within the major categories. 'N/R' indicates the entity has not been rated by any of the above-mentioned rating agencies.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

	Credit Rating	**2023** Amount SCR' 000	**2023** % of Financial Assets	2022 Amount SCR' 000	2022 % of Financial Assets
Financial assets					
Cash and cash equivalents					
– Demand deposits	AA	**98,118**	**0.88%**	89,428	0.85%
	AA-	**441,160**	**3.97%**	198,748	1.89%
	A	**227,428**	**2.05%**	253,998	2.41%
	A-	**24,266**	**0.22%**	19,892	0.19%
	BB	**31,063**	**0.28%**	22,981	0.22%
	BB-	**5,850**	**0.06%**	4,430	0.04%
	N/R	**2,487,352**	**22.40%**	2,814,400	26.76%
– SDR holdings and reserve Tranche	N/R	**384,188**	**3.46%**	482,672	4.59%
– Foreign currency cash	No risk	**11,034**	**0.10%**	11,459	0.11%
Other balances and Placements	AA-	**-**	**0.00%**	226,070	2.15%
	A	**-**	**0.00%**	71,969	0.68%
	N/R	**2,551,279**	**22.98%**	1,463,754	13.91%
Financial assets at fair value through profit or loss	AAA	**2,584,177**	**23.27%**	2,567,023	24.41%
	AA	**281,036**	**2.53%**	212,278	2.02%
	A+	**311,744**	**2.81%**	354,322	3.37%
	A-	**165,465**	**1.49%**	151,062	1.43%
	BBB	**43,342**	**0.39%**	45,099	0.43%
	BB+	**18,722**	**0.17%**	38,950	0.37%
	BB-	**58,914**	**0.53%**	35,432	0.34%
	N/R	**37,652**	**0.34%**	24,089	0.23%
Investment in Government Securities	BB-	**1,186,271**	**10.68%**	1,187,114	11.29%
Loans and advances	N/R	**154,780**	**1.39%**	242,455	2.31%
		11,103,841	**100.00%**	10,517,625	100.00%

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

The estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”). The Bank uses PD obtained from the credit rating agency as a baseline and these are further recalibrated.

Balances with other banks and financial institutions, including other central banks
The Bank uses external credit risk ratings that reflect its assessment of the PD of individual and sovereign counterparties. The PD’s are recalibrated to adjust the deviations in rankings.

Staff loans
After the date of initial recognition, for staff loans, the default event is determined as the staff leaving the Bank, having loans and not settled within 6 months as per stated policy.

Expected credit loss measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

Further explanation is also provided on how the Bank determines appropriate groupings when ECL is measured on a collective basis.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

The remaining lifetime PD at the reporting date has increased, compared to the residual lifetime PD expected at the reporting date when the exposure was first recognised.

Balances with other banks and financial institutions, including other central banks: This is determined by a change/downgrade in external rating and depending on the original rating more than one may be needed to trigger a SICR transfer. Many of these exposures are short-term so it should be noted that the ratings changes required to trigger SICR would have to happen in a very short-timeframe.

Investment Securities will follow a similar approach to other counterparty exposures above. This is a longer-term exposure and the effect to moving to a lifetime ECL would be significant.

Qualitative criteria

The assessment of SICR incorporates forward-looking information in so far as the external ratings are constructed to reflect macro-economic outlook and impact.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 90 days past due on its contractual payments. The Bank has not used the low credit risk exemption for any financial instruments for the year ended 31 December 2023.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower has failed to meet contractual obligations on repayment being either 90 days in arrears or in the case of staff lending has left the Bank and failed to meet contractual requirement on settling the outstanding loan.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Bank's expected loss calculations.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate as at date or an approximation thereof.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the EAD is predicted by taking current drawn balance and adding a ‘credit conversion factor’ which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PDs, EADs and LGDs. These assumptions vary by product type. Refer to the note overleaf for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed based upon new parameters being released by the rating agencies.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information on the corporate and sovereign exposures derived through the external rating and outlook.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

On staff lending, the data is very sparse and does not practically lend itself to macroeconomic modelling without undue cost and effort. A Pluto-Tasche adjustment is applied to the staff loan parameters to allow for volatility and prudence.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.
Management overlays can also be applied where justified, as approved by the Risk Management Committee ("RMC").

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- The level of rating downgrade needed to trigger SICR on corporate and sovereign exposure and invoke a lifetime ECL calculation. Depending on the rating at origination, a downgrade of 1, 2 or 3+ notches is required to trigger a SICR and set using the ratings PD ranges.

- The adoption of an LGD of 45 per cent on corporate and sovereign exposures.
  Recent industry research has shown this LGD to range between 13 per cent and 73 per cent with an average in the range of 35 per cent to 45 per cent. Applying the LGD at the upper end of the range as a sensitivity has an ECL impact of **SCR 0.91 million** (2022– SCR 0.87 million).

- The benchmarking and assumptions used in setting the ECL parameters for staff lending given the low loan volumes and very limited default history. This has been offset by invoking a Pluto-Tasche calculation to set some upper confidence limits. Additional information will need to be gathered and incorporated over time.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Bank. The characteristics and any supplementary data used to determine groupings are outlined below:

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL:

2023

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Gross amount	**12- month ECL**	**Gross amount**	**Lifetime ECL**	**Gross amount**	**Lifetime ECL**	**Total gross amount**	**Total ECL**
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**	**SCR' 000**	**SCR' 000**	**SCR' 000**	**SCR' 000**
Cash and cash equivalents	**3,703,847**	**31**	**-**	**-**	**-**	**-**	**3,703,847**	**31**
Other balances and placements	**2,551,298**	**19**	**-**	**-**	**-**	**-**	**2,551,298**	**19**
Investment securities	**1,189,770**	**3,499**	**-**	**-**	**-**	**-**	**1,189,770**	**3,499**
Loans and advances	**160,805**	**915**	**-**	**-**	**13**	**3**	**160,818**	**918**
As at 31 December 2023	**7,605,720**	**4,464**	**-**	**-**	**13**	**3**	**7,605,733**	**4,467**

2022

	Stage 1		Stage 2		Stage 3		Total	
	Gross Amount	12- Month ECL	Gross Amount	Lifetime ECL	Gross Amount	Lifetime ECL	Total Gross Amount	Total ECL
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Cash and cash equivalents	3,886,578	29	-	-	-	-	3,886,578	29
Other balances and placements	1,761,809	16	-	-	-	-	1,761,809	16
Investment securities	1,189,918	2,804	-	-	-	-	1,189,918	2,804
Loans and advances	283,120	1,409	-	-	11	3	283,131	1,412
As at 31 December 2022	7,121,425	4,258	-	-	11	3	7,121,436	4,261

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

As shown in the above tables, the overall allowance for ECL for the financial instruments has increased from SCR 4.26 million at 31 December 2022 to **SCR 4.47 million** at 31 December 2023. The changes are an increase in the investment securities which is due to a decline in the effective interest rate (EIR) by 0.11 per cent in consequence of an increase in the tender prices.

The following tables explain the changes in the loss allowance between the previous period and the current reporting period due to change in credit risk factors.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12- month ECL	**lifetime ECL**	**lifetime ECL**	
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**
Cash and cash equivalents				
Loss allowance as at 31 December 2022	**29**	-	**-**	**29**
Changes in loss allowance				
New financial assests originated or purchased	**11**	**-**	**-**	**11**
Financial assets that have been derecognised	**(9)**	**-**	**-**	**(9)**
Loss allowance as at 31 December 2023	**31**	**-**	**-**	**31**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- month ECL	lifetime ECL	lifetime ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Cash and cash equivalents				
Loss allowance as at 31 December 2021	34	-	-	34
Changes in loss allowance				
New financial assests originated or purchased	4	-	-	4
Financial assets that have been derecognised	(13)	-	-	(13)
Changes in models/risk parameters	4	-	-	4
Loss allowance as at 31 December 2022	29	-	-	29

CENTRAL BANK OF SEYCHELLES

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12- month ECL	**lifetime ECL**	**lifetime ECL**	
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**
Other balances and placements				
Loss allowance as at 31 December 2022	**16**	**-**	**-**	**16**
Changes in loss allowance				
New financial assets originated or purchased	**8**	**-**	**-**	**8**
Financial assets that have been derecognised	**(4)**	**-**	**-**	**(4)**
Changes in models/risk parameters	**(1)**	**-**	**-**	**(1)**
Loss allowance as at 31 December 2023	**19**	**-**	**-**	**19**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- month ECL	lifetime ECL	lifetime ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Other balances and placements				
Loss allowance as at 31 December 2021	4	-	-	4
Changes in loss allowance				
New financial assets originated or purchased	7	-	-	7
Changes in models/risk parameters	5	-	-	5
Loss allowance as at 31 December 2022	16	-	-	16

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NOTES TO THE FINANCIAL STATEMENTS
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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12- month ECL	**lifetime ECL**	**lifetime ECL**	
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**
Investment securities				
Loss allowance as at 31 December 2022	**2,804**	-	-	**2,804**
Changes in loss allowance				
Changes in models/risk parameters	**695**	**-**	**-**	**695**
Loss allowance as at 31 December 2023	**3,499**	**-**	**-**	**3,499**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- month ECL	lifetime ECL	lifetime ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Investment securities				
Loss allowance as at 31 December 2021	4,417	-	-	4,417
Changes in loss allowance				
New financial assets originated or purchased	2	-	-	2
Financial assets that have been derecognised	(1,615)	-	-	(1,615)
Loss allowance as at 31 December 2022	2,804	-	-	2,804

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12- month ECL	**lifetime ECL**	**lifetime ECL**	
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**
Loans and advances				
Loss allowance as at 31 December 2022	**1,409**	**-**	**3**	**1,412**
Changes in loss allowance				
New financial assets originated or purchased	**55**	**-**	**-**	**55**
Financial assets that have been derecognised	**(637)**	**-**	**-**	**(637)**
Changes in models/risk parameters	**88**	**-**	**-**	**88**
Loss allowance as at 31 December 2023	**915**	**-**	**3**	**918**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- month ECL	lifetime ECL	lifetime ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Loans and advances				
Loss allowance as at 31 December 2021	3,243	2	-	3,245
Changes in loss allowance				
New financial assets originated or purchased	68	-	-	68
Financial assets that have been derecognised	(1,297)	(2)	-	(1,299)
Changes in models/risk parameters	(605)	-	3	(602)
Loss allowance as at 31 December 2022	1,409	-	3	1,412

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 *Credit risk (continued)*

(a) Credit risk measurement (continued)

Write-off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (a) ceasing enforcement activity and (b) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off for the year ended 31 December 2023 was **Nil** (2022 – Nil). The Bank will seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Maximum exposure to credit risk — Financial instruments subject to impairment
The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts (including loans not yet disbursed) of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

	2023				2022
	Stage 1 12-month ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**	Total
	SCR' 000	**SCR' 000**	**SCR' 000**	**SCR' 000**	SCR' 000
Investment grade	**6,720,987**	**-**	**-**	**6,720,987**	6,044,629
Standard monitoring	**160,805**	**-**	**-**	**160,805**	283,120
default	**-**	**-**	**13**	**13**	11
Gross carrying amount	**6,881,792**	**-**	**13**	**6,881,805**	6,327,760
Loss allowance	**(4,464)**	**-**	**(3)**	**(4,467)**	(4,261)
Carrying amount	**6,877,328**	**-**	**10**	**6,877,338**	6,323,499

Collateral and other credit enhancements

The Bank has collateral for certain categories of staff loans in the form of guarantees, charges, property and pledge of insurance.

CENTRAL BANK OF SEYCHELLES

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 ***Credit risk (continued)***

(b) Concentration of risk – Geographical sectors

The table below breaks down the Bank's main credit exposure at the carrying amounts, as categorised by geographical region as of 31 December 2023. Exposures have been allocated by region of the country of domicile of the relevant counterparties.

	Europe	America	Seychelles	Asia	Africa	Australia	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
At 31 December 2023							
Financial assets							
Cash and cash equivalents	**2,281,566**	**743,420**	**11,034**	**668,589**	**5,850**	**-**	**3,710,459**
Other balances and placements	**2,551,279**	**-**	**-**	**-**	**-**	**-**	**2,551,279**
Financial assets at fair value through profit or loss	**423,264**	**2,403,421**	**11,751**	**507,548**	**61,622**	**93,446**	**3,501,052**
Investment securities	**-**	**-**	**1,186,271**	**-**	**-**	**-**	**1,186,271**
Loans and advances	**-**	**-**	**154,780**	**-**	**-**	**-**	**154,780**
Total financial assets	**5,256,109**	**3,146,841**	**1,363,836**	**1,176,137**	**67,472**	**93,446**	**11,103,841**
At 31 December 2022							
Financial assets							
Cash and cash equivalents	2,465,790	963,581	11,459	452,748	4,430	-	3,898,008
Other balances and placements	1,463,754	-	-	298,039	-	-	1,761,793
Financial assets at fair value through profit or loss	517,229	2,330,469	12,480	445,923	45,099	77,055	3,428,255
Investment securities	-	-	1,187,114	-	-	-	1,187,114
Loans and advances	-	-	242,455	-	-	-	242,455
Total financial assets	4,446,773	3,294,050	1,453,508	1,196,710	49,529	77,055	10,517,625

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 *Liquidity risk*

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities. It refers to the possible difficulties in selling (liquidating) large amounts of assets quickly, possibly in a situation where market conditions are also unfavourable, resulting in adverse price movement. As the Bank is the sole issuer of the national currency this channels its liquidity risk towards its foreign currency positions. On that basis, the liquidity of each financial instrument eligible for investment is duly considered by the Bank before an investment is made.

To reduce liquidity risk, the Bank can only invest in instruments with an active and liquid secondary market or instruments which can be prematurely traded or cancelled without incurring significant costs.

(a) Contractual maturity of financial assets and liabilities

The table overleaf analyses the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the maturity table are the undiscounted cash flows which are adjusted for ECL. Such undiscounted cash flows differ from the amount included in the statement of financial position which is based on discounted cash flows. Balances due within one month equal their carrying balances, as the impact of discounting is not significant.

CENTRAL BANK OF SEYCHELLES

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 ***Liquidity risk (continued)***

(a) Contractual maturity of financial assets and liabilities (continued)

	Demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Carrying amount
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
At 31 December 2023							
Financial liabilities							
Currency in circulation	1,641,447	-	-	-	-	(1,641,447)	1,641,447
Deposits from Government	1,379,356	-	-	-	-	(1,379,356)	1,379,356
Deposits from banks	4,970,734	-	-	-	-	(4,970,734)	4,970,734
Deposits from other financial institutions	107,443	-	-	-	-	(107,443)	107,443
Other deposits	109,860	-	-	-	-	(109,860)	109,860
Open Market Operations	383,845	396,831	460,820	-	-	(1,241,496)	1,231,405
International Monetary Fund obligations	6,683	25,602	100,126	344,014	871,675	(1,348,100)	657,685
Total financial liabilities	8,599,368	422,433	560,946	344,014	871,675	(10,798,436)	10,097,930
Financial assets							
Cash and cash equivalents	2,546,750	1,176,108	-	-	-	3,722,858	3,710,459
Other balances and placements	1,027,409	521,218	1,026,726	-	-	2,575,353	2,551,279
Financial assets at fair value through profit or loss	47,491	127,715	680,170	2,598,413	47,263	3,501,052	3,501,052
Investment securities	-	-	1,199,432	-	-	1,199,432	1,186,271
Loans and advances	1,141	19,057	36,670	102,161	79,979	239,008	154,780
Total financial assets	3,622,791	1,844,098	2,942,998	2,700,574	127,242	11,237,703	11,103,841
Net liquidity gap	4,976,578	(1,421,665)	(2,382,052)	(2,356,560)	744,433	439,266	(1,005,911)

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 ***Liquidity risk (continued)***

(a) Contractual maturity of financial assets and liabilities (continued)

	Demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Gross nominal inflow/ (outflow)	Carrying amount
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
At 31 December 2022							
Financial liabilities							
Currency in circulation	1,658,006	-	-	-	-	(1,658,006)	1,658,006
Deposits from Government	1,879,919	-	-	-	-	(1,879,919)	1,879,919
Deposits from banks	5,179,364	-	-	-	-	(5,179,364)	5,179,364
Deposits from other financial institutions	116,279	-	-	-	-	(116,279)	116,279
Other deposits	93,015	-	-	-	-	(93,015)	93,015
Open Market Operations	200,018	-	-	-	-	(200,018)	200,011
International Monetary Fund obligations	6,656	21,481	111,492	318,078	712,709	(1,170,416)	700,522
Total financial liabilities	9,133,257	21,481	111,492	318,078	712,709	(10,297,017)	9,827,116
Financial assets							
Cash and cash equivalents	1,975,784	1,937,500	-	-	-	3,913,284	3,898,008
Other balances and placements	794,580	570,133	407,428	-	-	1,772,141	1,761,793
Financial assets at fair value through profit or loss	79,503	130,901	769,461	2,402,932	45,458	3,428,255	3,428,255
Investment securities	-	-	1,201,321	-	-	1,201,321	1,187,114
Loans and advances	776	28,523	77,909	141,623	86,179	335,010	242,455
Total financial assets	2,850,643	2,667,057	2,456,119	2,544,555	131,637	10,650,011	10,517,625
Net liquidity gap	6,282,614	(2,645,576)	(2,344,627)	(2,226,477)	581,072	(352,994)	(690,509)

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
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46. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

46.1 *Fair value of financial assets and liabilities*

The table below summarises the carrying amounts and fair values of investment securities which are not presented on the Bank's statement of financial position at fair value:

	2023		2022	
	Carrying value	**Fair value**	Carrying value	Fair value
	SCR' 000	**SCR' 000**	SCR' 000	SCR' 000
Financial assets				
Investment securities	**1,186,271**	**1,172,451**	1,187,114	1,189,786
	========	========	========	========

The fair value of investment securities classified at amortised cost is based on market prices of Government treasury bills as at the reporting date. The fair value of Government treasury bills has been computed using the compounded interest method at interest rates of **3.83 per cent** per annum for the 182-day treasury bills (2022 – 1.39 per cent per annum) and **3.95 per cent** per annum for the 365-day treasury bills (2022 – 2.19 per cent per annum). For all other financial assets and liabilities, their carrying amounts are a reasonable approximation of fair value.

46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

46.2 *Valuation models*

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within level 1 that are observables either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

46.3 *Accounting classifications and fair values*

The following tables overleaf set out the fair values of financial instruments measured at fair value and analyse them by the level in the fair value hierarchy into which each fair value measurement is categorised. The tables also set out the other financial instruments not measured at fair value.

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46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

46.3 *Accounting classifications and fair values (continued)*

	Carrying amount				Fair value			
	At fair value through profit or loss	at amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
At 31 December 2023								
Financial assets measured at fair value								
Financial assets at fair value through profit or loss	3,501,052	-	-	3,501,052	3,453,889	-	47,163	3,501,052
Financial assets not measured at fair value								
Cash and cash equivalents	-	3,710,459	-	3,710,459	-	3,710,459	-	3,710,459
Other balances and placements	-	2,551,279	-	2,551,279	-	2,551,279	-	2,551,279
Investment securities	-	1,186,271	-	1,186,271	-	1,172,451	-	1,172,451
Loans and advances	-	154,780	-	154,780	-	-	154,780	154,780
Total assets not measured at fair value	-	7,602,789	-	7,602,789	-	7,434,189	154,780	7,588,969
Financial liabilities not measured at fair value								
Currency in circulation	-	-	1,641,447	1,641,447	-	-	-	-
Deposit from Government	-	-	1,379,356	1,379,356	-	-	-	-
Deposit from banks	-	-	4,970,734	4,970,734	-	937,076	-	937,076
Deposit from other financial Institutions	-	-	107,443	107,443	-	-	-	-
Other deposits	-	-	109,860	109,860	-	-	-	-
Open Markets Operations	-	-	1,231,405	1,231,405	-	1,231,405	-	1,231,405
International Monetary Fund obligations	-	-	657,685	657,685	-	657,685	-	657,685
Total liabilities not measured at fair value	-	-	10,097,930	10,097,930	-	2,826,166	-	2,826,166

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NOTES TO THE FINANCIAL STATEMENTS
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46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

46.3 *Accounting classifications and fair values (continued)*

	Carrying amount				Fair value			
	At fair value through profit or loss	At Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
At 31 December 2022								
Financial assets measured at fair value								
Financial assets at fair value through profit or loss	3,428,255	-	-	3,428,255	3,383,156	-	45,099	3,428,255
Financial assets not measured at fair value								
Cash and cash equivalents	-	3,898,008	-	3,898,008	-	3,898,008	-	3,898,008
Other balances and placements	-	1,761,793	-	1,761,793	-	1,761,793	-	1,761,793
Investment securities	-	1,187,114	-	1,187,114	-	1,189,786	-	1,189,786
Loans and advances	-	242,455	-	242,455	-	-	242,455	242,455
Total assets not measured at fair value	-	7,089,370	-	7,089,370	-	6,849,587	242,455	7,092,042
Financial liabilities not measured at fair value								
Currency in circulation	-	-	1,658,006	1,658,006	-	-	-	-
Deposit from Government	-	-	1,879,919	1,879,919	-	-	-	-
Deposit from banks	-	-	5,179,364	5,179,364	-	878,012	-	878,012
Deposit from other financial institutions	-	-	116,279	116,279	-	-	-	-
Other deposits	-	-	93,015	93,015	-	-	-	-
Open Markets Operations	-	-	200,011	200,011	-	200,011	-	200,011
International Monetary Fund obligations	-	-	700,522	700,522	-	700,522	-	700,522
Total liabilities not measured at fair value	-	-	9,827,116	9,827,116	-	1,778,545	-	1,778,545

46. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

46.3 *Accounting classifications and fair values (continued)*

There have been no transfers during the year between levels 1 and 2. A reconciliation of fair value measurements in level 3 is set out below:

	Equity Securities	
	2023	2022
	SCR' 000	SCR' 000
Balance as at 1 January	**45,099**	43,292
Additions	**1,329**	1,307
Change in fair value	**735**	500
Balance as at 31 December	**47,163**	45,099

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

46.4 *Valuation techniques used*

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For the other financial instruments, the Bank determines fair values using the valuation technique as per table below:

Description	**Valuation technique**	**Sensitivity analysis**
Investments in shares with Afreximbank	Net asset value of the investee company	The estimated fair value would increase/decrease if the net asset value of the investee company increases/decreases
Loans and advances	Discounted cash flow model based on various assumptions, including expected future cash flows, market rates of interest. Present value is used	

47. TAXATION

The Bank is exempted from taxation under Section 49 of the CBS Act and particular revenue laws, but is subject to payments of value added tax and makes retention in respect of withholding taxes on services acquired from foreign entities.

48. CURRENCY

The financial statements are presented in Seychelles Rupees and figures are stated in thousands of Seychelles Rupees.

49. EVENTS AFTER THE REPORTING DATE

The Governor, Ms Caroline Abel was reappointed for a third six-year mandate on 14 March 2024. On 13 March 2024, the mandate of the Second Deputy Governor, Ms Jenifer Sullivan came to an end. Her successor will be appointed in due course as the Bank has adopted a staggered approach to the appointment of Senior Management of CBS, to ensure business continuity.

Mr Jean-Paul Barbier was appointed as a member of the Bank's Board of Directors for a six-year mandate on 1 January 2024. His appointment follows the end of tenure of former Board member Mr Bertrand Rassool who has served two consecutive terms.