

FINANCIAL STABILITY REPORT

20
25



Supplementary Report



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ACRONYMS

CBS	Central Bank of Seychelles
FIU	Financial Intelligence Unit
FSA	Financial Services Authority
FSC	Financial Stability Committee
FSR	Financial Stability Report
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standard
PE	Public Enterprise
PEMC	Public Enterprises Monitoring Commission
PPO	Public Policy Objective
ROA	Return on Assets
ROE	Return on Equity

1 PURPOSE OF THE REPORT

The Supplementary Financial Stability Report (FSR) 2025 builds on the annual FSR published in June 2026 by providing additional and updated analysis of areas where data availability and quantitative assessment were previously limited. In particular, it incorporates more comprehensive information on the insurance and Public Enterprise (PE) sectors and assesses their potential implications for fiscal and financial stability.

This supplementary publication enhances the overall assessment of risks and vulnerabilities to the Seychelles financial system and supports transparency and accountability through the identification and analysis of emerging systemic risks¹ and vulnerabilities.

The Report draws on contributions from FSC member institutions—the Central Bank of Seychelles (CBS), the Ministry responsible for Finance, the Financial Services Authority (FSA) and the Financial Intelligence Unit (FIU), with the Ministry’s contribution incorporating relevant analysis from the Public Enterprise Monitoring Commission (PEMC).

¹ A risk is deemed systemic when it poses a threat to the financial intermediation function of a financial system and may lead to widespread economic disruption.

2 EXECUTIVE SUMMARY

The 2025 Supplementary FSR provides an expanded assessment of systemic risks and vulnerabilities within Seychelles' financial system, with a particular focus on the insurance and PE sectors.

The insurance sector remained broadly resilient during the review period. The life insurance segment sustained solvency and profitability, supported by adequate capital buffers, though returns on assets and equity moderated slightly. The general insurance segment continued to generate profits, aided by improved claims ratios and stronger cost management, despite ongoing underwriting pressures. Reliance on reinsurance and exposure to market volatility remained key vulnerabilities, but these were contained by sound capital positions and reinforced supervisory oversight. Furthermore, indicators of penetration and density confirmed the sector's continued expansion in market participation and contribution to economic activity.

Throughout 2025, PEs continued to play an integral role in economic and social development through the management of strategic assets and the provision of essential services. While revenue growth was recorded, profitability weakened and borrowing remained concentrated in a few large entities, particularly in the energy and transport sectors. Although balance sheet resilience improved modestly, vulnerabilities persisted due to concentrated revenue streams, and implicit expectations of government support. Additionally, while only 4.9 per cent of PE debt was explicitly guaranteed by the Government, the remaining debt may still carry implicit contingent liability in the event of financial distress. These structural features remain a potential source of risk to both fiscal and financial stability.

The expanded analysis underscores that both the insurance and PE sectors remained broadly stable but carried vulnerabilities that could amplify systemic risks, if left unaddressed. This highlights the importance of continued effective oversight and monitoring of these sectors.

Under the provisions of the Financial Stability Act, 2023, the FSC retains a pivotal mandate in safeguarding the stability of the financial system. Its role is exercised through strengthened coordination among relevant stakeholders, continuous monitoring and assessment of systemic risks, and the development of targeted policy measures. This collaborative approach is fundamental to enhancing system-wide resilience and ensuring that emerging systemic risks are addressed in a timely and effective manner.

3 HIGHLIGHTS

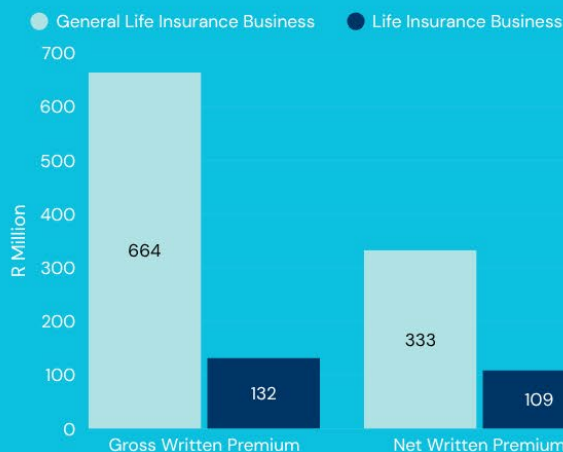
INSURANCE SECTOR PERFORMANCE INDICATORS

5 Insurance Companies



Premiums Written

December 2025



Total Assets

December 2025



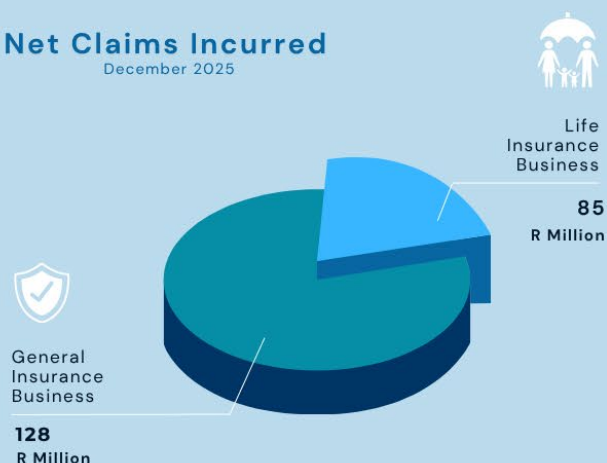
Profit / Loss After Tax

December 2025



Net Claims Incurred

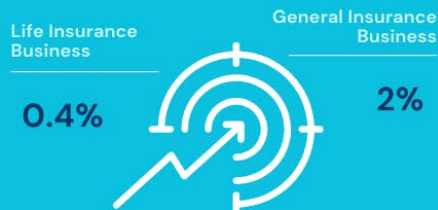
December 2025



Key Financial Ratio Indicators



Insurance Penetration



Insurance Density



Disclaimer: Due to the ongoing 2025 audit of one insurer, the data comprises a combination of audited and unaudited figures.

PUBLIC ENTERPRISE SECTOR PERFORMANCE INDICATORS

SECTOR COMPOSITION



PE SECTOR

15

SERVICES & DEVELOPMENT

7

ENERGY

6

TRANSPORT

2

FINANCIAL (NON-BANKING)

FINANCIAL POSITION

REVENUE & PROFIT



TOTAL OPERATIONAL REVENUE

R12.3 Billion



TOTAL REVENUE

R13.1 Billion



TOTAL NET PROFIT

R1.0 Billion

ASSETS & LIABILITIES



TOTAL ASSETS

R22.9 Billion



TOTAL LIABILITIES

R6.8 Billion



TOTAL BORROWINGS

R2.4 Billion

GOVERNMENT EXPOSURE AND RETURN

GOVERNMENT GUARANTEES



R117.3 Million

DIVIDEND TO GOVERNMENT



R346.5 Million

PERFORMANCE AND RISK SIGNALS



PROFIT-MAKING PEs

16 PEs



LOSS-MAKING PE

1 PE



NEGATIVE-EQUITY PEs

4 PEs

Disclaimer: Of the 30 Public Enterprises, four are non-operational and do not produce material financial information, while nine are excluded due to non-submission of financial statements.

4 INSURANCE SECTOR

In fulfilling their role of providing financial protection and facilitating risk transfer, insurance companies are exposed to a range of financial, underwriting, and operational risks that may affect their financial performance, solvency and long-term sustainability. Vulnerabilities within the insurance sector may also have broader implications for financial stability, particularly where they impair insurers' capacity to meet policyholder obligations and absorb unexpected shocks. This section assesses key financial performance and stability indicators² to evaluate the overall soundness, profitability, and resilience of the insurance sector. Regular monitoring of these indicators helps identify emerging risks, trends and potential vulnerabilities, thereby supporting timely supervisory action, safeguarding confidence in the insurance sector and contributing to the stability of the wider financial system.

4.1 Financial Performance

The life insurance segment, comprising two insurers, remained financially sound during the year, demonstrating continued resilience and the ability to withstand potential financial shocks. Insurers continued to maintain adequate capital resources to meet policyholder obligations while remaining solvent.

Profitability remained positive, with Return on Assets (ROA) decreasing from 4.8 per cent in 2024 to 4.0 per cent in 2025, while Return on Equity (ROE) stood at 25% in 2024, and remained at the same level in 2025. Although ROA declined slightly, life insurers continued to generate positive returns from their asset base and maintained strong returns for shareholders. The decline in ROA occurred alongside an increase in gross written premiums, indicating continued business growth during the year. Overall, the results suggest that life insurers remained profitable and financially resilient despite the modest reduction in asset-based profitability.

The loss ratio (also known as the claims ratio) declined slightly from 80 per cent in 2024 to 78 per cent in 2025, reflecting a modest improvement in claims experience and suggesting that claims costs remained broadly manageable relative to premium income. Similarly, the combined ratio improved from 126 per cent to 113 per cent, driven by a reduction in expenses and net claims, together with an increase in net premiums earned. Although the ratio remained above 100%, the improvement highlights

² Given the transition to the International Financial Reporting Standard (IFRS) 17, indicators compiled previously are not directly comparable with the revised methodology. Consequently, the report does not present historical trends for these indicators at this stage.

strengthening underwriting performance and enhanced cost management during the year. The retention ratio declined from 88 per cent in 2024 to 82 per cent in 2025, reflecting a higher proportion of premiums ceded to reinsurers during the year. Despite this decline, life insurers continued to retain a substantial share of premiums. The reduction in the retention ratio coincided with a notable increase in gross written premiums and a modest rise in net written premiums, indicating continued business growth while maintaining prudent risk-transfer arrangements through reinsurance.

The general insurance segment, comprising four insurers, remained profitable during the year despite underwriting pressures. ROA increased from 7.1 per cent in 2024 to 7.9 per cent in 2025, while ROE improved from 21 per cent to 22 per cent over the same period. The loss ratio improved from 42 per cent in 2024 to 39 per cent, reflecting lower claims costs relative to premium income and an improved claims experience. The combined ratio decreased from 86 per cent in 2024 to 79 per cent in 2025, indicating that claims and operating expenses were lower than premium income earned, which resulted in a higher underwriting profit. While investment and other non-underwriting income provided support for some insurers, particularly those with significant real estate and investment portfolios, reliance on these income sources was not uniform across the sector. The retention ratio decreased marginally from 52 per cent in 2024 to 50 per cent in 2025, underscoring the general insurers' continued reliance on reinsurance to manage exposure to large and complex risks. While such reliance supports risk-sharing, it also highlights the importance of maintaining robust and diversified reinsurance arrangements.

Insurance penetration for life insurance stood at 0.4% in 2024, and remained at the same level in 2025, indicating a stable level of market participation. Insurance penetration was significantly higher in the general insurance sector, at 2.1% for the year 2025 and 1.9% in 2024. Insurance density increased across both sectors during 2025. Insurance density rose from R933 per capita in 2024 to approximately R1,078 per capita in 2025 for life insurance, and from R4,917 per capita to approximately R5,401 per capita for general insurance over the same period. These indicators suggest that while the life insurance segment remains stronger from a liquidity and capital perspective, the general insurance segment continues to play a larger role in the overall development of the insurance market and its contribution to broader economic activity.

4.2 Financial Stability

From a financial stability perspective, the sector's overall resilience limits the likelihood of vulnerabilities within the insurance sector being transmitted to the broader financial system. Nevertheless, continued monitoring is warranted, particularly in relation to underwriting performance, capital and liquidity positions, reinsurance dependence, concentration of exposures and interconnectedness with other parts of the financial system. A deterioration in these areas, particularly under a common macroeconomic or external shock, could weaken insurers' resilience and increase the potential for

broader financial stability implications. Sustained supervisory vigilance across these channels will therefore remain essential to safeguarding resilience and mitigating systemic risk.

Focus Box 1: Why a Stable Banking Sector Matters

A stable banking sector is fundamental to a well-functioning economy. Banks play a vital role in safeguarding deposits, facilitating payments and extending credit to households and businesses. By efficiently channelling funds from savers to borrowers, banks support household consumption, business investment, job creation, economic activity, and sustainable economic growth while helping to maintain confidence in the financial system.

A resilient banking sector ensures that essential financial services continue to be provided even during periods of economic uncertainty, thereby supporting the stability of the wider financial system and economy.

How does a stable banking sector support the economy?



Households and Businesses Save Money, Deposit Funds, and Access essential Banking Services



Banks Safeguard Deposits, Transform Savings into Loans provided to Households and Businesses, Facilitate Payment and Settlement Services, and Support Financial Intermediation



Households Spend and Invest; Businesses Invest, Expand and Create Jobs



Stronger Economic Growth and Greater Confidence in the Financial System which are Fundamental to Maintaining Financial Stability

1. What are the benefits of a stable banking sector?

 Household	 Businesses	 Economy
 Safe Deposits	 Access to Financing	 Job Creation
 Access to Credit	 Working Capital	 Economic Confidence
 Reliable Payment Services	 Business Investment	 Sustainable Economic Growth
 Home Ownership	 Business Expansion	 Greater Resilience to economic shocks

Maintaining these benefits require a banking sector that remains safe, sound and resilient. This requires continuous monitoring of risks and vulnerabilities that could affect banks' ability to provide essential financial services. CBS continuously monitors risks and vulnerabilities that could affect the ability of banks to provide essential financial services or threaten the stability of the financial system.

Through the Financial Stability Committee, established under the Financial Stability Act 2023, CBS works closely with other domestic authorities to identify and mitigate systemic risks, strengthen the resilience of the banking sector, coordinate policy responses where necessary, and safeguard the stability of the financial system.

Focus Box 2: The Role of the Non-Bank Financial Services Sector

A well-functioning non-bank financial services sector broadens the financial system and supports sustainable growth by offering services that go beyond traditional banking. Insurance companies, pension funds, and securities markets each serve critical functions by protecting households and businesses, securing long term savings, and financing investment. Together, they complement banks by diversifying financial services and strengthening confidence in the wider economy.

Emerging sectors such as virtual asset services benefit from operating within a stable and well-regulated financial system. Effective regulation not only reduces risks of misuse and protects the country's reputation, but also creates the conditions for these sectors to contribute positively to the economy.

Key Contributions of the Non-Banking Financial Services Sector

 **Risk Protection** — Insurance provides protection, manages risks, and builds confidence for households and businesses.

 **Retirement Security** — Pension funds secure retirement savings, invest in long-term projects, and contribute to national development.

 **Capital Formation** — Securities markets attract investors, provide financing options, and support business growth and innovation.

 **Economic Diversification** — Emerging sectors foster innovation, attract new investment, and broaden the financial system.

The continued strength of the non-bank financial services sector rests on its ability to adapt and respond to changing conditions. Safeguarding households, businesses, and the wider economy requires institutions that operate transparently, manage risks responsibly, and uphold public trust. Effective supervision and sound governance ensure that insurers, pension funds, securities markets, and emerging financial services remain reliable contributors to financial stability and long-term growth.

5 PUBLIC ENTERPRISE SECTOR

Public Enterprises (PEs) are central to Seychelles' economic and social development. They deliver essential services, manage strategic national assets, address market gaps, and support employment and investment. Their operational and financial health therefore has direct implications for service delivery, fiscal sustainability, and overall economic resilience. This section reviews the financial condition and operational resilience of PEs, focusing on profitability, debt sustainability, and fiscal risks. Assessing these dimensions provides insight into how effectively PEs are fulfilling their mandates, the extent of pressures on public finances, and the potential transmission of vulnerabilities to the wider economy. Effective oversight, sound governance, and transparency in the sector are therefore critical to ensure that PEs remain resilient, continue to support national development priorities, and do not become a source of systemic risk.

5.1 Overview of Public Enterprises Sector

Governance and ownership framework

The PE sector is governed principally by the Public Enterprises Act, 2023, relevant enabling legislation, and the Ownership Policy for Public Enterprises approved in 2020.³ These instruments clarify the roles and responsibilities of the Government as shareholder, Responsible Ministries, Boards, management and the Public Enterprise Monitoring Commission (PEMC). Responsible Ministries establish sector policies and Public Policy Objectives (PPOs), while Boards set strategic, financial and operational targets, and PEMC monitors enterprise performance. The Ownership Policy reinforces transparency and accountability, while establishing the expectation that Government financial assistance should remain exceptional and be assessed in the context of the recipient enterprise's long-term financial sustainability.

Public Enterprise classification

PEs operate across key industries, including transportation, energy, fisheries, agriculture, finance, tourism, infrastructure and social services. Each plays a role in supporting Seychelles' economic and social objectives. For monitoring and analytical purposes, PEMC groups the PEs into four broad sectors:

³ Following the enactment of the Public Enterprises Act, 2023, Schedule 1 to the Act listed 28 entities as Public Enterprises. During 2025, Schedule 1 was revised, increasing the number of PEs from 28 to 30. This change expanded the coverage of the PE monitoring framework and it should be noted that any change may be caused by the inclusion of the additional PEs rather than the underlying growth of the existing PE portfolio.

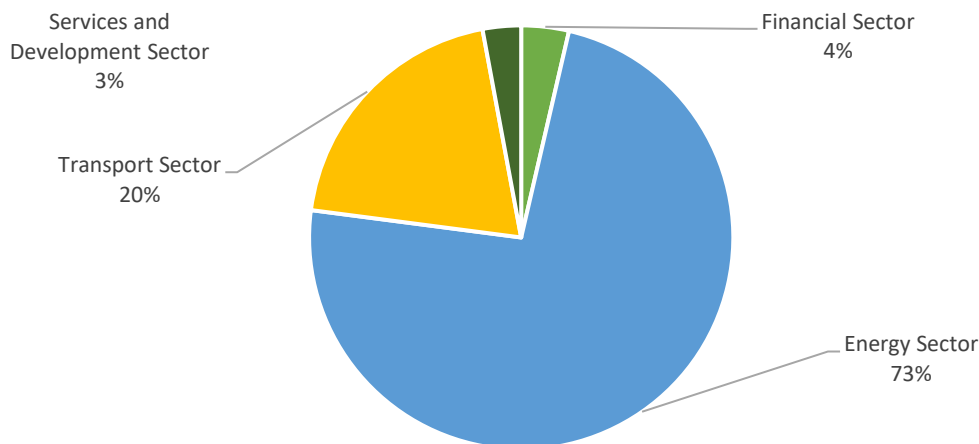
the Financial (Non-Banking) sector, Energy sector, Transport sector, and Services and Development sector.

5.2 Aggregate Financial Performance

PEs are exposed to commercial, operational, financial and governance risks that may affect their profitability, liquidity and long-term sustainability.⁴ Given the sector's role in providing essential services and managing strategic assets, financial weaknesses within PEs may have broader economic and financial implications, through service disruptions, lower returns to Government, increased demands for fiscal support and heightened exposures for financial institutions.

Against this backdrop, aggregate operating revenue increased by 4.9 per cent in 2025 to approximately R12,331 million, following growth of 3.2 per cent in 2024. This represented around 36 per cent of nominal Gross Domestic Product (GDP). At the sectoral level, the revenue base remained highly concentrated. The energy sector accounted for approximately 73 per cent of aggregate operating revenue, while the transport sector contributed a further 20 per cent. Together, these two sectors generated over 93 per cent of total operating revenue. While this concentration reflects the scale and capital-intensive nature of essential services within the PE portfolio, it also creates concentration risk, as changes in demand, input costs, tariffs or operating conditions in these sectors could materially affect the overall financial performance and resilience of the PE sector.

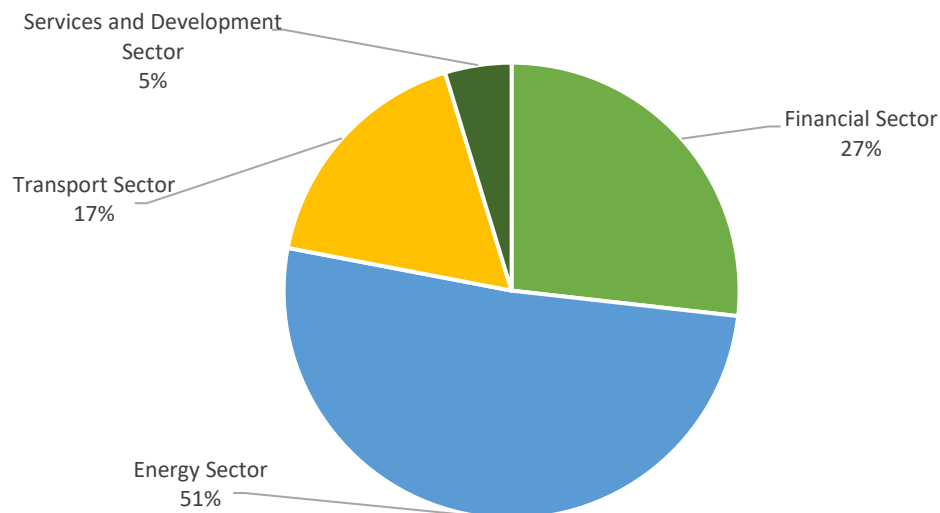
⁴ Of the 30 Public Enterprises, four are currently non-operational and therefore do not produce material financial information. A further nine have not been included in this report due to the non-submission of the required financial statements.

Chart 5.1. Operational Revenue by Sector

Source: PEMC

Aggregate net profit remained relatively stable at approximately R1,004 million in 2025, although it experienced a slight decline by 4.5 per cent compared with 2024, despite the increase in operating revenue. Consequently, the aggregate net profit margin narrowed from 8.9 per cent to 8.1 per cent in 2025, while ROA moderated from approximately 4.8 per cent to 4.4 per cent over the same period. The combination of revenue growth and lower profitability suggests that cost pressures and changes in the composition of revenue reduced the sector's capacity to translate higher operating activity into earnings during the year.

Total assets increased by approximately 5.4 per cent to R22,914 million in 2025, while total liabilities grew at a more moderate pace of around 2.0 per cent to R6,844 million. Consequently, the aggregate ratio of liabilities- to- assets ratio improved slightly from 31 per cent in 2024 to 30 per cent in 2025. This indicates that the expansion of the aggregate asset base was not accompanied by a proportionate increase in recorded liabilities, thereby providing some additional balance-sheet buffer at sector level.

Chart 5.2. Total Asset by Sector

Source: PEMC

Overall, the sector's aggregate financial performance in 2025 was mixed but broadly stable. Operating activity and the asset base continued to expand, while aggregate liabilities grew at a slower pace than assets. However, the decline in net profit, profit margin, and ROA points to weaker earnings efficiency.

5.3 Debt and Government Exposure

Total PE borrowings stood at approximately R2,384.4 million at the end of 2025, equivalent to 7.0 per cent of GDP and 11 per cent of total PE assets. This represented a decrease of R126.2 million, or 6 per cent, compared with 2024. Debt remained highly concentrated among a small number of PEs, mainly in the energy and transport sectors. The five largest PE borrowers accounted for 93 per cent of total PE debt, with the largest borrower alone representing 63 per cent. The decline in aggregate borrowings is a positive development; however, the high concentration of debt among a few large and strategically important PEs remains a potential source of vulnerability, given the associated fiscal risks and potential spillovers to the broader financial system.

Of the PE debt captured, R117.3 million was guaranteed by Government. These guarantees represent explicit contingent liabilities and do not give rise to an immediate fiscal cost provided that the PEs

continue to meet their repayment obligations. However, in the event of financial distress or default, Government may be required to service the debt, potentially resulting in additional fiscal costs.

Government exposure may also extend beyond formally guaranteed debt. PEs that provide essential services, have limited private-sector substitutes, or are considered strategically important may carry an implicit expectation of Government support. Financial difficulties in such enterprises could require recapitalisation, liquidity assistance, debt assumption, or other forms of intervention to preserve service continuity. Although these implicit exposures are not recorded as direct Government liabilities, they may create additional fiscal pressures and create potential fiscal pressures in cases where government guarantees or expectations of implicit support exist.

5.4 Fiscal and Financial Stability

Risks from the PE sector can be transmitted to the broader economy and financial system through several channels. Weaker profitability may reduce dividends and tax contributions to Government, while increasing the likelihood of requests for transfers, capital injections or other Government assistance. The concentration of borrowing among a small number of PEs may also increase exposure for creditors and create potential fiscal pressures in cases where government guarantees or expectations of implicit support exist. Furthermore, operational or financial stress among PEs providing essential services could affect households and businesses, through service disruptions, higher costs and broader effects on economic activity.

Overall, the available indicators do not point to a broad-based deterioration in the sector's aggregate financial position in 2025. Revenue and assets increased, liabilities grew at a slower rate than assets, and total borrowings declined, indicating a degree of resilience at the aggregate level. However, weaker profitability and returns, coupled with the high concentration of revenue and debt, and the strategic importance of the sector remain key vulnerabilities. These factors warrant continued monitoring given their potential to generate fiscal pressures and transmit stress to the broader financial system.

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