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CENTRAL BANK OF TRINIDAD & TOBAGO

2024

FINANCIAL STABILITY REPORT

Central Bank of Trinidad and Tobago
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CENTRAL BANK OF TRINIDAD AND TOBAGO

FINANCIAL STABILITY REPORT 2024

FOREWORD

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The domestic financial system remained stable in 2024, supported by strong capital buffers and profitability, low inflation and relatively improved global economic and financial conditions. Financial institutions continued to enhance their competitiveness and operational resilience through the greater integration of digital technologies. Ongoing progress in governance, risk mitigation, and policy compliance also contributed to the overall soundness of the financial system.

Globally, financial stability risks, which were on the decline in 2024, rose considerably in the first six months of 2025 due, in part, to trade policy uncertainty and continued geopolitical tensions. These risks to financial stability are likely to remain in the near future as countries seek to negotiate fair and balanced positions that align external concerns with domestic needs. These negotiations, which appear to be happening outside of any organised institutional framework and bilaterally, will take time to arrive at acceptable outcomes. In the meantime, global trade and investment will continue to be negatively affected and prices elevated. Under the current risk environment, both global growth and the anticipated process of easing of monetary policy stances in advanced economies may stall or even reverse. This may trigger asset value corrections, weaken the debt-servicing capacity of highly-leveraged economies, and adversely affect the macro-financial conditions in emerging economies, all of which would increase risks to financial stability. The seemly resilient United States economy and current stable inflation trajectories provide some positives to the risk environment. All-in-all, the overall risk to financial stability is skewed towards the downside.

Trinidad and Tobago's energy sector experienced production constraints over 2024; however, these were offset by gains in non-energy sector activity.

Mrs. Michelle Francis-Pantor
Inspector of Financial Institutions (Ag.)

Financial institutions continued to enhance their competitiveness and operational resilience through greater integration of digital technologies.

Preliminary data on economic activity show softer energy sector output and slowing non-energy sector activity in the first quarter of 2025. Lower government revenue has amplified the fiscal deficit, necessitating greater borrowing on the domestic market. As a consequence, sovereign concentrations and elevated interconnectedness in the financial system remain key vulnerabilities.

This year's Financial Stability Report is centred on the theme: 'Navigating Global Uncertainty: Safeguarding Domestic Financial Stability.' It highlights the key risks facing the local financial system namely: sovereign exposure; cybersecurity; liquidity; and household indebtedness.

The Report also outlines the Bank's regulatory and supervisory measures undertaken in 2024 to improve the resilience of the financial system to risk shocks. These include: issuance of a Recovery Plan Guideline in October 2023; submission of draft Liquidity Regulations for Basel III Liquidity Coverage Ratio to the Ministry of Finance in October 2024; issuance of an Own Risk and Solvency Assessment (ORSA) Guideline to insurers in September 2024; and the establishment of a committee to develop a Cybersecurity Supervision Framework.

Mrs. Michelle Francis-Pantor
Inspector of Financial Institutions (Ag.)

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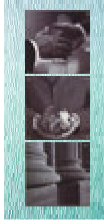
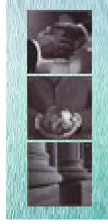


LIST OF ABBREVIATIONS

Abbreviation	Name
ACH	Automated Clearing House
AE	Advanced Economy
Afreximbank	African Export-Import Bank
AFSI	Aggregate Financial Stability Index
AI	Artificial Intelligence
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	Automated Teller Machine
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BPSP	Bill Payment Service Provider
BSI	Banking Stability Index
CAPSS	CARICOM Payment and Settlement System
CAR	Capital Adequacy Ratio
CARTAC	Caribbean Regional Technical Assistance Centre
CET1	Common Equity Tier 1
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CIS	Collective Investment Scheme
CLICO	Colonial Life Insurance Company (Trinidad) Limited
COVID-19	Coronavirus Disease
CPI	Composite Price Index
CPF	Counter-Proliferation Financing
CSO	Central Statistical Office
D-SIB	Domestic Systemically Important Bank
ECLAC	Economic Commission of Latin America and the Caribbean
EMDE	Emerging Market and Developing Economy
EMI	Electronic Money Issuer
E-Money	Electronic Money
EMV	Europay, MasterCard® and Visa®
EU	European Union
EWI	Early Warning Indices

LIST OF ABBREVIATIONS

Abbreviation	Name
FCI	Financial Conditions Index
FPS	Fast Payment System
FSB	Financial Stability Board
FSI	Financial Soundness Indicators
FSR	Financial Stability Report
FUM	Funds Under Management
FY	Fiscal Year - The Fiscal Year (FY) runs from October 1 to September 30
Gap	Credit-to-GDP Gap
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GFSR	Global Financial Stability Report
GoRTT	Government of the Republic of Trinidad and Tobago
HHI	Herfindahl-Hirschman Index
HSF	Heritage and Stabilisation Fund
IA 2018	Insurance Act, 2018
IAIS	International Association of Insurance Supervisors
IOPS	International Organisation of Pension Supervisors
IFRS 17	International Financial Reporting Standard for Insurance Contracts
IMF	International Monetary Fund
IT	Information Technology
LAC	Latin America and the Caribbean
ML	Money Laundering
NAV	Net Asset Value
NDFI	Net Domestic Fiscal Injection
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NPL	Non-Performing Loan
NRA	National Risk Assessment
OMO	Open Market Operations
ORSA	Own Risk and Solvency Assessment



LIST OF ABBREVIATIONS

Abbreviation	Name
OTC	Over-the-Counter
PAPSS	Pan-African Payment and Settlement System
PF	Proliferation Financing
PSP	Payments Service Providers
POS	Point of Sale
ROA	Return on Assets
ROE	Return on Equity
RRP	Recovery and Resolution Plan
RTGS	Real Time Gross Settlement System
RWA	Risk-Weighted Assets
SRAI	Systemic Risk Accumulation Index
SIFI	Systemically Important Financial Institution
TF	Terrorist Financing
TTSE	Trinidad and Tobago Stock Exchange
TTSEC	Trinidad and Tobago Securities and Exchange Commission
UK	United Kingdom
UPI	Unified Payments Interface
US	United States
VaR	Value-at-Risk
WEO	World Economic Outlook

PREFACE

Financial stability refers to the smooth functioning of financial intermediation, financial markets, and payments and settlement systems, even in the face of adverse shocks. Efficient financial intermediation promotes sustainable economic growth and advances the socio-economic welfare of citizens. Accordingly, the Central Bank of Trinidad and Tobago (the Central Bank) plays a vital role in fostering stability, soundness, and confidence in the domestic financial system (Financial Institutions Act, 2008 Part II 5[2] and Insurance Act, 2018 Part II 7[2]).

The Financial Stability Report (FSR), which is currently published annually, complements the Central Bank's bi-annual *Monetary Policy Report* and other publications by providing insights into recent developments and vulnerabilities of the financial system and risks to its stability from domestic, regional, and international factors. Financial system vulnerabilities can increase a country's susceptibility to adverse shocks by undermining its risk absorption capacity. However, appropriate governance, risk and compliance framework, adequate risk capital, and effective surveillance and monitoring help strengthen the loss-absorbing capacity of the financial system and enhance its resilience to shocks. The FSR also highlights the Central Bank's ongoing efforts to strengthen these areas and aims to facilitate informed discussion on financial stability issues.

The FSR is available on the Central Bank's website at https://www.central-bank.org.tt/latest-reports/financial-stability-report

Overview

OVERVIEW[1]

The global financial system remained generally resilient through 2024, but risks rose in 2025 as tariff uncertainty and geopolitical tensions accelerated. Major central banks cautiously loosened monetary policy in 2024, aiming to balance inflation control with economic growth, as inflation converged closer to targets. Despite these gains, however, rising global uncertainties stemming from shifting tariff policies and geopolitical conflicts have increased the risks to financial stability in 2025. These uncertainties could delay or reverse policy rate cuts and weigh on global output and markets, triggering financial instability.

The International Monetary Fund (IMF), in its July 2025 World Economic Outlook Update, projected global growth to slow to 3.0 per cent in 2025 from 3.3 per cent in 2024, with downside risks increasing. While global inflation is expected to decrease more gradually to 4.3 per cent in 2025, heightened geopolitical risks, supply constraints, and rising shipping costs may cause deviations from this forecast. Further, the IMF's April 2025 Global Financial Stability Report highlighted fragile investor sentiment and the impact of geopolitical risks — including the Russia–Ukraine war, the Israel–Iran conflict, and tensions in South Asia — on asset prices, sovereign risk premia, and financial stability.

Vulnerabilities in financial markets are appearing as, high asset valuations and leverage in some segments are subjected to risk of rapid adjustments if the outlook deteriorates. Potentially tightening financial conditions further and increasing pressure on emerging market currencies, asset prices, and capital flows. Strains are more evident among highly leveraged financial institutions and non-bank financial intermediaries, with risks of forced deleveraging amid market turbulence. Sovereign bond markets remain vulnerable where government debt levels are high, complicating refinancing and fiscal spending needs. Debt sustainability concerns have intensified in many emerging market and developing economies as financing costs rise.

Domestically, economic conditions reflected energy sector challenges and improved performance of non-energy sector activity in 2024. According to the Central Statistical Office, real Gross Domestic Product (GDP) grew by 2.5 per cent in 2024, up from 1.5 per cent in 2023. This outcome stemmed from a 1.2 per cent expansion in the non-energy sector, and a 0.4 per cent increase in energy sector output. The resilience of non-energy activities, notably in the Manufacturing, Financial and Insurance, and Wholesale and Retail Trade sectors, helped cushion the economy. Nevertheless, labour market conditions softened, as the unemployment rate rose to 5.0 per cent (annual average) from 4.0 per cent in 2023. The unemployment rate stood at 4.9 per cent in the first quarter of 2025. Meanwhile, the fiscal position weakened significantly: the Central Government recorded a larger deficit of 5.3 per cent of GDP in FY 2024, primarily due to lower energy revenues despite higher non-energy receipts. As a result, adjusted General Government debt edged up to $140.6 billion (81.7 per cent of GDP) from $136.5 billion (78.2 per cent of GDP) one year earlier. Credit growth persisted, particularly within the household sector.

Financial stability risks in Trinidad and Tobago stemming from elevated international interest rates subsided in 2024. However, in 2025, geopolitical and trade tensions could threaten inflation dynamics and delay or reverse the path of monetary policy normalisation. Adverse

1 This Report includes economic developments up to July 2025, while financial industry data are as at December 2024.

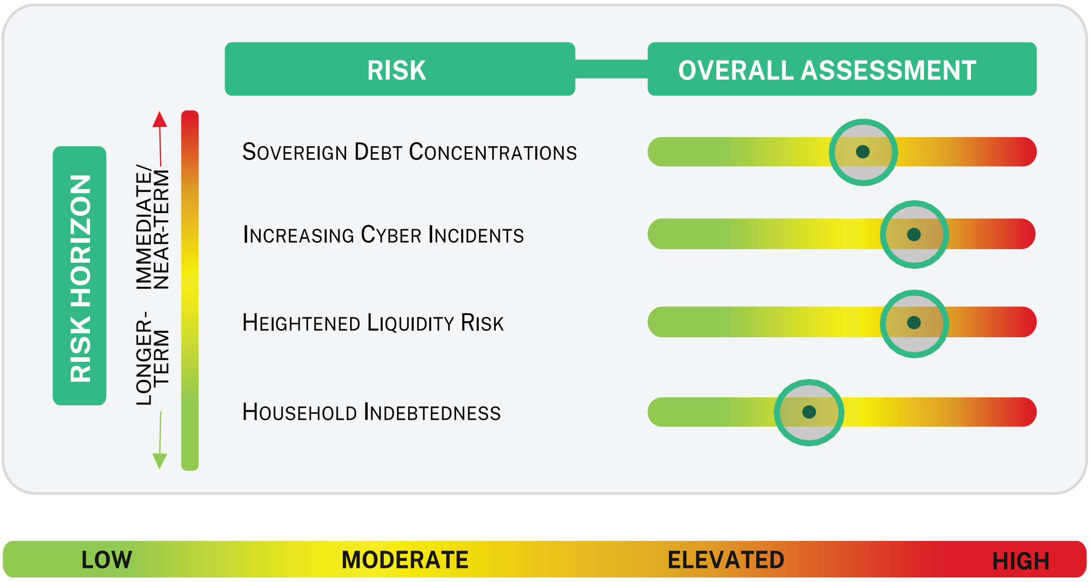
global interest rate shocks could transmit to the domestic economy through various channels, impacting both sovereign and private sector debt dynamics. The 2023 Financial Stability Report highlighted key sources of risk to the domestic financial sector: sovereign debt concentration in the banking and insurance sectors, increasing cyberattacks, lower liquidity buffers, and higher climate-related insurance costs. The latter will likely remain a major concern in the region as climate-related events intensify, increasing reinsurance premiums, reducing the size of available risk coverage or both. In 2024, the key risks that shaped domestic financial stability were: sovereign debt concentration risks, cybersecurity, liquidity risk, and household indebtedness.

The Summary Heat Map below illustrates the principal risks that affected the health of the domestic financial sector in 2024.

- ***Sovereign Concentration in the Banking and Insurance Sectors.*** Commercial banks and insurers maintained significant exposure to domestic sovereign debt in 2024, largely driven by government borrowing to finance persistent fiscal deficits. While buffers such as the Heritage and Stabilisation Fund add some resilience to stability against sovereign risk, the results of stress tests revealed that the risk remains significant and its crystalisation could lower capital adequacy ratios below regulatory thresholds in a few financial institutions, including at least one Domestic Systemically Important Bank. The finding underscores the importance of ongoing supervisory work to monitor and address the risk to financial stability emanating from increasing sovereign indebtedness in the face of declining fiscal space.

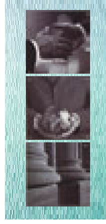
GRAPHIC 1

SUMMARY HEAT MAP – RISKS TO FINANCIAL STABILITY IN TRINIDAD AND TOBAGO



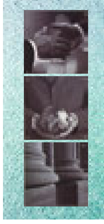
Source: Central Bank of Trinidad and Tobago

- ***Increasing Cyber Incidents.*** Cybersecurity risks intensified in 2024, as financial institutions faced a notable rise in cyber incidents, including phishing and business email compromise. The growing and seemly affordable access to cybercrime tools and strategies have expanded the pool of cyber-actors to include non-information technology (non-IT) trained attackers. In addition, the domestic financial landscape continues to expand, which has not only increased the cyber attack surface but also raised important concerns about the operational resilience and user trust of the financial system. Hence, strengthening cyber resilience remains a top priority, requiring a sector-wide coordination and collaboration on efforts to improve and enhance the cyber resilience of the domestic financial system. This requires, in part, the effective management of cyber risks in all institutions through enhanced governance of cybersecurity, cyber information sharing (threat intelligence and incident reporting), and regular cyber tests and exercises (penetration, red team, and purple team) of critical IT and infrastructure assets.
- ***Heightened Liquidity Risk.*** System liquidity conditions fluctuated notably in 2024 and continues to be of a concern in 2025. In July 2024, the Central Bank reduced the reserve requirement by 4 percentage points to inject liquidity (roughly $4,000 million) into the financial system in order to alleviate tight conditions, which persisted since the start of 2024. The reduction of the reserve requirement, however, spurred credit growth and funding costs remained elevated. The results of stress tests done in 2024 revealed that banks' liquidity survival horizons have narrowed in 2024 compared to 2023, from an average of 27 to 25 days, despite the reduction in the reserve requirement. The current system liquidity condition re-emphasises the importance of prudent management and oversight of risks to liquidity including, understanding the potential channels through which shocks to liquidity may emerge.
- ***Rising Household Indebtedness.*** Household credit expanded briskly in 2024, fuelled by sustained demand for consumer loans and residential mortgages, supported by relatively low inflation and relatively stable interest rates. While this lending growth contributed positively to domestic demand, it also led to higher household leverage. Stress scenarios suggest that a sharp rise in non-performing loans (NPLs) stemming from repayment challenges, particularly by more vulnerable and highly indebted borrowers, could adversely affect commercial banks' capital. Continued vigilance is necessary to monitor household balance sheet health, and policies promoting prudent lending standards will be important to safeguard financial stability in the event of adverse shocks.



In 2024, Trinidad and Tobago's banking sector remained stable, with key financial soundness indicators for capital adequacy, asset quality, and profitability showing resilience. However, there were risks related to rising NPLs, rapid credit growth, tightening liquidity, and heightened market volatility amid global tensions. The long-term insurance sector saw capital ratios stabilise after a temporary boost in 2023 from one-off capital gains. In general insurance, profitability remained solid, although investment income and returns normalised after a surge in 2023. The pensions sector recorded an improvement in overall funding, but deficits persisted, particularly among state-related plans, mainly due to inadequate contributions.

The Central Bank continues to promote financial stability through various initiatives. During 2024, the Central Bank completed consultations with the banking industry on the draft Financial Institutions (Liquidity) Regulations for implementing the Liquidity Coverage Ratio and Liquidity Monitoring Tools. The draft Regulations were submitted to the Ministry of Finance in October 2024 for its approval and promulgation. Additionally, a committee was established to develop a risk-based Cybersecurity Supervision Framework and a Manual of Policies and Procedures for cybersecurity supervision. A draft Own Risk and Solvency Assessment (ORSA) Guideline was issued to insurers in September 2024 for consultation. To support adoption of International Financial Reporting Standard for Insurance Contracts, the Central Bank developed and issued revised regulatory annual returns and established the Industry Stakeholder Committee to enhance transparency and communication on insurance industry policy positions. Finally, in 2024, in preparation for the Caribbean Financial Action Task Force 5th round Mutual Evaluation in 2026, the Central Bank finalised the National Risk Assessments for its regulated sectors and advanced scheduled on-site examinations of selected institutions.



CHAPTER 1
The Macro-Financial Context

THE MACRO-FINANCIAL CONTEXT

Global financial conditions remained tight in 2024 amid the cautious pace of interest rate reductions by major central banks to balance the incomplete disinflationary process and economic growth. Rising uncertainty from geopolitical tensions, shifts in trade policies, reduced fiscal space in some countries, and adverse weather-related events have increased global financial stability risks. Further, high asset valuations in key markets and the potentially sharp repricing of assets could adversely impact financial stability. Trinidad and Tobago's economy showed resilience despite energy declines, the fiscal accounts have weakened, but lending conditions largely supported recovery, with strong private sector credit growth and a marginal uptick in non-performing loan ratios.

GLOBAL MACRO-FINANCIAL STABILITY

Global growth has stabilised with inflation returning closer to targets in 2024, but uncertainty unfolds in 2025. According to the International Monetary Fund (IMF), in its April 2025 World Economic Outlook (WEO), inflation was down from multi-decade highs, unemployment returned to pre-pandemic levels and global Gross Domestic Product (GDP) grew by 3.3 per cent[2]. Despite these promising developments, according to the July 2025 WEO Update, global growth is expected to slow to 3.0 per cent in 2025 as countries grapple with uncertainty amid major trade policy shifts.

Stock market volatility has risen. According to the IMF April 2025 Global Financial Stability Report (GFSR)[3] lofty asset valuations have raised stock and corporate bond markets' vulnerability to adverse corrections. This vulnerability was exposed in 2024 and in the first half of 2025, as adverse economic policies triggered a 'flight to safety'. While these events were short-lived, the increase in stock market volatility has elevated financial intermediaries' exposure to market and liquidity risks. Government debt overhangs in developed countries have become a major source of concern for not only growth but also the potential for fiscal policy to play a crucial role in responding to systemic events. The IMF April 2025 Fiscal Monitor reported that public debt-to-GDP ratios stood at 92.3 per cent in 2024, up from 91.3 per cent in 2023 **(Figure 1)**.

International financial organisations continued efforts to foster resilience. Notably, emphasis was placed on improving financial supervision and the response to climate change. For instance: (i) the Bank for International Settlements (BIS) revised its Credit Risk Principles; (ii) the IMF spent US$382 million on technical assistance; and (iii) the International Organisation of

2 IMF. "World Economic Outlook Update April 2025: A Critical Juncture amid Policy Shifts." International Monetary Fund. April 2025. https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025

3 IMF. "Global Financial Stability Report April 2024: Enhancing Resilience amid Uncertainty." International Monetary Fund. April 2025. https://www.imf.org/en/Publications/GFSR/Issues/2025/04/22/global-financial-stability-report-april-2025

Pension Supervisors (IOPS) advanced work on crisis management **(Figure 2)**. The Network for Greening the Financial System (NGFS) published an online tool that simulates the macro-financial effects of climate change, while the International Association of Insurance Supervisors (IAIS) collaborated with BIS to explore solutions to the widening of protection gaps.

FIGURE 1
SUMMARY OF GLOBAL FINANCIAL STABILITY RISKS, 2024 – HY1 2025

GLOBAL CHALLENGES**

GEOPOLITICAL RISK

174.7 was the fifth largest index value (over last ten years) and was recorded in March 2025

ECONOMIC UNCERTAINTY

543.2 was the largest index value in March 2025 (the highest in the last ten years)

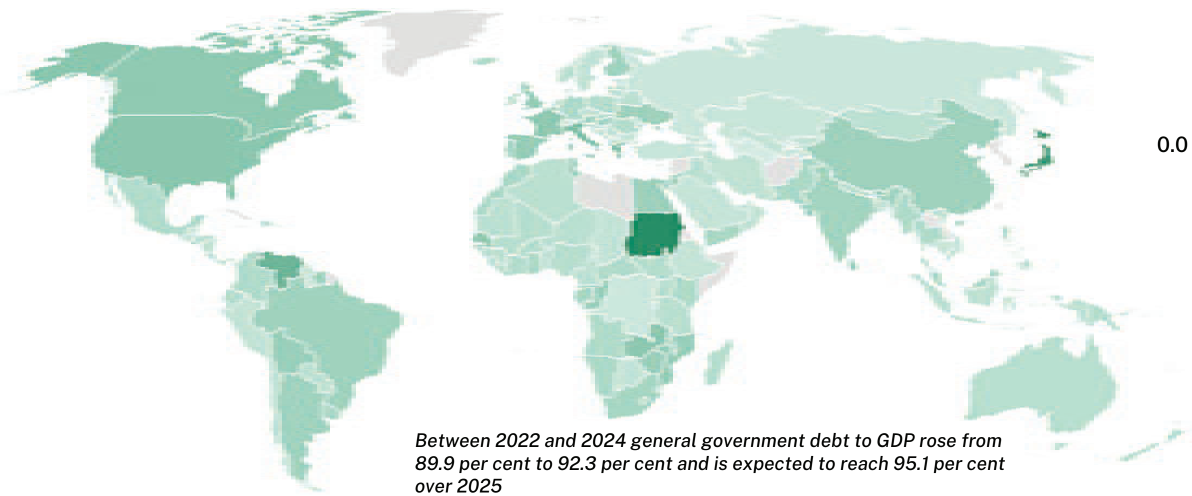
TRADE POLICY UNCERTAINTY

603.1 is the largest index value recorded (this occurred in April 2025)

CLIMATE CHANGE

US$ 242.0 billion in economic loses from natural disasters in 2024

*GENERAL GOVERNMENT DEBT TO GDP, 2024



HEAT MAP LEGEND

272.0

0.0

REGIONAL CHALLENGES

AFRICA	Debt Serviceability; Public Sector Debt; Rapid Capital Outflows
AUSTRALIA	Increased Digitisation; Protection Gap; Stretched Asset Valuations
EUROPE	Debt Serviceability; Limited Fiscal Space; Stretched Asset Valuations
UNITED KINGDOM	Economic Slowdown; Higher Interest Rates; Stretched Asset Valuations
ASIA	Asset Bubble Burst; Exchange Rate Risk; Public Sector Debt
CANADA	Debt Serviceability; High Private Sector Debt; Stretched Asset Valuations
LATIN AMERICA AND THE CARIBBEAN	Climate Change; High Sovereign Debt; Low Growth Trap
UNITED STATES	Economic Slowdown; Increased Digitisation; Stretched Asset Valuations

Sources: Various countries' FSRs
Note: All statistics are as at May 28, 2025. * Sourced from IMF (2025). ** The Geopolitical Risk Index was sourced from Caldara and Iacoviello (2022). The Economic Uncertainty Index was sourced from Baker, Bloom, and Davis (2016). The Trade Policy Uncertainty Index was sourced from Caldara, et al. (2020). The data on economic losses of climate change was sourced from Centre for Research on the Epidemiology of Disasters.

FIGURE 2
KEY DEVELOPMENTS AND PERSPECTIVES AT SELECTED MULTILATERAL ORGANISATIONS, 2024 – HY1 2025

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

Cryptoasset Standard Amendments (JULY 2024)
The Basel Committee on Banking Supervision (BCBS) has amended certain aspects of SCO60 - Cryptoasset Exposures (addresses how the Basel Framework will work with banks exposed to cryptoassets).

Principles for the Management of Credit Risk (APRIL 2025)
The BCBS revised their Credit Risk Principles – removing parts that were either redundant or not fully aligned with the current Basel Framework.

FINANCIAL STABILITY BOARD (FSB)

Insurers Subject to Resolution Standards (DECEMBER 2024)
FSB, alongside IAIS, identified 13 insurers that will be subected to their resolution planning standards.

Climate-related Vulnerabilities Framework (JANUARY2025)
The FSB presented the analytical framework they will use to trace the channels that transmit physical and transition climate-related risks onto the global financial system.

Format for Incident Reporting Exchange (APRIL 2025)
The FSB published a taxonomy package designed to streamline cyber incident reporting.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS)

IAIS and FSI: Parametric Insurance (DECEMBER 2024)
The IAIS and BIS's Financial Stability Institute (FSI) examined how parametric insurance coverage can be used to address the widening of protection gaps.

Supervision of Climate-related Risks (APRIL 2025)
The IAIS published an Application Paper that documents how Insurance Core Principles can be used to address climate-related risks.

Internationally Active Insurance Groups (JUNE 2025)
Identified 60 Internationally Active Insurance Groups.

INTERNATIONAL MONETARY FUND (IMF)

Annual Report, 2023/24 (SEPTEMBER 2024)
Covers activities between May 1, 2023 and April 30, 2024. Notably: (i) 128 country surveillance conducted; (ii) US$382 million provided to strengthen economic institutions; and (iii) US$357 billion lent to 97 countries (since the start of the pandemic).

Corporate Sector Vulnerabilities (JANUARY 2025)
A Departmental Paper found that higher interest rates: (i) increased the amount of financially distressed firms; and (ii) will reduce investment capacity.

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

Supervision of Pension Investments (2024)
This project, throughout 2024, provided insights and practices to help supervisors narrow the divide between pension funds' investment practices and regulatory oversight.

Resilience of Pension Supervision against Shocks (2024)
The IOPS, throughout 2024, collected information on members' experience with: (i) crisis management programmes; (ii) actions taken to increase preparedness; and (iii) regulatory measures introduced during crises.

NETWORK FOR GREENING THE FINANCIAL SYSTEM (NGFS)

Improving Greenhouse Gas Emissions Data (JULY 2024)
Proposed arrangements that could be used to improve the granularity and comparability of emissions data.

Climate Macroeconomic Modelling (OCTOBER 2024)
Provided guidance on how to account for climate shocks in the monetary policy making process.

First Vintage of Short-term Climate Scenarios (MAY 2025)
Produced an online tool that simulates the channels that propagate climate-related risks onto the economy.

Sources: Various reports of international regulatory and supervisory bodies, central banking groups, and other multilateral organisations

REGIONAL DEVELOPMENTS

The worldwide sell-off in equities originated in Advanced Economies (AEs). Policy uncertainty triggered an overhaul of investment strategies during early August 2024 and April 2025 — the former was tied to an interest rate hike[4] in Japan, alongside weak United States (US) economic data, while the latter was due to broad sweeping trade tariffs. More specifically, between July 31, 2024 and August 5, 2024 major stock indices[5] fell by: (i) 6.1 per cent in the US; (ii) 6.3 per cent in Germany; and (iii) 19.5 per cent in Japan — estimated[6] losses were US$6.4 trillion. Meanwhile, between April 2, 2025 and April 9, 2025 major stock indices fell by: (i) 12.1 per cent in the US and Germany; and (iii) 11.3 per cent in Japan — estimated[7] losses were over US$10 trillion. Although stock markets regained their footing shortly after, the sharp repricing in equities may have negatively impacted economic agents and financial institutions (for example, pension funds) that rely on stocks for investments or financing.

The rise in trade tensions compounded the challenges faced by emerging markets. During 2024, Emerging Market and Developing Economies (EMDEs) central banks slowed or paused their rate cuts while several AEs raised interest rates. The narrowing of interest-rate differentials reduced the expected risk-adjusted returns of carry trades, cutting the appetite for EMDEs' sovereign bonds. Already faced with depreciated currencies due to weak growth prospects, EMDEs are challenged by new external pressures following the shifts in tariff policies, as several AE currencies strengthened against the dollar. Given these developments, if geopolitical tensions worsen, EMDEs with large dollar-denominated liabilities could be exposed to significant refinancing risks — according to the IMF April 2025 Fiscal Monitor, 23 per cent of emerging markets were at high risk of debt distress (or in distress).

The high level of uncertainty compounds latent financial issues in Latin America and the Caribbean (LAC). According to the Economic Commission for Latin America and the Caribbean (ECLAC)[8], between June 2023 and February 2024, median deposit rates increased by 281.5 basis points (to 5.9 per cent) while lending rates rose from 11.1 per cent to 12.2 per cent. These developments caused private sector credit growth to fall from 10.7 per cent in July 2023 to 1.8 per cent by February 2024. Amid the slowdown in credit, in 2023, deposit takers': (i) ratio of liquid assets to total assets stood at 32.8 per cent; and (ii) non-performing loans (NPLs) to total loans fell to 3.0 per cent. Notably, the improvement in credit risk was due to improved supervisory practices. For instance, in Latin America, several jurisdictions modified capital requirements (for example, Brazil, Chile and Mexico). Meanwhile, in the Caribbean: (i) the Bank of Jamaica's 2024 FSR noted advancements in Basel III implementation; (ii) Barbados' 2023 FSR highlighted a climate stress test; and (iii) the Central Bank of Curaçao and Sint Maarten's 2025 FSR advised that four Basel III guidelines were adopted over 2023 and 2024. While supervision improvements bode well for regional financial stability sovereign debt levels are of concern — according to data from the IMF April 2025 WEO, Barbados (102.9 per cent) and Dominica (101.0 per cent) had the second and third highest debt to GDP ratios in LAC.

4 Cheap yen was being used to fund asset purchases — to capitalise on exchange rate differences. The strengthening of the yen made this strategy less profitable.

5 The stock indices include, Standard & Poor's 500, Deutscher Aktien Index and the Nikkei Stock Average.

6 Carson, et al. "$6.4 Trillion Stock Wipeout has Traders Fearing 'Great Unwind' is just Starting." Bloomberg. August 2024. https://www.bloomberg.com/news/articles/2024-08-05/-6-4-trillion-wipeout-sows-fear-great-unwind-is-just-starting?embedded-checkout=true

7 Reuters. "Global Markets are in Meltdown: Here's how it looks in Charts." Reuters. April 2025. https://www.reuters.com/markets/us/breakingviews/global-markets-selloff-graphic-2025-04-07/

8 ECLAC. "Low-growth Trap, Climate Change and Employment Trends." Economic Commission of Latin America and the Caribbean. September 2024. https://www.cepal.org/en/publications/80596-economic-survey-latin-america-and-caribbean-2024-low-growth-trap-climate-change

THE DOMESTIC SETTING

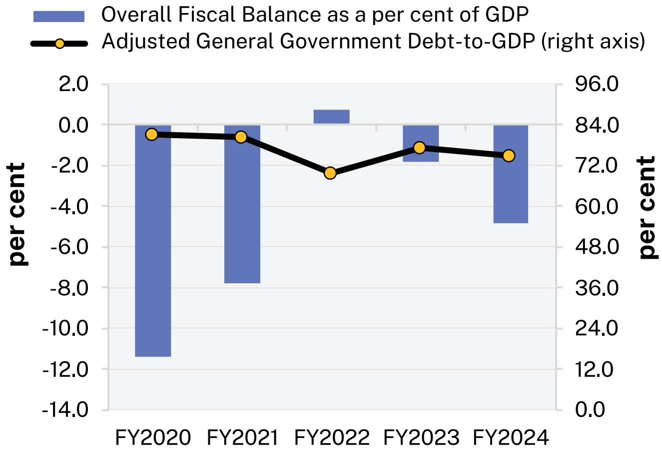
The domestic economy showed signs of resilience amid declines in energy production. Economic activity was subdued as data from the Central Statistical Office (CSO) showed that real GDP grew by 2.5 per cent (year-on-year) over 2024 — crude oil and natural gas production fell by 5.2 per cent and 1.9 per cent, respectively. Labour market activity softened over the year, with the unemployment rate rising from 4.0 per cent in 2023 to 5.0 per cent in 2024. Despite these pressures, against a background of decreasing commodity prices, inflation fell from 4.6 per cent in 2023 to 0.5 per cent in 2024.

The softening of energy prices further weakened the external and fiscal accounts. The overall fiscal balance **(Figure 3)** recorded a deficit of 5.3 per cent of GDP and gross official reserves **(Figure 4)** declined by 10.4 per cent to US$5.6 billion. Amid declining energy revenues, the government's overall fiscal deficit rose from $3.2 billion to $9.1 billion. The shortfall was financed through withdrawals from the Heritage and Stabilisation Fund (HSF) alongside domestic and external borrowings — adjusted General Government debt (which excludes sterilised debt) rose by 3.0 per cent to $140.6 billion.

The lending environment supported economic recovery efforts. Financial conditions remained accommodative as the monetary policy rate held at 3.50 per cent — the prime lending rate stayed at 7.50 per cent, while the weighted average loan rate rose by just 5 basis points to 6.65 per cent. Against this background, private sector credit grew by 7.7 per cent over 2024. Notably, this development was driven by double-digit growth in the consumer and business lending categories **(Figure 5)**. Notwithstanding, the commercial banking sector's consumer and corporate NPL ratios **(Figure 6)** suggested that credit risk appeared contained. At the end of 2024, household debt-to-GDP rose by 175 basis points (to 40.6 per cent) while the corporate sector credit-to-GDP ratio fell by 223 basis points (to 42.1 per cent). Still, close monitoring of NPLs is warranted — particularly in the household sector — given the current high uncertainty in the global macro-financial environment.

Domestically, the financial system remained stable throughout 2024. Institutions maintained healthy capital buffers and profitability despite rising global tensions and stock market volatility **(Box 1)**. However, the persistence of and/or further increase in these risk factors, inter alia, may challenge the stability of the domestic financial system **(Chapter 2)**. Other noted risks to stability include: (i) sovereign concentration in the banking and insurance sectors; (ii) increasing cyber incidents; (iii) heightened liquidity risk; and (iv) rising household indebtedness. To guard against these vulnerabilities, the Central Bank took steps to strengthen its monitoring **(Chapter 3)** and oversight **(Chapter 4)** of the financial system, including by conducting market and liquidity risk on-site examinations and developing a cybersecurity supervision framework.

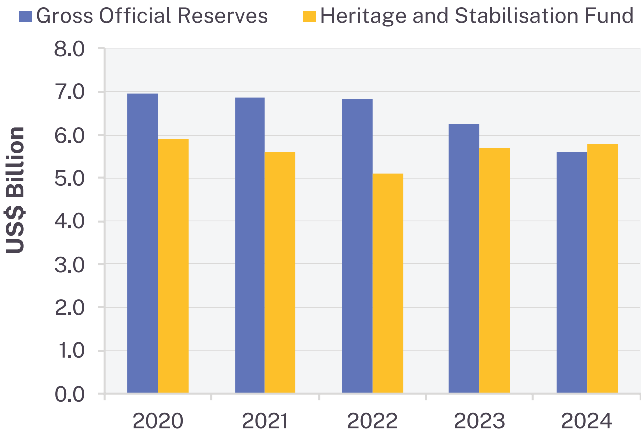
FIGURE 3
FISCAL OPERATIONS, FY2020 – FY2024



Source: Ministry of Finance

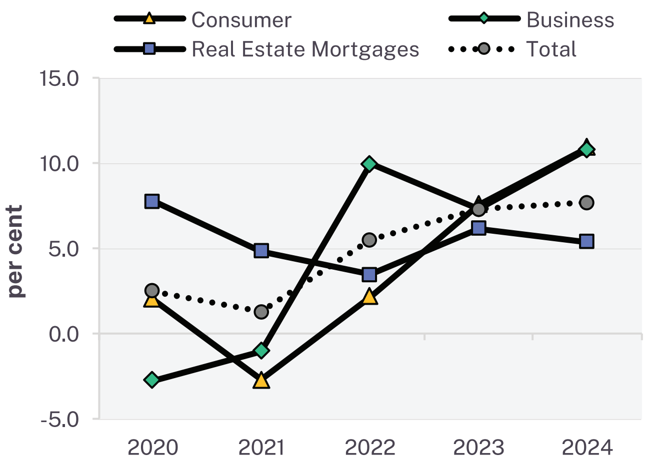
Note: The Fiscal Year (FY) runs from October 1 to September 30; for example FY 2024 is October 1, 2023 to September 30, 2024. Nominal GDP data used for ratios are sourced from the CSO.

FIGURE 4
OFFICIAL FOREIGN ASSETS – END-OF-PERIOD, 2020 – 2024



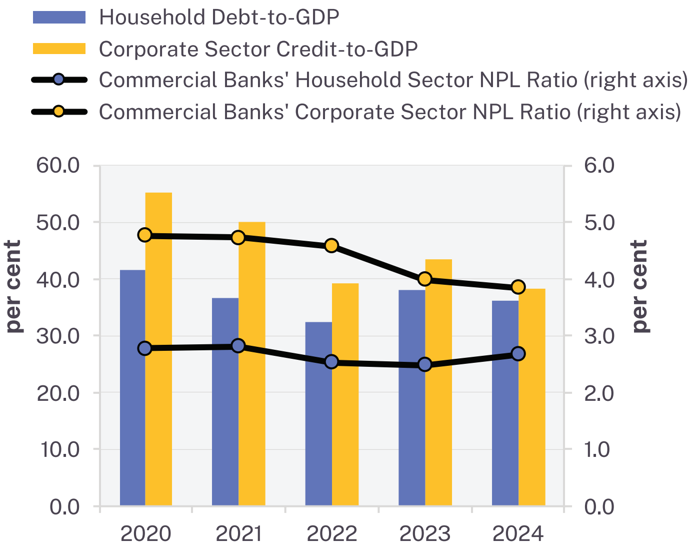
Source: Central Bank of Trinidad and Tobago

FIGURE 5
PRIVATE SECTOR CREDIT GRANTED BY THE CONSOLIDATED FINANCIAL SYSTEM – AVERAGE, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

FIGURE 6
HOUSEHOLD AND CORPORATE SECTOR CREDIT RATIOS – END-OF-PERIOD, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

Note: Nominal GDP data used for ratios are sourced from the CSO.

BOX 1
TARIFFS AND FINANCIAL MARKETS: IMPLICATIONS FOR FINANCIAL STABILITY

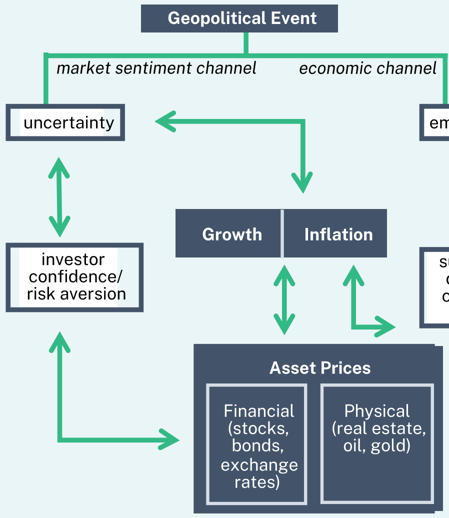
Geopolitical risks can build-up contagion, liquidity and credit risks for financial institutions through two channels **(Figure 1, Panel A)**. First, the economic channel whereby embargos (to pressure countries to change their actions) disrupt supply chains and reverse capital flows — triggering an economic downturn in the sanctioned country. Second, the market sentiment channel whereby economic uncertainty, around the conflict or embargos, triggers a 'flight to safety'. Both channels cause a decline in investor sentiment and an increase in risk aversion. This can lead to large and abrupt declines in asset prices. The most recent example of this was in April 2025 where US$10 trillion was wiped off major stock exchanges in response to the United States' (US) reciprocal tariff programme.

Tariffs are taxes that governments charge on imported goods. Tariffs can be used as part of a wider economic strategy to build-up local industries by shielding manufacturers against foreign competitors. However, it should be noted that tariffs can have inflationary or recessionary impacts as the buyer could: (i) pass the cost to customers; or (ii) downsize operations as the extra cost narrow profit margins.

To balance bilateral trade deficits with trading partners the US announced[1] that from April 5, 2025 all imports will receive a 10 per cent tariff — 57 countries in particular will have tariffs imposed ranging from 11 per cent to 50 per cent. Notably, this programme would bring tariff rates, in the US, to levels not seen since the early 1900s **(Figure 1, Panel B)**. Several countries responded by announcing tariffs of their own against the US. This culminated in a pause on reciprocal tariffs for 90 days (from May 14, 2025 for China and April 9, 2025 for all other countries). However, by then investors were already shaken by the brewing trade war **(Figure 1, Panel C)**.

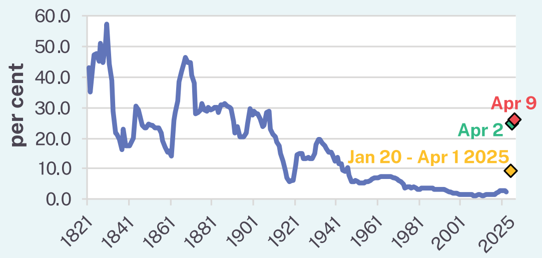
Figure 1: Tariff Effects

Panel A: Transmission Channels



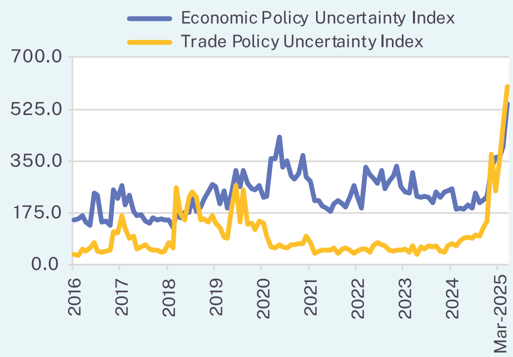
Source: Adapted from IMF (2025)

Panel B: US Effective Tariff Rates on All Imports, 1821 – Apr 2025



Source: IMF (2025)

Panel C: Uncertainty Indices, 2016 – Mar 2025



Source: Caldara, et al. (2020) and Baker, Bloom and Davis (2016)

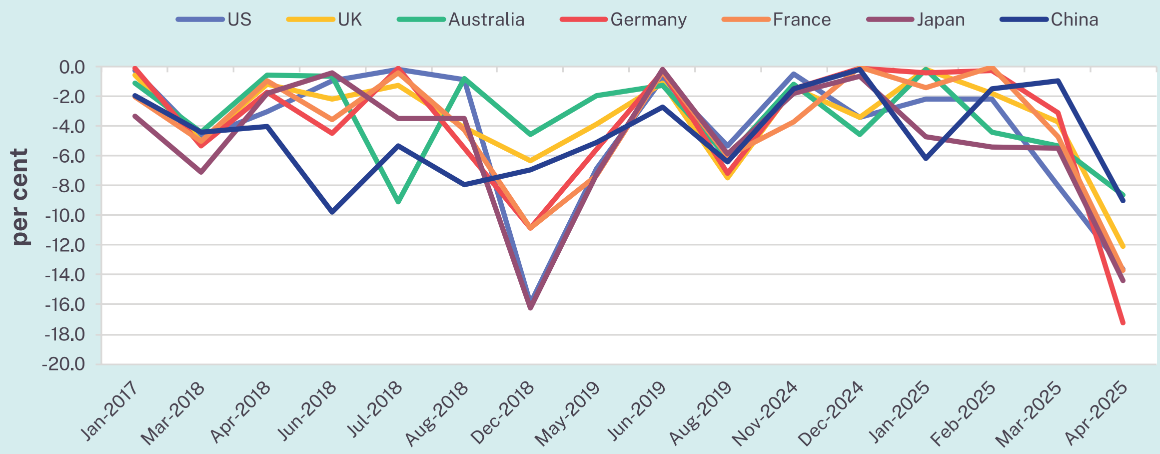
1 WH. "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits." The White House. April 2025. https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/

BOX 1
TARIFFS AND FINANCIAL MARKETS: IMPLICATIONS FOR FINANCIAL STABILITY

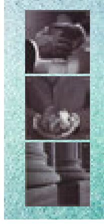
Over the month of April 2025 the opening price of stock exchanges in the US, United Kingdom (UK), Australia, Germany, France, Japan and China was 13.6 per cent, 12.1 per cent, 8.6 per cent, 17.2 per cent, 13.7 per cent, 14.4 per cent and 9.0 per cent (respectively) less than the low price. As this wiped out over US$10 trillion from global stock markets, trade shocks can have a significant impact on financial markets. However, it should be noted that this is not the typical case. For instance, using the trade policy uncertainty index, 16 'major' shocks were identified between January 1960 to April 2025 — one in 2017, six in 2018, three in 2019, two in 2024 and four in 2025 **(Figure 2)**. These events however only caused a 3.4 per cent to 5.1 per cent difference between the opening price and the low price of major global stock exchanges. Notwithstanding, there were two periods with 'substantial' (double-digit) differences between the opening price and the low price — specifically December 2018 and April 2025. Collectively this serves as a reminder that the underlying factors, of a systemic event, play a major role in the size of the fallout as financial markets for the most part had a modest reaction to major trade events.

For Trinidad and Tobago, individual segments of the financial sector were in relatively healthy positions during the substantial swings in global stock markets **(Figure 2)**. This is because, non-resident quoted stocks/shares made up only 5.0 per cent and 7.6 per cent of assets of the insurance sector and occupational pension plans, respectively — quoted stocks/shares made up 0.2 per cent of banking system assets. Exposure to foreign stocks are low as, under Section 85(1) of the Insurance Act, 2018 *"an insurer shall invest in assets in Trinidad and Tobago an amount equal to at least seventy per cent of its policy benefit liabilities."*

Figure 2: Major Stock Exchanges during Significant Trade Shocks, Open Price vs Low Price



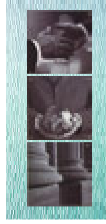
Source: Yahoo Finance
Note: The dates on the x-axis are the periods where 'major' trade shocks occurred.



CHAPTER 2

Financial Stability Risks in Trinidad and Tobago

Financial Stability Risks



FINANCIAL STABILITY RISKS IN TRINIDAD AND TOBAGO

This Chapter evaluates the resilience of the domestic financial system. In 2024, domestic financial stability remained broadly intact, though risks were assessed as 'moderate to elevated'. Early Warning Indicators signalled pressure from rising credit growth and weaker resilience to external shocks. While the reduction in reserve requirements improved liquidity, conditions remain delicate. Sovereign debt exposures in the banking and insurance sectors continued to pose structural vulnerabilities, and stress test results highlighted sensitivity to both interest rate and sovereign credit shocks. Additionally, increased reporting of cyber incidents underscored the growing importance of enhancing financial sector cyber resilience.

MACROPRUDENTIAL EARLY WARNING INDICES (EWIS)

Compared to the previous year, the outturn for the Domestic Macroprudential Early Warning Indices (EWIs) was mixed (Figure 7). Domestic financial conditions, as measured by the Aggregate Financial Stability Index (AFSI) were **'moderate'** amidst increased market concentration, volatile liquidity conditions and falling stock market activity. However, risks to financial stability (as measured by the Systemic Risk Accumulation Index (SRAI) did not materially increase. Credit conditions, as measured by the Financial Conditions Index (FCI), stayed favourable and institutions remained profitable and well capitalised.

Aggregate Financial Stability Index

The AFSI fell from 92.3 in 2023 to 87.0 in 2024, indicating a deterioration in domestic financial stability. The NPL ratio rose from 2.8 per cent in 2023 to 2.9 per cent in 2024 amid lower headline inflation and a pickup in non-energy sector activity. These factors, coupled with weaker fiscal and external sector performances and lower domestic capital market activity, increased financial risks in 2024.

Financial Conditions Index

The credit-to-GDP gap edged up slightly to a 'moderate' risk range, suggesting a mild misalignment of private sector credit expansion and broader economic activity. Over the year, however, the FCI increased, reflecting a gradual tightening in financing conditions while remaining at a relatively low level of overall financial risk.

Systemic Risk Accumulation Index

The SRAI remained within the 'moderate' range in 2024. However there was a slight improvement in the index suggesting a modest deceleration in systemic risk accumulation notwithstanding, lower Government revenues and increased private sector credit.

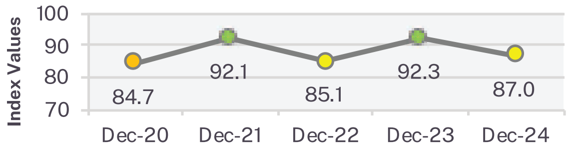
Banking Stability Index

Overall, the Banking Stability Index (BSI) indicated a modest increase in financial stability risk over the period. This coincided with a marginal reduction in liquidity buffers.

FIGURE 7
DOMESTIC MACROPRUDENTIAL EARLY WARNING INDICES, 2020 – 2024

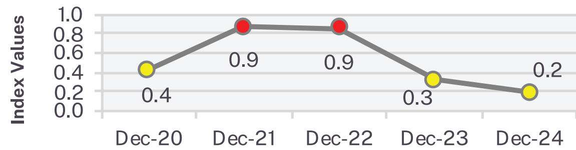
Aggregate Financial Stability Index (AFSI)

The AFSI monitors macro-financial variables related to stability. Increases (decreases) in the value indicate improvements (deterioration) in financial stability.



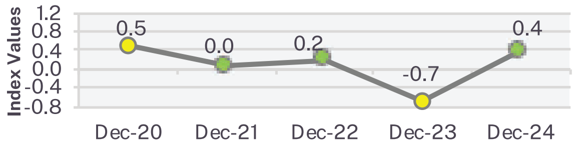
Systemic Risk Accumulation Index (SRAI)

The SRAI determines the degree of systemic risk build-up in the financial system. Increases (decreases) indicate accelerated (decelerated) systemic risk accumulation.



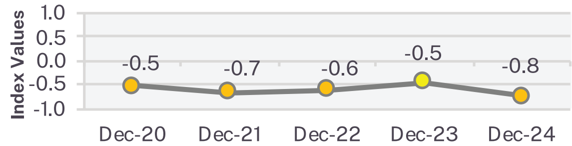
Financial Conditions Index (FCI)

The FCI estimates stress in domestic funding conditions. Negative values signal loose funding conditions while positive values imply tightening financial conditions.



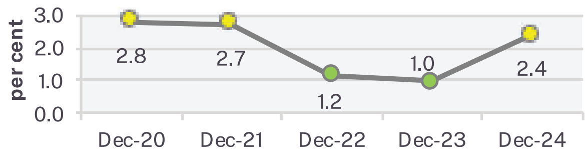
Banking Stability Index (BSI)

The BSI is a consolidated measure of the financial soundness of commercial banks and non-banks. Significantly positive (negative) values signal overheating (higher vulnerability).



Credit-to-GDP Gap (Gap)

The Gap is the difference between private sector credit-to-GDP and its long-term trend. When it is greater than 2 per cent, consumption credit is growing faster than GDP.



Benchmarks*

	AFSI	SRAI	FCI	BSI	Gap
Low	90 – 100	0 – 0.2	0 – 0.4	0 – 0.3	0 – 2.0
Moderate	85 – 90	0.2 – 0.4	0.4 – 0.8	0.3 – 0.5	2.0 – 4.0
Elevated	80 – 85	0.4 – 0.6	0.8 – 1.0	0.5 – 0.8	4.0 – 6.0
High	75 – 80	0.6 – 0.8	1.0 – 1.5	0.8 – 1.0	6.0 – 8.0
Very High	≤ 75	0.8 – 1.0	> 1.5	> 1.0	> 8.0

Source: Central Bank of Trinidad and Tobago

Note:*These thresholds are intended only as a general guide and are not unconditional statements on the risk levels. Also, the indices are part of a broader financial stability surveillance framework **(Appendix A)**. They should not be viewed in isolation, but complemented with evaluations from stress tests, FSIs, network maps, and other useful risk measurement tools.

RISKS IN THE REGULATED DOMESTIC FINANCIAL SECTOR

The risks in the financial sector are rising. The 2023 FSR highlighted sovereign asset concentration in the banking and insurance sectors, increasing cyberattacks, lower liquidity buffers and higher climate-related insurance cost as key risks to financial stability. The 2024 FSR highlights that sovereign concentration in the banking and insurance sectors and increasing cyberattacks remain relevant and liquidity volatility warrants attention. However, over the year banking sector loans to consumers grew by 9.5 per cent, with 16.4 per cent of this growth attributable to debt restructuring (that is, loans for refinancing and consolidation). As a consequence, rising household indebtedness has re-emerged as a notable risk. Additionally, while the risk of higher climate-related insurance cost is still pertinent, as economic losses from natural disasters continue to drive up premiums **(Box 2)**, this was not considered a key financial stability risk for 2024.

Public sector debt has also been on the rise. Persistent fiscal shortfalls led to adjusted General Government debt (which excludes sterilised debt) reaching $140.6 billion in FY2024. As 52.6 per cent of this is attributed to domestic sources, commercial banks and insurers have elevated exposures to the Government of the Republic of Trinidad and Tobago (GoRTT).

The pick-up in government borrowing led to a decrease in commercial bank average excess reserves (liquidity). For instance, over the first three months of 2024, liquidity stood at a daily average of $3.8 billion — the last time liquidity was this low was during the initial stages of the coronavirus disease (COVID-19) pandemic. As the year progressed, commercial banks' average excess reserves improved to $4.8 billion — amid a reduction (from 14.00 per cent to 10.00 per cent) in the primary reserve requirement on July 24, 2024. While this measure alleviated the tight liquidity in the market, and facilitated credit expansion, the weighted average loan rate increased despite the repo rate remaining at 3.50 per cent. A ‘surprise liquidity event’ therefore could place upward pressure on bank rates.

One key operational risk for financial institutions is cybersecurity. Technological advancements have allowed banks and insurers to increase product and service delivery at reduced costs. However, the use of these technologies has increased the entry points bad actors can use to materially disrupt firms’ operations and output. This risk is particularly relevant considering the increase in phishing (fraudulent emails), smishing (deceptive SMS messages), and vishing (voice-based scams) incidents used to deceive stakeholders of financial institutions.

These factors underpin several potential risks to domestic financial stability: (i) high sovereign concentrations in the banking and insurance sectors; (ii) increasing cyber incidents; (iii) heightened liquidity risk; and (iv) rising household indebtedness.

This section analyses the abovementioned risks to assess their impact on financial stability.

Sovereign Concentration in the Banking and Insurance Sectors

The financial sector's sovereign exposure remained elevated in 2024. In addition, the widening of the fiscal deficit and declining fiscal space have increased sovereign risk in the financial sector. Although international and domestic factors continued to place pressure on the fiscal accounts, buffers such as official reserves, remain available to mitigate against sovereign default.

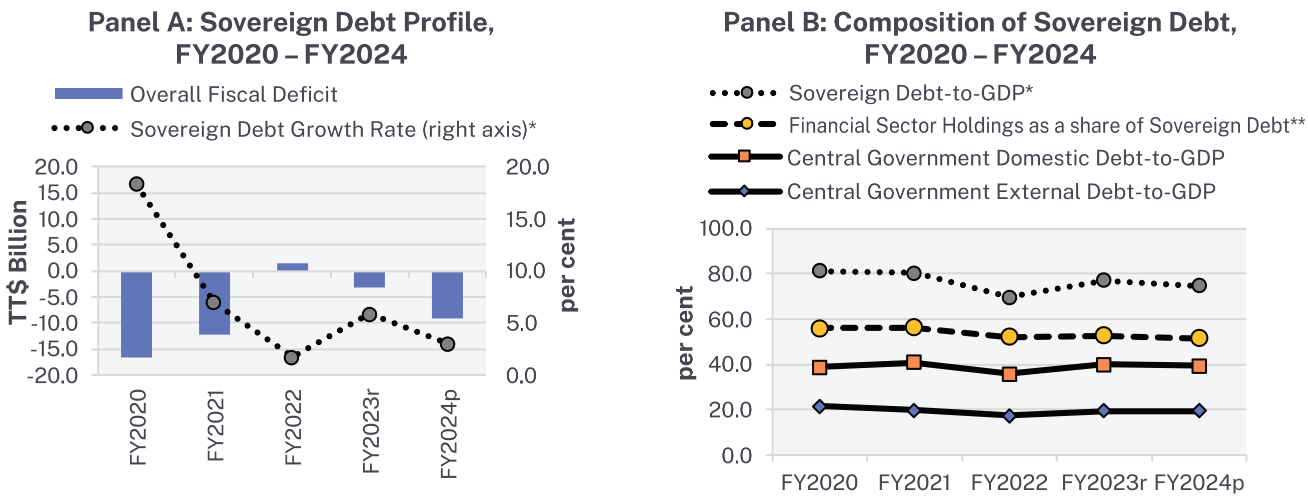
The more-than-anticipated widening of the fiscal deficit in FY2024, led to an increase in sovereign debt (Figure 8, Panel A). Adjusted general government debt[9] expanded by roughly 3.0 per cent ($4.0 billion) to $140.6 billion at the end of FY2024. New borrowings were utilised for budgetary support and to refinance existing facilities. Domestic financing, obtained mainly from commercial banks and insurers, continued to dominate the Government's borrowing landscape in FY2024 **(Figure 8, Panel B)**. Despite the issuance of a US$750.0 million bond on the international capital market in June 2024, external debt remained relatively unchanged at 21.4 per cent of GDP. While not considered government borrowings, the Government withdrew US$369.9 million (roughly $2.5 billion) from the HSF for budget support in 2024.

The large volume of Government borrowings for debt refinancing, along with high interest payments, heightens rollover risks. Almost one-fifth of total Government borrowings (18.4 per cent) in FY2024 was earmarked for debt refinancing. Meanwhile, interest payments on external debt continued to trend upward over the last three fiscal years (FY2022 – FY2024). At the end of FY2024, data suggested that 8.7 per cent of debt will be due within the next 12 months— most of which is domestic debt. This could pose difficulties for future debt refinancing initiatives.

Financial institutions remained vulnerable to adverse shocks given its sovereign exposures. Despite a marginal decline, domestic debt holdings continued to represent the majority of the financial sector sovereign exposures in 2024 **(Figure 9, Panel A)**. In terms of the composition of domestic holdings, since 2022, there has been a shift from short-term instruments (Treasury Bills) toward more medium- to longer-term instruments (Central Government securities) **(Figure 9, Panel B)**. While the banking sector's domestic debt holdings as a share of its assets fell by the end of 2024, the pickup in the insurance sector's share of domestic debt holdings to its assets makes the sector more susceptible to sovereign distress **(Figure 10).**

9 Adjusted general government debt includes the external and internal debt of the Central Government (net of sterilised debt), as well as non-self-serviced guaranteed debt of public entities.

FIGURE 8
SOVEREIGN DEBT DYNAMICS



Sources: Ministry of Finance, Central Statistical Office and Central Bank of Trinidad and Tobago

Note: Debt ratios are based on Nominal GDP data from the CSO.

* Adjusted General Government Debt. It represents outstanding balances at the end of the fiscal year and excludes all securities issued for Open Market Operations.

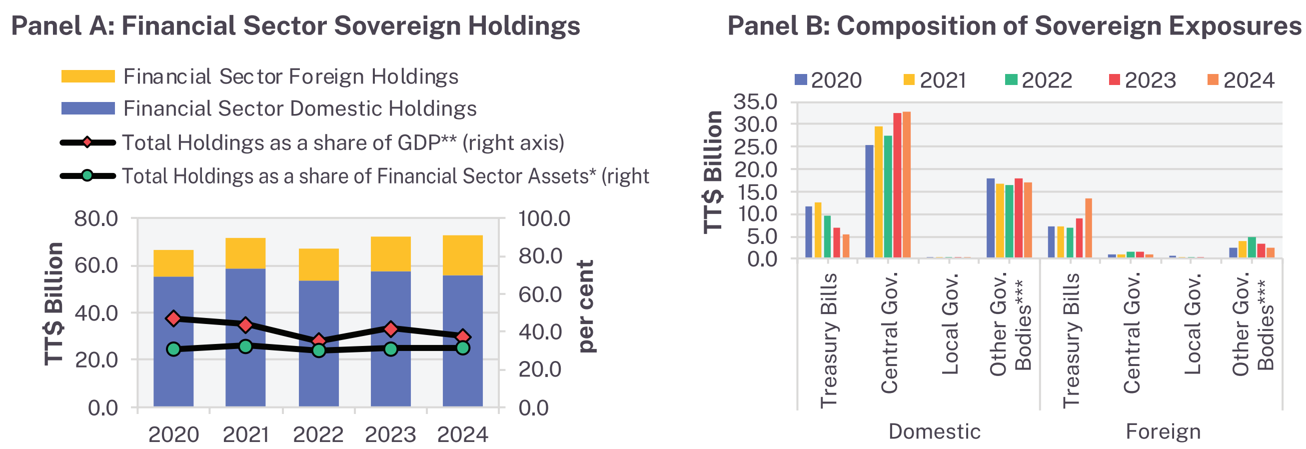
** Calendar Year.

r (Revised).

p (Provisional).

Central Government domestic and external debt exclude sterilised debt.

FIGURE 9
FINANCIAL SECTOR SOVEREIGN EXPOSURE – END-OF-PERIOD, 2020 – 2024



Sources: Central Bank of Trinidad and Tobago and Ministry of Finance

Note: Sovereign holdings refer to Treasury bills, and securities and loans from the Central Government, local government, and other state-owned financial and non-financial institutions.

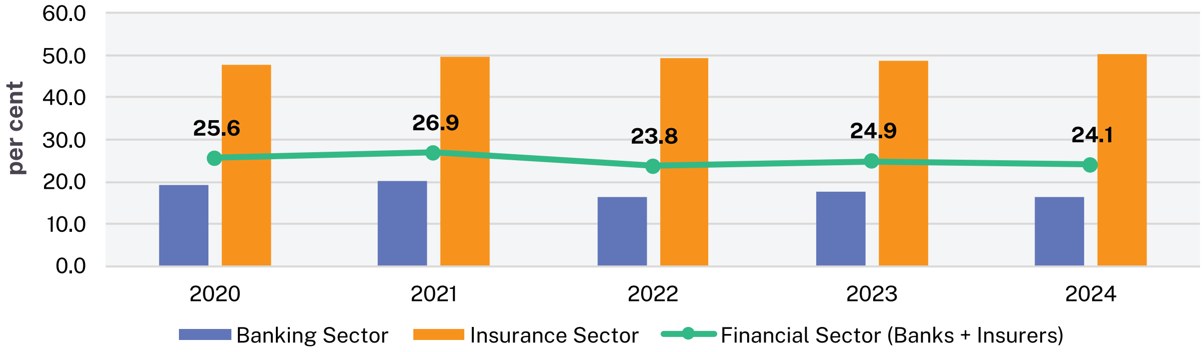
* Financial sector refers to the banking and insurance sectors.

** Ratios are based on Nominal GDP data from the CSO.

*** Exposures from state-owned non-financial institutions, public utilities, statutory boards, and state-owned other financial institutions.

FIGURE 10

DOMESTIC SOVEREIGN EXPOSURE TO ASSETS BY SECTOR – END-OF-PERIOD, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

Given their sovereign asset exposures, the upward movement of the yield curve in 2024[10] could negatively impact financial institutions' profitability. Factors influencing the shape of the yield curve include; inflation and economic expectations, risk premiums, future interest rates and government debt levels. Trinidad and Tobago has a positive upward-sloping yield curve, which implies shorter maturity Treasuries have lower yields compared to the anticipated yields of those with longer tenors. The upward movement in the yield curve suggests that market participants perceive government securities riskier to hold and require higher compensation at various maturities. Financial institutions are vulnerable to interest rate risk as most of the sovereign domestic debt held carry fixed interest rates. Due to the inverse relationship between interest rates and the value of government bonds, an increase in the yield curve decreases the bond's value in the financial institutions' portfolio, which may affect returns. Further, given the greater credit risk of holding government securities, profitability can be impacted should the Government fail to repay future interest and principal payments.

Stress tests suggest that the commercial banking sector remains vulnerable to credit risk from large exposures and this requires continued monitoring. Government and Government-related entities represented 59.8 per cent of reported large credit exposures[11], lower compared to 62.6 per cent in 2023. Nonetheless, based on data to December 2024, when these exposures were stressed[12], some commercial banks recorded post-shock capital adequacy ratios (CARs) below the regulatory minimum of 10.0 per cent in the event of a sovereign credit default. The sector's CAR declined by 8.7 percentage points leading to a post-shock CAR of 7.5 per cent. On the other hand, when stress tests imposed a shock to large credit exposures by sector, in particular the 'Other services' sector (which the Government and Government-related entities account for the majority), the CAR fell by 6.2 percentage points to reach the regulatory minimum threshold of 10.0 per cent.

10 See Central Bank of Trinidad and Tobago's Annual Economic Survey 2024. Chapter Seven: Capital Markets: Central Government Yield Curve. p 41. https://www.central-bank.org.tt/wp-content/uploads/2025/05/AES-2024-Faw.pdf.

11 A large exposure is defined in section 2 of the Financial Institutions Act, 2008 as the aggregate of all credit exposures to a person or a borrower group, which amounts to 25 per cent or more of the capital base of a licensee.

12 The stress test assumes that 50 per cent of loan exposures become impaired at the same time that the security exposures suffer a 50.0 per cent loss in market value.

Mitigating buffers against sovereign default remain available. Trinidad and Tobago's stock of official reserves stood at US$5.6 billion in December 2024, representing approximately 8.0 months of import cover (above the international benchmark of 6.0 months for commodity-exporters). This was despite a withdrawal of US$369.9 million from the HSF to finance budgetary shortfalls[13]. At the end of FY2024, the HSF amounted to approximately US$6.1 billion[14]. Additionally, Trinidad and Tobago's access to international capital markets remain favourable as international credit rating agencies affirmed the country's creditworthiness in 2024[15]. Domestic capital markets also provide an alternative avenue for debt financing[16], however further development is required.

Despite the challenges to Trinidad and Tobago's fiscal accounts, economic activity should receive a boost from the energy sector in the medium-term. Higher interest payments are likely to place pressures on Government's finances in the near term, which may require additional budgetary support. However, a pickup in energy sector output is expected to improve fiscal outturns in the medium-term. In light of the foregoing, as well as marginally lower domestic sovereign concentrations in the financial sector and a slightly improved stress test performance (compared to 2023), the overall risk to domestic financial stability remains **'moderate'**

Increasing Cyber Incidents

The rapid pace of technological advancement has significantly increased cyber risk exposure in the financial sector. While digital transformation brings with it many benefits, it also introduces new risks that threaten the stability of the financial system. Global regulatory frameworks are steadily evolving to address these emerging threats. Regional and local responses, on the other hand, are progressing at a more measured pace, requiring more intensive efforts to mitigate these risks more effectively.

With the ongoing expansion of telecommunication services, financial institutions are ramping up their investments in digital financial technology. In December 2024, the mobile internet penetration ratio grew to 71 (per 100 inhabitants) from 59.0 in December 2023, indicating a more conducive environment for the expansion of mobile digital services **(Figure 11)**. In contrast, fixed internet subscriptions grew modestly from 95.6 (per 100 households) to 96.3 (per 100 households), in an already saturated market. The number of active mobile voice connections stood at 1.79 million in December 2024, equivalent to a 130.9 penetration ratio, down from 147.5 in 2023, possibly reflecting a shift in consumer preferences toward data-driven applications.

These shifts are occurring alongside several key digital developments in the domestic financial sector in 2024. Notable advancements include the expansion of digital and mobile financial services, the licensing of new electric money (e-money) issuers, and preparations for the pilot launch of a national Fast Payments System (FPS). Supporting this trend, data shows a significant rise in software development expenditure within the banking and insurance sectors which increased by 10.2 per cent compared to the previous year **(Figure 12)**.

13 A withdrawal (injection) from the HSF is recorded as an inflow (outflow) to the stock of official reserves.

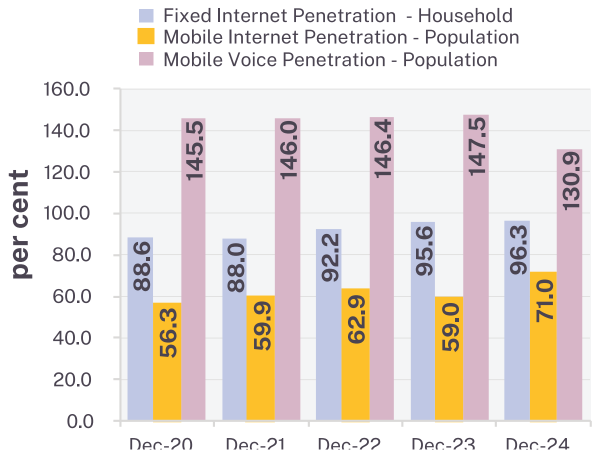
14 Ministry of Finance. "Quarterly Investment Report July to September 2024." Heritage and Stabilisation Fund (HSF), Appendix II, p21-22. January 2025. https://www.finance.gov.tt/2025/01/10/heritage-and-stabilisation-fund-hsf-quarterly-investment-report-july-2024-to-september-2024/

15 In 2024, Standard and Poor's also affirmed Trinidad and Tobago's creditworthiness with BBB- /A-3 long- and short-term foreign and local currency with a stable outlook. Similarly, Moody's credit rating agency affirmed Trinidad and Tobago's Ba2 rating with a stable outlook.

16 Capital Market Developments are discussed in **Chapter 3.**

FIGURE 11

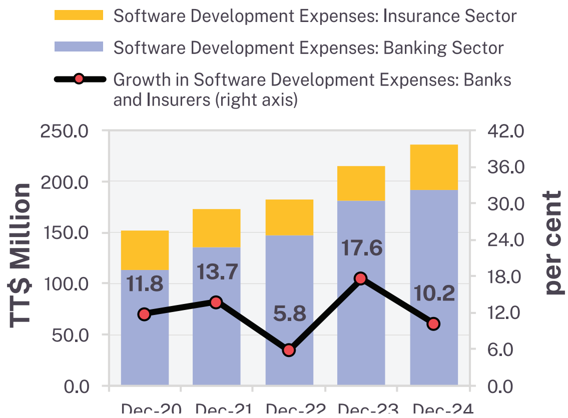
INTERNET AND VOICE PENETRATION RATES, DEC 2020 – DEC 2024



Source: Telecommunications Authority of Trinidad and Tobago

FIGURE 12

FINANCIAL SECTOR SOFTWARE DEVELOPMENT EXPENSES, DEC 2020 – DEC 2024



Source: Central Bank of Trinidad and Tobago

There are no signs of slowing growth in digital transformation in the domestic financial sector as local banks and financial institutions face increasing pressures to enhance digital infrastructure, develop digital-first products, and improve the overall digital customer experience. For instance, regional surveys[17] indicate a significant interest among leaders of regional and local financial institutions in adopting advanced technologies such as Generative Artificial Intelligence models to enhance service delivery and operational efficiency. Innovations from AI firms such as DeepSeek are making these technologies more accessible and affordable, which could further accelerate adoption in the local financial landscape.

As digital adoption accelerates, so too does the complexity and scale of the cyber threat landscape facing the sector. Key risks include increased exposure to cybercrime, growing reliance on a small number of third-party digital service providers and heightened threats of disinformation and fraud through the use of social media and other digital communication platforms. Breaches in these areas can have serious consequences — disrupting critical services, eroding public trust in the financial system, and potentially triggering broader impacts on bank solvency and liquidity.

Global and local data showed an increase in cybersecurity incidents. The October 2024 GFSR reported a sharp rise in cyberattacks in recent years, with the financial and insurance sectors experiencing more than double the number of attacks compared to a decade ago. Local data, though limited, reflects a similar trend. According to the Trinidad and Tobago Cybersecurity Incident Response Team, reported cybersecurity incidents in Trinidad and Tobago more than doubled from 2023 to 2024, driven largely by a surge in phishing and business email compromise attacks **(Figure 13)**. Direct financial losses from cyber incidents have so far remained moderate, with the April 2024 GFSR reporting a median of US$0.4 million per firm from all cyber incidents between 2012 and 2023. However, the scale of extreme losses has increased dramatically, with estimates rising from US$300 million in 2017 to US$2.2 billion in 2023.

17 According to PricewaterhouseCoopers' Caribbean Chief Executive Officer (CEO) Survey (2025), 47 per cent of CEOs plan to integrate artificial intelligence (AI) into their technology platforms, while over one-third aim to embed it into core business processes and workflows. Similarly, Institute of International Finance and Ernst and Young's Global Bank Risk Management Survey reports that 76 per cent of Chief Risk Officers from banks in Latin America identified increased AI adoption as a top risk management initiative.

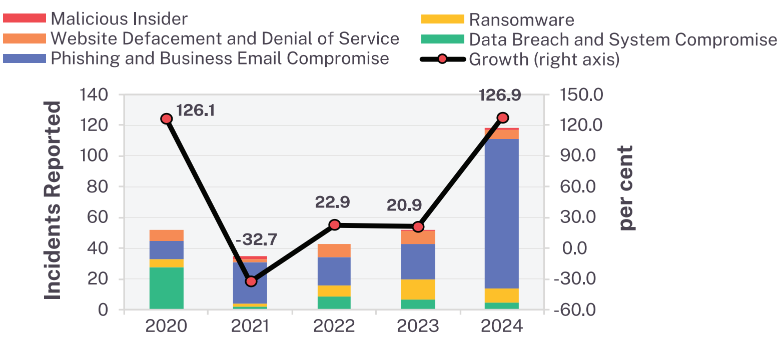
Significant regulatory efforts are underway globally to enhance cyber resilience in the financial sector. International regulatory bodies such as the BIS continue to issue guidance, such as the recently proposed Principles for the Sound Management of Third-Party Risk, aimed at addressing the growing dependence of banks on external digital and other service providers. In parallel, the European Union (EU) has recently enacted its Digital Operational Resilience Act which provides a comprehensive framework designed to standardise and strengthen digital resilience across its financial sector. Key components of this framework include mandatory cyber incident reporting, information sharing and digital operational resilience testing.

Regional and domestic policy and legislation continue to progress but at a more measured pace. In November 2024, CARICOM Central Bank Governors signed a Memorandum of Understanding to establish the Cybersecurity Information Sharing Group as a means of combating cyber threats across the region's central banks. Additionally, many countries in the region have taken important steps by enacting cybersecurity legislation and issuing guidance on cyber risk management.

Domestically, the Central Bank received IMF technical assistance on cybersecurity regulation which resulted in the issuance of the *Cybersecurity Best Practice Guideline* for regulated financial institutions in September 2023. These guidelines complement existing fiscal support measures such as the Cybersecurity Investment Tax Allowance aimed at enhancing cybersecurity capabilities in the business sector. Additionally, the Central Bank received further technical assistance in February 2024 on cybersecurity supervision and subsequently commenced development of its cybersecurity supervision framework. However, further efforts are required, particularly in addressing the shortage[18] of skilled cybersecurity professionals and fostering a more proactive cybersecurity culture. Addressing these gaps will be essential to improving resilience against the growing complexity of cyber threats.

Given these developments and the anticipated digital advancements in the near term, the overall cyber risk facing the financial sector remains **'elevated'**. Strengthening resilience will require urgent, coordinated policy measures and close collaboration among regulators, financial institutions, and third-party digital service providers. Addressing existing gaps is essential to safeguarding the stability and trustworthiness of the financial system in an increasingly digital world.

FIGURE 13
CYBER INCIDENT REPORTS, 2020 – 2024



Source: Trinidad and Tobago Cyber Security Incident Reporting Team

18 A study from the Arthur Lok Jack Global School of Business found that there is a regional shortage of cybersecurity professionals, with the majority organisations surveyed in the study highlighting a lack of essential competencies in managing technology and data privacy risks. See more here: https://lokjackgsb.edu.tt/wp-content/uploads/2025/01/Readiness-of-Caribbean-Boards-for-Cybersecurity-Oversight.pdf.

Heightened Liquidity Risk

Volatile liquidity conditions and shifts in liquidity management dynamics highlight ongoing liquidity risks and the need for continued close monitoring. While recent policy actions, such as the reduction in commercial banks' reserve requirements, have boosted average excess reserves, aggregate liquidity indicators point to a slight softening of overall conditions over the period.

Monetary policy adjustments contributed to increased system liquidity in 2024. Most notable was the July 2024 reduction in the commercial banks' reserve requirement from 14.00 per cent to 10.00 per cent. This policy action released just over $4 billion into the financial system, facilitating growth in excess reserves held by commercial banks **(Figure 14)**. As a result, credit supply improved despite relatively unchanged net open market operations (OMOs) from 2023 and a reduction in net domestic fiscal injections (NDFIs).

Mixed market reactions and credit dynamics followed the shift in policy. Growth in commercial bank credit to the private sector accelerated amid increased liquidity, but this was tempered by subdued public sector credit expansion **(Figure 14)**. At the same time, interbank market activity intensified with institutions redistributing funds while the weighted average loan rate edged up slightly after a prolonged period of decline, which could indicate a cautious recalibration in pricing strategies as market conditions evolve.

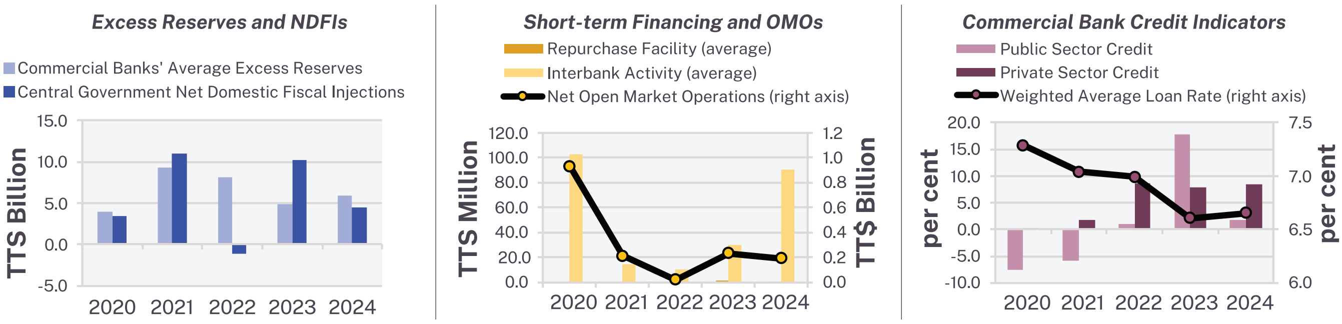
Despite higher excess liquidity, key prudential liquidity metrics worsened. Both the liquid assets-to-total assets and liquid assets-to-short-term liabilities ratios for commercial banks declined, indicating a reduced capacity to meet liquidity demands **(Chapter 3)**. Stress testing further underscored a weakening in the banking sector's resilience to liquidity shocks in 2024, with the number of days until bank system-wide illiquidity under a shock scenario falling to 25 days, down from 27 days in 2023 when reserves are included.

A tightening of external financing conditions and extensive borrowing by the Government could pose additional risks to liquidity sustainability. A less favourable global financial environment or a continued rise in interest rates abroad may hinder Trinidad and Tobago's ability to secure external funding, potentially leading to the Government increasing its reliance on domestic credit sources. This could absorb available liquidity in the financial system, reducing funds for business and consumer credit and drive up borrowing costs. Careful management of government borrowing and close monitoring of global financial developments will be essential to maintain domestic liquidity at levels conducive to the smooth conduct of financial intermediation.

Given these evolving challenges, liquidity risk in the near term remains **'elevated'**, warranting continued vigilance.

FIGURE 14

LIQUIDITY, CREDIT AND INTEREST RATES, 2020 – 2024



Source: Central Bank of Trinidad and Tobago
Note: For NDFIs/OMOs, positive (negative) values result in an injection (withdrawal) of liquidity.

Rising Household Indebtedness

Rising household debt in the current climate of global economic uncertainty increases the exposure of the financial sector to adverse shocks to household income and asset values. Growth has been strong in key segments such as real estate, motor vehicles and 'other purpose[19]' loans; however, signs of strain are emerging, reflected in a modest rise in NPLs alongside an uneven recovery in the labour market. At the same time, consumer deposits have remained largely unchanged, suggesting sustained resilience in the banking sector. Looking forward, stress test results show mixed resilience of the financial sector to shocks across the consumer loan portfolio.

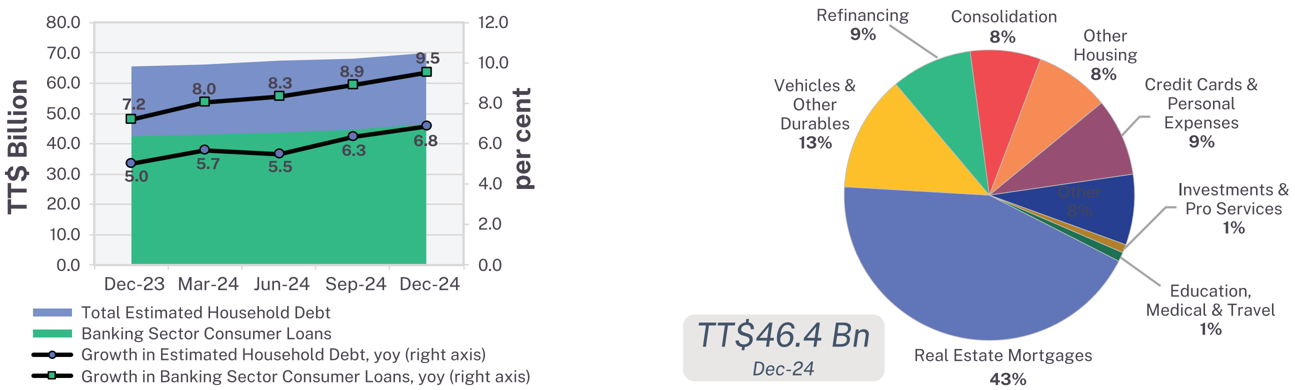
Favourable financing conditions and growth in the non-energy sector supported robust credit expansion in 2024. Estimated household debt rose by 6.8 per cent year-on-year to $70.0 billion in 2024 **(Figure 15, Panel A)**. This represented 40.6 per cent of GDP, which remains below the pandemic peak of 42 per cent. Consumer loans extended by the consolidated banking sector accounted for 66 per cent of this debt and grew more substantially, increasing by 9.5 per cent over the year **(Figure 15, Panel A)**. This growth was primarily driven by real estate mortgages, alongside 'other purpose' loans and new motor vehicle loans, which saw nominal increases of $1.2 billion, $1.0 billion, and $0.66 billion, respectively. Real estate mortgages remained the largest segment of the consumer loan portfolio, making up roughly 43 per cent of the consolidated banking sector's consumer loans **(Figure 15, Panel B)**.

As the financial sector extends more consumer credit, its exposure to risks associated with households' repayment capacity also increases. This risk is especially pronounced if credit growth is fuelled by lending to high-risk borrowers who are susceptible to financial shocks, such as sharp increases in interest rate or declines in household income. If these adverse scenarios occur, financial institutions may face several challenges, including deteriorating asset quality, increased loan defaults, reduced cash flows, increased liquidity pressures, and the need for greater loan loss provisions. These factors can collectively threaten the financial stability of these institutions and, in acute cases, affect the sector as a whole.

FIGURE 15
HOUSEHOLD DEBT

Panel A: Estimated Household Debt, Dec 2023 – Dec 2024

Panel B: Consolidated Banking Sector Consumer Loans by Purpose, Dec 2024



Source: Central Bank of Trinidad and Tobago

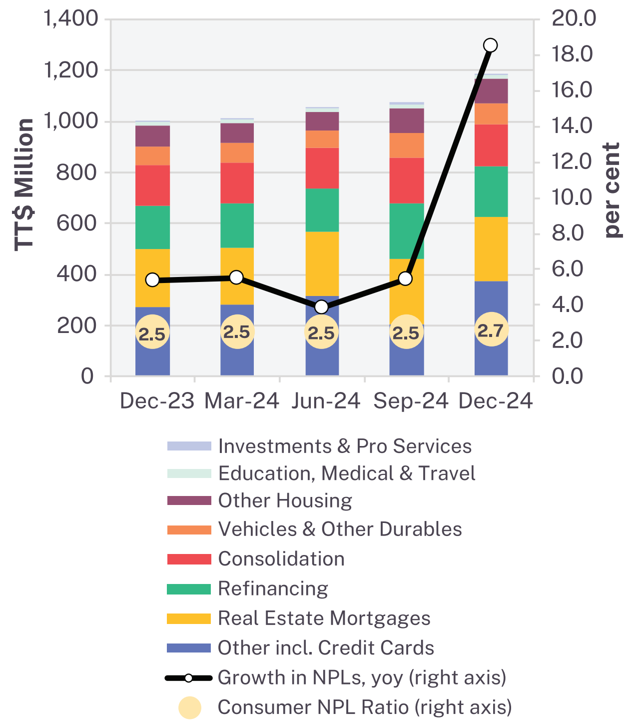
19 Other Purposes' includes credit card loans and other miscellaneous loans, where credit card loans account for 48.9 per cent of the total miscellaneous expenses.

During this period of credit expansion, some signs of asset quality deterioration have emerged within the domestic consumer loan portfolio. The NPL ratio grew from 2.5 per cent in December 2023 to 2.7 per cent in December 2024, while the nominal value of NPLs rose by $185.3 million to $1.2 billion, representing an 18.5 per cent increase over the year (Figure 16). NPLs in the 'Other Purposes' loan category surged by 36.4 percent in the last quarter of 2024, and was the main cause of the spike in NPLs. Accordingly, NPLs in this category increased by $99.2 million over the year.

Labour and consumer market developments provide important context for understanding household financial conditions. Despite an expansion in overall economic activity, unemployment increased slightly in the fourth quarter of 2024, which suggests uneven recovery across economic sectors. At the same time, external events such as the ongoing tariff policy shifts, give rise to uncertainty and possible inflationary pressures, which may erode households' purchasing power. Balancing these concerns, certain trends suggest that household resilience has not been entirely eroded. Recent wage increases stemming from the settlement of several collective bargaining agreements, may offer some relief by bolstering household income and supporting continued growth in consumer credit.

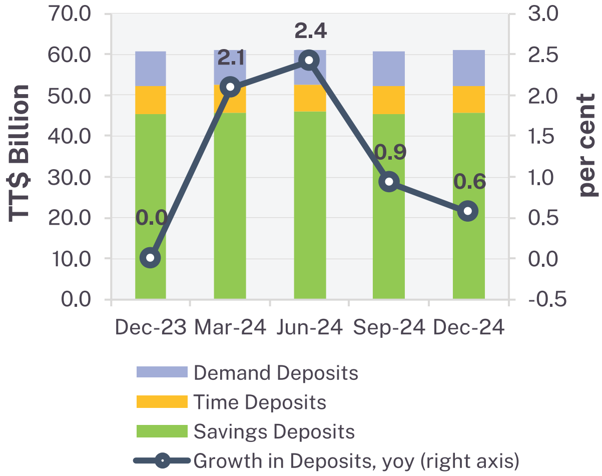
Against this backdrop, deposits, which serves as an important indicator of household liquidity and banking sector resilience, have remained relatively stable over the past year (Figure 17). This stability indicates sustained resilience in the banking sector and confidence in its ability to service its debt obligations.

FIGURE 16
COMMERCIAL BANKING HOUSEHOLD SECTOR NPLS, DEC 2023 – DEC 2024



Source: Central Bank of Trinidad and Tobago

FIGURE 17
CONSUMER DEPOSITS BY TYPE DEC 2023 – DEC 2024



Source: Central Bank of Trinidad and Tobago

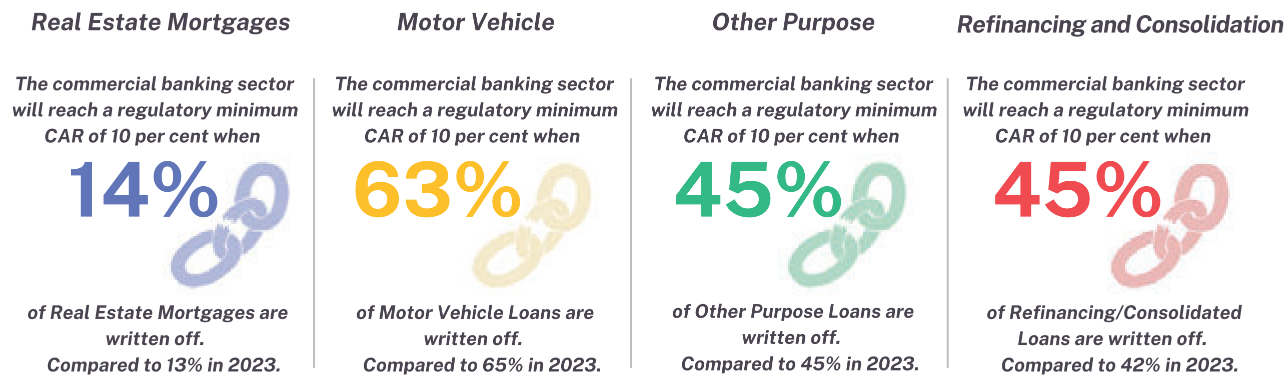
Looking ahead, breaking point stress test results indicate a mixed picture of the financial sector's resilience to shocks across different consumer loan portfolios in 2024 (Figure 18). While the resilience of motor vehicle loans weakened slightly over this period, real estate and refinancing portfolios showed improvement, while 'other purpose' loans remained unchanged.

Considering the above financial stability risk arising from household debt is assessed as **'moderate'**.

RISK ASSESSMENT

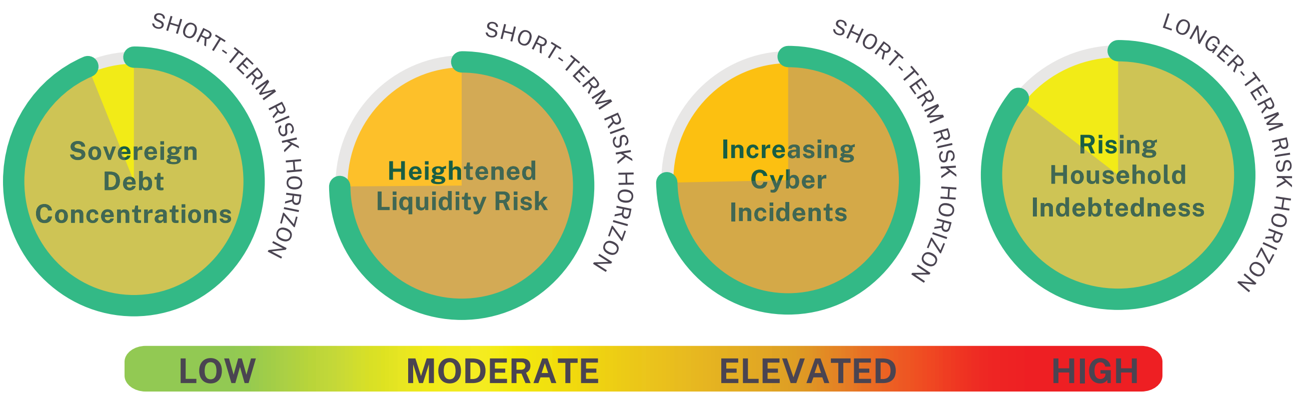
Figure 19 summarises key stability risks in the Trinidad and Tobago financial sector. The overall risk assessment considers the length of the risk horizon based on ongoing developments in the global and domestic macro-financial system. Overall, financial stability risks are assessed as **'moderate-to-elevated'**.

FIGURE 18
STRESS TESTING TO THE BREAKING POINT [20]



Source: Central Bank of Trinidad and Tobago

FIGURE 19
FINANCIAL STABILITY RISK ASSESSMENT



Source: Central Bank of Trinidad and Tobago

20 Breaking point stress tests are used to evaluate the degree at which the financial system may be at risk to a deterioration in the consumer loan portfolio. It provides information on the extent to which loans must be written off for CAR to reach a regulatory minimum of 10 per cent.

CHAPTER 3

Performance and Resilience of the Financial System

PERFORMANCE AND RESILIENCE OF THE FINANCIAL SYSTEM

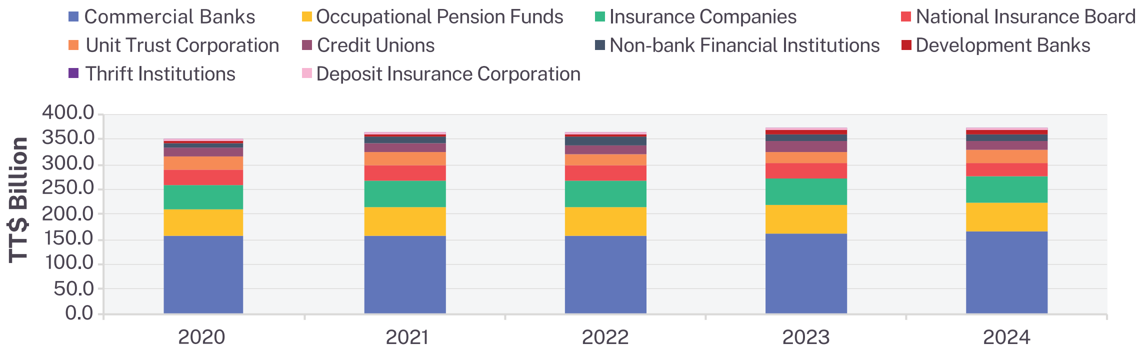
In 2024, Trinidad and Tobago's financial sector experienced moderate growth, with the majority of assets held by banks, insurance companies, and pension funds. Sectoral concentration remained high, raising systemic risks and potential contagion. Asset exposures stayed consistent, with a strong emphasis on domestic sovereign investments and loans. The banking sector reported strong loan growth, alongside a rise in NPLs. The banking and insurance sectors remained well capitalised, and pension funds saw growth despite weak equity market challenges.

FINANCIAL SECTOR INTERLINKAGES

In 2024, the domestic financial sector in Trinidad and Tobago experienced modest expansion, with assets remaining heavily concentrated in banks, insurance companies, and pension funds. Concentration remained high in long-term insurance and banking, with Herfindahl-Hirschman Index (HHI) readings suggesting increased market dominance and declining competition in some segments. Banks and insurers continued to hold significant exposures to domestic sovereign investments. The persistence of sectoral concentration and interlinkages raises systemic vulnerabilities, highlighting the need for strong liquidity and capital safeguards to enhance financial stability and limit contagion risks.

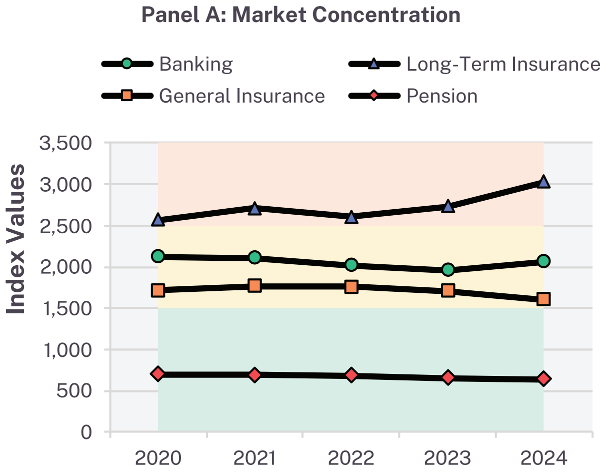
The assets of the domestic financial sector increased by $1.9 billion from $372.1 billion in 2023 to $374.0 billion by the end of 2024 (Figure 20). The combined share of assets for these three dominant financial sectors accounted for 77.5 per cent of total assets, representing 166.2 per cent of GDP, which was relatively unchanged compared to 2023. The remaining 22.5 per cent of total assets in 2024 belongs to other financial sectors.

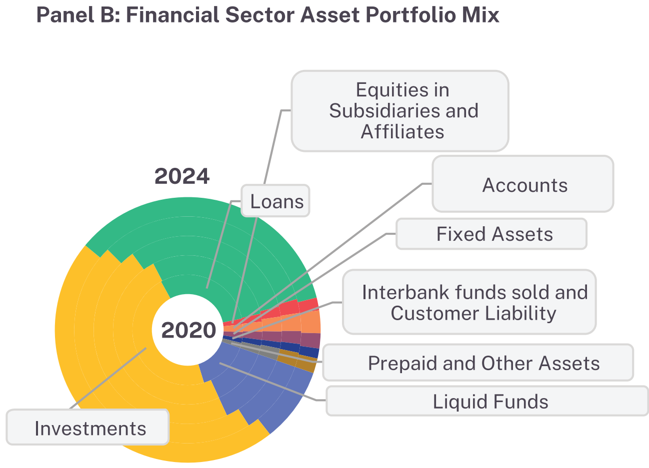
FIGURE 20
DOMESTIC FINANCIAL SECTOR ASSETS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago
Note: The data for Credit Unions are estimated.

FIGURE 21
FINANCIAL SECTOR CONNECTIONS, 2020 – 2024





Source: Central Bank of Trinidad and Tobago
Note: HHI < 1,500 (low concentration), HHI between 1,500 and 2,500 (moderate concentration) and HHI > 2,500 (highly concentrated).

The HHI for the long-term insurance sector, which measures concentration using gross premiums, remained at persistently high levels, increasing by 10.8 per cent in 2024 (see Figure 21, Panel A). In contrast, the general insurance sector maintained a moderate level of concentration, with its HHI steadily declining over the past three years.

In the banking sector, the HHI values, which are based on deposits, suggest moderate concentration, indicating a potential decline in competition in 2024. The 5.2 per cent increase in the banking HHI at the end of 2024 was primarily driven by a 3.5 per cent rise in deposits from commercial banks. Larger commercial banks held onto their market share as their deposits increased, while smaller commercial banks reported declines in their deposits for the year. Additionally, deposits at non-banking institutions declined by 34.7 per cent.

Asset exposures across the major industries remained stable in 2024. Figure 21, Panel B illustrates the asset mix of the three main financial sectors, serving as a proxy for the total financial system. It shows that exposures were relatively consistent throughout the year, with the banking, insurance, and pension sectors remaining highly exposed to investments (46.6 per cent of aggregate exposures), followed by loans (35.1 per cent) and liquid funds (9.1 per cent). The exposure to investments remained steady, while loan exposure rose by 6.5 per cent in 2024, and liquidity decreased by 14.3 per cent.

The investment portfolio represents the largest asset class within the financial sector. In 2024, domestic sovereign exposures remained relatively high accounting for 56.5 per cent of this portfolio. Insurance companies increased their domestic sovereign holdings by 1.8 per cent, while banks saw a decline of 10.2 per cent in their holdings.

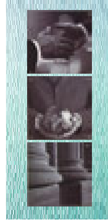
Additionally, investments in foreign countries rose by 2.8 per cent over the year, driven largely by increased investments in Europe, (5.6 per cent in 2024, up from 4.5 per cent in 2023) and North America (71.9 per cent in 2024, up from 71.3 per cent in 2023). The Banking sector's investments in foreign countries accounted for more than half of the total foreign investment in 2024.

The interconnections between and concentrations within individual financial industries highlight concerns about systemic risk. Adverse shocks to one sector can spill over into other segments of the financial system. These interconnections can weaken the system's resilience and exacerbate macro-financial shocks, affecting various sectors of the economy simultaneously[21]. Recent analysis highlights the critical role of the sovereign-bank relationship[22], particularly the strong bilateral ties between the government and a few systemically important institutions. While overall interconnections remain limited, the inclusion of the sovereign in the network significantly intensifies linkages, heightening the risk of rapid shock transmission throughout the sector. This situation underscores the need for enhanced liquidity measures and stricter capital requirements, particularly for systemically important institutions, to limit the potential for contagion effects. **Chapter 4** of the report discusses some of these measures.

The following sections will summarise the recent performance of the individual segments.

21 The 2019 FSR stated that domestic banking network was sparse but close connections exist with a few central nodes. Additional details can be accessed at: https://www.central-bank.org.tt/wp-content/uploads/pdf/2019-financial-stability-report_1.pdf.

22 Thomas, Natalie and Kateri Duke. "Domestic Banking Industry Network Analysis: The Sovereign-Bank Nexus." Central Bank of Trinidad and Tobago, Working Papers, WP 02/2022. 2022. https://www.central-bank.org.tt/wp-content/uploads/pdf/wps-02-2022-domestic-banking-industry-network-analysis-sovereign-bank-nexus-20221007.pdf.



FINANCIAL SOUNDNESS INDICATORS

Banking Sector (Commercial Banks and Non-banks)

The banking sector remained stable and sound in 2024, as evidenced by the performance of key financial soundness indicators (FSIs), including capital adequacy, asset quality, and profitability (Table 1). However, the sector faces several vulnerabilities. These include strong loan growth alongside a continued upward trajectory in the stock of NPLs, tightening liquidity conditions, heightened market volatility amid escalating geo-economic and geo-political tensions, and increasing restrictions on global trade.

The substantial loan growth coincided with an increase in the stock of NPLs, which rose by 10.2 per cent compared to a 0.5 per cent decline in 2023, and a fall in loan-loss provisioning. Notwithstanding, the ratio of NPLs to gross loans remained relatively constant, moving from 2.8 per cent in 2023 to 2.9 per cent in 2024. Increased interest income from loans boosted the sector's profitability. Return on assets (ROA) rose from 2.8 per cent in 2023 to 2.9 per cent in 2024. Overall, the banking system remained well capitalised in 2024, as reflected in the CAR staying above the minimum requirements, thereby providing a buffer against potential risks.

The Monetary Policy Committee of the Central Bank reduced the primary reserve requirement for commercial banks from 14.00 per cent to 10.00 per cent of prescribed liabilities, effective July 24, 2024. This action was driven by declines in banks' excess reserves. The reduction, along with increased reliance on OMOs, immediately boosted the sector's liquidity. As a result, commercial banks' excess reserves at the Central Bank rose by approximately $3.0 billion.

Deposit liabilities remained the primary funding source for the growth in assets, with the sector also experiencing a notable shift in asset composition. The banking sector relied heavily on liquid funds[23] to support loan growth, resulting in a decline in the sector's liquid assets-to-total assets ratio from 16.3 per cent as at December 2023 to 14.5 per cent as at December 2024. High demand for credit from consumers and businesses drove the strong loan growth.

23 Liquid funds represent all assets in the form of cash and those that can be easily converted into cash and consist of Cash; Deposits at the Central Bank; Amounts Due from Banks; Cash items in the process of collection.

TABLE 1

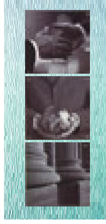
BANKING SECTOR: FINANCIAL SOUNDNESS INDICATORS, 2020 – 2024

/Per Cent/

	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Capital Adequacy*					
Regulatory capital-to-risk-weighted assets	18.8	19.3	18.7	18.0	18.2
Common Equity Tier 1 capital to risk-weighted assets	18.3	18.9	18.4	17.6	17.0
Regulatory Tier 1 capital to risk-weighted assets	18.3	18.9	18.4	17.6	17.0
Regulatory Tier 1 capital to total assets	12.7	13.4	13.4	13.6	13.6
Net open position in foreign exchange-to-capital	16.3	23.7	33.2	27.4	29.7
Geographic Distribution of Total Loans					
Domestic Economy	93.9	93.8	92.6	93.0	94.3
Advanced Economies	0.6	0.6	1.0	1.4	1.2
Emerging Markets and Developing Economies	5.6	5.6	6.4	5.6	4.5
of which, Latin America and the Caribbean	5.6	5.6	6.4	5.6	4.5
Foreign currency loans-to-total loans	16.2	15.5	16.1	16.4	16.3
Real Estate Market					
Residential real estate loans to total gross loans	20.6	21.0	20.7	19.8	19.9
Commercial real estate loans to total gross loans	10.5	10.9	10.3	10.3	10.3
Asset Quality					
Non-performing loans-to-gross loans	3.4	3.3	3.1	2.8	2.9
Non-performing loans (net of provisions)-to-capital	3.6	3.8	4.0	3.6	4.7
Provisions to non-performing loans	71.2	67.6	65.5	67.3	59.3
Earnings and Profitability					
Return on assets	1.8	2.2	2.6	2.8	2.9
Return on equity	8.9	10.9	12.4	13.7	13.4
Interest margin-to-gross income	64.2	59.2	57.5	61.0	64.3
Trading income to total income	8.6	10.2	10.0	7.7	8.6
Non-interest expenses-to-gross income	57.2	57.0	54.5	52.0	54.2
Personnel expenses to non-interest expenses	41.7	42.0	39.5	38.6	39.2
Liquidity					
Liquid assets-to-total assets	23.2	20.0	19.8	16.3	14.5
Liquid assets-to-total short-term liabilities	28.9	25.2	25.1	21.0	18.2
Customer deposits-to-total (non-interbank) loans	136.7	138.2	130.7	120.5	114.0
Foreign currency liabilities-to-total liabilities	24.0	25.1	26.0	25.1	24.9

Source: Central Bank of Trinidad and Tobago

* Although the new Capital Adequacy Regulations were passed into law on May 2020, regulatory reporting on Basel II/III only became effective from August 2020. All CARs prior to August 2020 are based on the Basel I framework. Adjustments related to the new framework seek to raise the quality and quantity of the regulatory capital required and enhance the risk coverage of the capital framework. For further information on Central Bank's Basel II/III framework implementation, please view: https://www.central-bank.org.tt/core-functions/supervision/basel-ii-iii-implementation.



Long-Term Insurance Industry

The capital ratios in the long-term insurance industry improved gradually over the five years ended 2024 (Table 2). Capital coverage spiked in 2023, driven by the proceeds from the sale of a significant investment that was above the book value. The capital gains from the transaction temporarily boosted the capital and liquidity ratios. However, these ratios reverted to average growth levels in 2024 as the excess capital gains realised in 2023 were returned to shareholders. The return on equity (ROE) stabilised from 2023 onwards, following earlier fluctuations caused by one-off transactions that resulted in profit releases linked to dividend income, reinsurance adjustments, and other non-recurring items over the period.

TABLE 2
LONG-TERM INSURANCE INDUSTRY:
FINANCIAL SOUNDNESS INDICATORS, 2020 – 2024
/Per Cent/

	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Capital Adequacy					
Capital-to-total assets	14.6	17.7	18.7	22.2	19.7
Capital-to-technical reserves	21.2	25.4	27.4	33.5	28.8
Asset Quality					
(Real estate + unquoted equities + debtors)-to-total assets	8.4	8.1	8.0	7.7	8.1
Earnings and Profitability					
Expense ratio = expense (incl. commissions)-to-gross premium	28.9	30.1	28.0	31.6	30.5
Investment yield = investment income-to-investment assets	4.5	5.3	5.4	5.1	5.5
Return on equity = pre-tax profits-to-shareholders' funds	14.0	18.2	18.5	6.2	7.6
Liquidity					
Liquid assets-to-current liabilities	28.3	26.1	25.3	27.4	21.3

Source: Central Bank of Trinidad and Tobago
Note: Data from Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Insurance Company (Trinidad) Limited are now included in the long-term sector data. The Central Bank exited emergency control of both companies in December 2022.

General Insurance Industry

The general insurance sector remained stable over the last five years despite some variances in the most recent year (Table 3). Earnings and profitability improved, as evidenced by a better combined ratio of loss and expense. However, in 2024, investment income and pre-tax profits regularised downward to customary levels, following a surge in 2023 following the receipt of dividend income. As a result, the investment income-to-net premium and the ROE declined over the last year. Liquidity in the sector remained strong throughout the period.

TABLE 3
GENERAL INSURANCE INDUSTRY: FINANCIAL SOUNDNESS INDICATORS, 2020-2024
/Per Cent/

	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Asset Quality					
(Real estate + unquoted equities + accounts receivables)-to-total assets	16.7	16.4	18.2	19.8	20.5
Debtors-to-(gross premiums + reinsurance recoveries)	14.6	13.5	15.6	17.9	19.2
Reinsurance and Actuarial Issues					
Risk retention ratio = net premiums written-to-total gross premiums	43.7	39.7	39.1	34.5	35.4
Net technical reserves-to-average of net claims paid in the last three years	133.1	131.0	116.8	100.6	95.5
Earnings and Profitability					
Combined Ratio	97.3	107.3	113.8	116.7	108.4
Expense ratio = expense (incl. commissions)-to-net premiums	56.6	61.0	60.3	59.7	56.9
Loss ratio = net claims-to-net earned premiums	40.7	46.3	53.5	57.0	51.5
Investment income-to-net premium	6.6	7.6	6.5	21.0	6.8
Return on equity = pre-tax profits-to-shareholders' funds	12.0	11.4	5.3	16.3	11.1
Return on assets	5.8	5.4	2.5	7.9	5.3
Liquidity					
Liquid assets-to-current liabilities	58.8	56.5	54.8	46.3	50.6

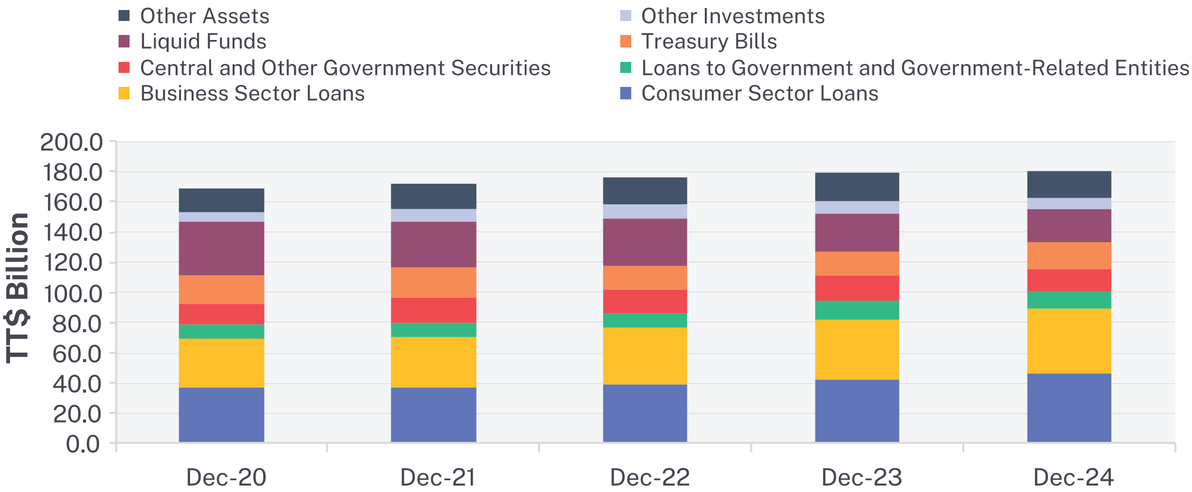
Source: Central Bank of Trinidad and Tobago

BANKING SECTOR (COMMERCIAL BANKS AND NON-BANKS) PERFORMANCE

Assets

The banking sector recorded modest asset growth accompanied by a marked shift in the composition of its asset portfolio, reflecting a move towards less liquid higher-yielding assets. Total assets grew by 0.7 per cent ($1.2 billion) from $179.1 billion in 2023 to $180.3 billion in 2024 **(Figure 22)**. Specifically, the sector's loan portfolio expanded by 6.6 per cent ($6.2 billion) and was accompanied by an 8.8 per cent ($2.2 billion) and a 4.6 per cent ($1.9 billion) decline in liquid funds and in the investment portfolio, respectively. Consequently, this conversion led to the ratio of liquid assets-to-total assets declining from 16.3 per cent in 2023 to 14.5 per cent in 2024 and the ratio of liquid assets-to-short-term liabilities falling from 21.0 per cent in 2023 to 18.2 per cent in 2024. Increased credit demand from consumers and businesses accounted for gross loans amounting to $100.7 billion at the end of December 2024 ($94.5 billion in December 2023). Consumer and business lending rose by 9.5 per cent and 6.4 per cent, respectively. Conversely, the contraction of the investment portfolio was primarily due to the drop in the sector's holding of government and state-owned securities and time deposits. Notwithstanding, the sector's holding of treasury bills, predominantly US treasury bills, rose substantially by 11.9 per cent ($1.9 billion). At the end of 2024, the investment portfolio accounted for 22.0 per cent of total assets (23.2 per cent in December 2023), whereas the loan portfolio represented 55.9 per cent of total assets (52.8 per cent in December 2023).

FIGURE 22
ASSET COMPOSITION, 2020 – 2024

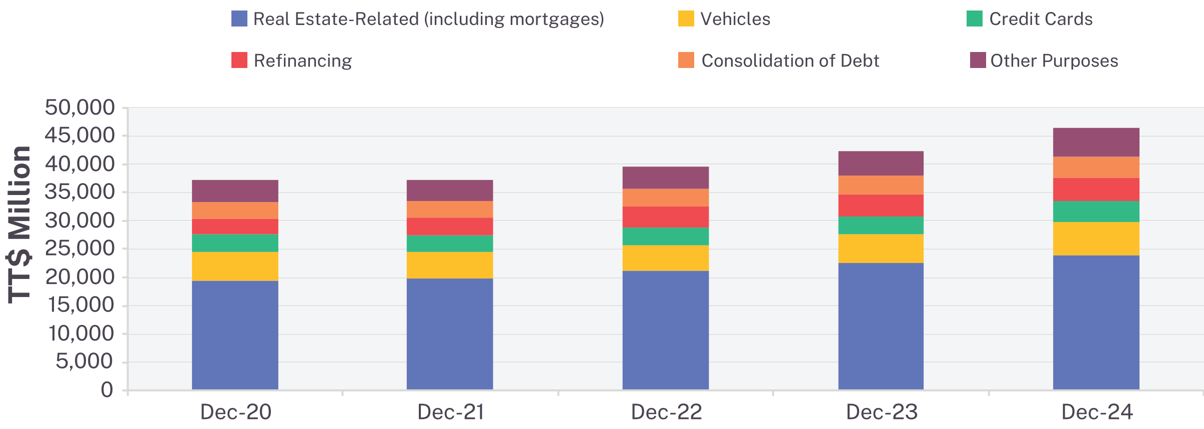


Source: Central Bank of Trinidad and Tobago

Consumer Sector Loans

In 2024, consumer lending expanded across most of its primary subcategories (Figure 23 and Table 4). Consumer loans grew by 9.5 per cent ($4.0 billion) to $46.4 billion at the end of December 2024 and accounted for 46.1 per cent of the sector's total gross loans compared to 44.8 per cent in 2023. Real Estate-Related loans (including Residential Mortgages) expanded by 6.8 per cent ($1.5 billion), and Motor Vehicle loans increased by 15.2 per cent ($0.8 billion), mainly due to the heightened demand for new private cars in 2024. Meanwhile, Other Purpose loans grew by 16.4 per cent ($0.7 billion). Credit Card balances at commercial banks increased by 11.2 per cent ($0.4 billion) compared to a mere 1.5 per cent a year earlier. Additionally, lending for the Consolidation of Debt and Refinancing continued to record significant increases of 11.2 per cent ($0.4 billion) and 7.5 per cent ($0.3 billion), respectively.

FIGURE 23
CONSUMER LOANS BY PURPOSE, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

TABLE 4
GROWTH IN CONSUMER LOANS BY PURPOSE[24], 2020 – 2024
/Year-on-Year Per Cent Change/

CATEGORIES	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Real Estate-Related (including mortgages)	1.7	2.3	6.6	6.6	6.8
Vehicles	-0.6	-9.7	-2.9	11.5	15.2
Credit Cards	-2.5	-7.6	12.3	1.5	11.2
Refinancing	6.7	17.8	13.5	4.9	7.5
Consolidation of Debt	2.9	-3.2	6.7	7.4	11.2
Other Purposes	-7.3	-2.4	2.5	12.5	16.4
TOTAL GROWTH IN CONSUMER LOANS	**0.4**	**0.0**	**6.1**	**7.2**	**9.5**

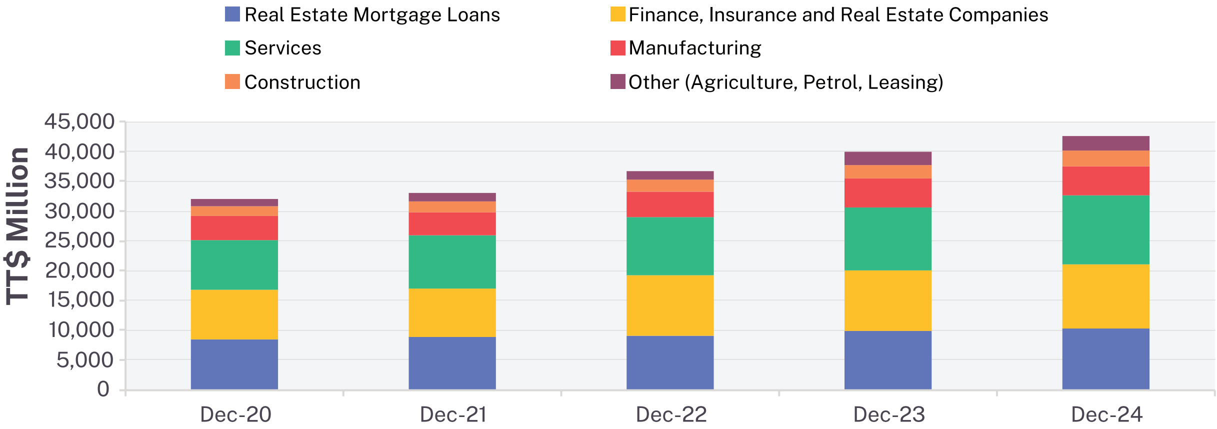
Source: Central Bank of Trinidad and Tobago

24 Absolute values are available in **Appendix B**.

Business Sector Loans

Business sector lending continued to trend upward in 2024, owing to solid demand from companies in the Services and Construction industries, and Finance, Insurance and Real Estate companies (Figure 24). During the year, overall business lending grew by 6.4 per cent ($2.5 billion). Firms in the Services sector sought additional financing — particularly the Distribution sub-sector (which includes restaurants and bars), where lending increased by 10.4 per cent ($0.5 billion). Loans to the Transport, Storage and Communication sub-sector also rose significantly, increasing by 28.4 per cent ($0.4 billion). Business loans for construction expanded by 19.7 per cent ($0.4 billion) and those for Finance, Insurance and Real Estate companies rose by 5.4 per cent ($0.6 billion). At year-end December 2023, Commercial Real Estate Mortgage loans increased by 9.5 per cent ($0.8 billion). This upward trend continued into 2024, with loans rising by a further 5.6 per cent ($0.6 billion).

FIGURE 24
BUSINESS LOANS BY ACTIVITY, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

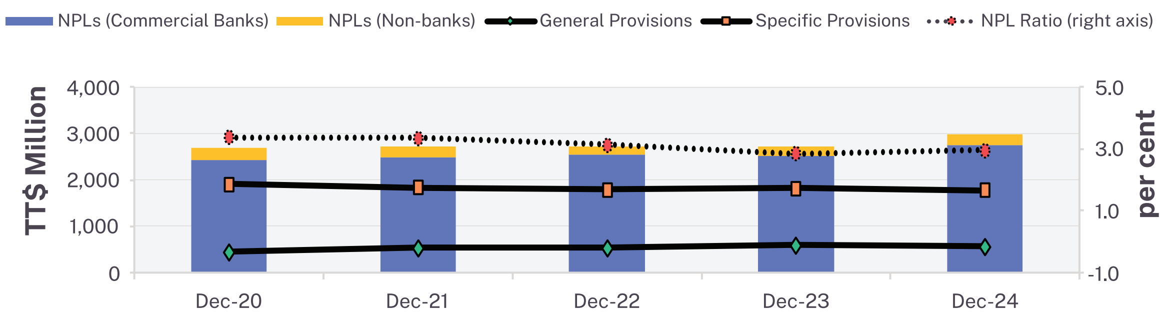
Asset Quality

Asset quality for the banking sector is evaluated based on loan and investment performance and quality, including the level of, NPLs, provisioning and write-offs. The banking sector's NPLs-to-gross loans ratio (NPL ratio) remained stable at 2.9 per cent, down 10.5 basis points from December 2023. The slight uptick in the NPL ratio was due to strong loan growth as previously highlighted despite a notable 10.2 per cent ($0.3 billion) increase in the stock of NPLs, particularly in the consumer sector NPLs at commercial banks **(Figure 25 and Table 5)**.

Growth in consumer NPLs at the commercial banks (18.5 per cent or $0.2 billion) in 2024 was driven by increased delinquencies in credit card balances. Loan delinquencies related to Refinancing, Debt Consolidation and Real Estate-related purposes also contributed to the rise. Notably, the total increase in Credit Card balances, Refinancing and Consolidation of Debt loans accounted for 25.5 per cent of the growth in the consumer loan portfolio at commercial banks in 2024. For the same period, delinquent Credit Card balances alongside non-performing Refinancing and Consolidation of Debt loans accounted for 44.3 per cent of the growth in consumer NPLs at commercial banks. The Central Bank is monitoring the uptick in the non-performing consumer loans.

At the end of 2024, the stock of business NPLs at commercial banks amounted to $1.5 billion, which represented an increase of 2.9 per cent ($43.7 million) over 2023. Business NPLs accounted for 56.6 per cent of total NPLs at commercial banks and was concentrated in non-performing business Real Estate loans and Real Estate Mortgages coupled with delinquent loans for Other Business Services loans[25]. In contrast to the increase in the overall stock of NPLs, the ratio of loan loss provisions-to-NPLs declined from 67.3 per cent as at December 2023 to 59.3 per cent as at December 2024. The $85.3 million (3.5 per cent) decline in loan loss provisions was attributed to loan write-offs by commercial banks.

FIGURE 25
BANKING SECTOR NPLs, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

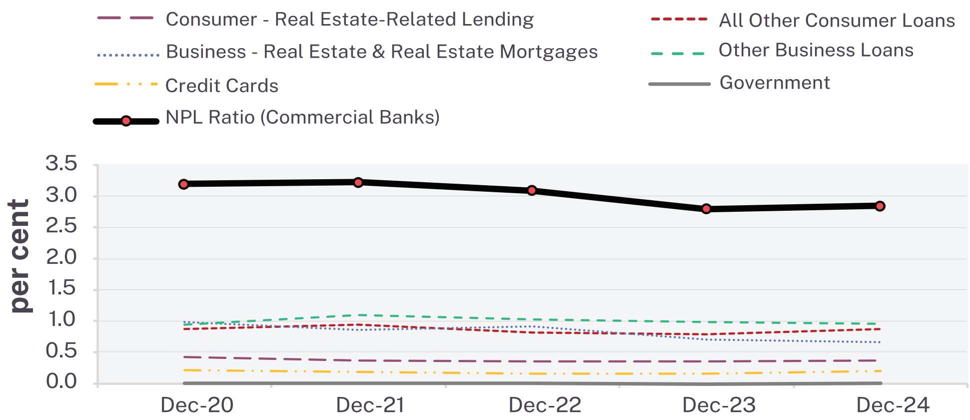
25 Only commercial banks' NPLs are disaggregated by sector. See **Figure 26** for commercial bank sectoral NPLs to gross loans.

TABLE 5
NPLs BY SECTOR, 2023 – 2024
/TT$ Thousand/

	Dec-23	Dec-24	Change	Change (per cent)	NPL Ratio (per cent)	
					Dec-23	Dec-24
Consumer NPLs	1,002,488	1,187,789	185,301	18.5	2.5	2.7
Business NPLs	1,504,890	1,548,616	43,726	2.9	4.0	3.9
Government NPLs	262	1,365	1,103	421.0	0.0	0.0
NPLs – Commercial Banks	2,507,639	2,737,781	230,142	9.2	2.8	2.8
NPLs – Non-banks	201,820	247,995	46,176	22.9	3.6	4.9
Total NPLs – SYSTEM	**2,709,459**	**2,985,776**	**276,318**	**10.2**	**2.8**	**2.9**
Loan Loss Provisions (Specific and General)	2,415,901	2,330,613	-85,288	-3.5	-	

Source: Central Bank of Trinidad and Tobago

FIGURE 26
COMMERCIAL BANKS' SECTORAL NPLs TO GROSS LOANS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

Sovereign Exposure

The banking sector's exposure to sovereign assets declined as institutions reduced their holdings of government securities and loans. A key driver of this reduction in sovereign exposure was the 10.2 per cent ($2.1 billion) decrease in investments in GoRTT securities. As a result, total sovereign exposure relative to total banking sector assets fell from 25.1 per cent in 2023 to 24.5 per cent by the end of 2024.

By the end of 2024, GoRTT securities accounted for 46.7 per cent of the sector's investment portfolio, down from 49.6 per cent in 2023. This reflected a 19.4 per cent ($1.3 billion) reduction in local Treasury bill holdings and a 4.2 per cent ($0.5 billion) fall in investments in GoRTT securities.

Domestic sovereign loan balances also contracted, albeit marginally, by 0.3 per cent ($31.3 million). This was primarily attributable to an 82.0 per cent ($73 million) decrease in loans to the Central Government. Consequently, total domestic sovereign loans as a share of total banking sector loans decreased from 11.2 per cent in 2023 to 10.5 percent at the end of December 2024.

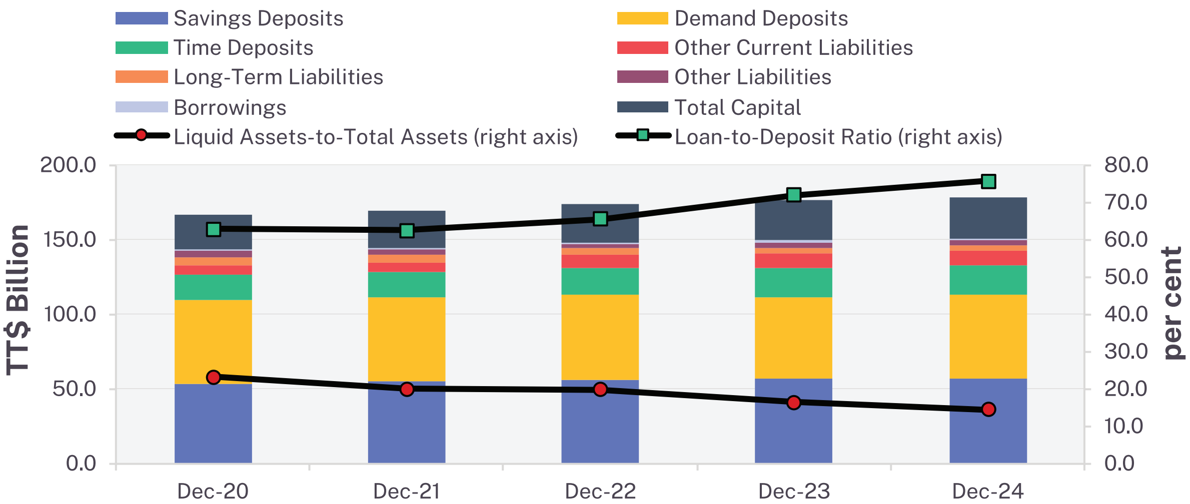
Liability Profile and Funding

Deposit liabilities grew moderately but remained the main funding source for banking sector assets. Total deposits expanded by 1.3 per cent ($1.7 billion) over the year. As a result, deposit liabilities accounted for 88.3 per cent of total liabilities as at December 2024, slightly higher than the 88.0 per cent recorded at the end of 2023.

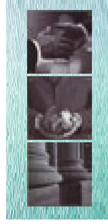
In 2024, all deposit categories recorded growth, with demand deposits experiencing the most significant increase. Demand deposits rose by 2.4 per cent ($1.3 billion) while savings and time deposits also recorded gains, albeit at a slower pace (Figure 27). The increase was broad-based across sectors, with the private business sector and public sector contributing most significantly to the overall growth in total deposits during the year.

Following the reduction in the reserve requirement from 14.00 per cent to 10.00 per cent, banks had greater access to liquid funds, which they channelled into lending activity. As a result, the loan-to-deposit ratio rose from 71.9 per cent to 75.7 per cent in 2024 (Figure 27). This marked a continuation of the upward trend in the loan-to-deposit ratio that began in December 2021.

FIGURE 27
DEPOSITS, OTHER LIABILITIES AND CAPITAL, 2020 – 2024



Source: Central Bank of Trinidad and Tobago



Earnings and Profitability

The banking sector's profitability improved, due to significant gains in operating income, particularly interest income (Figures 28 and 29). Pre-tax profits totalled $5.1 billion in 2024, representing an increase of $200.4 million (4.1 per cent) from the previous year. Despite a $0.4 billion (39.5 per cent) decline in dividends received from subsidiaries and affiliates of commercial banks, total operating income improved by 6.9 per cent ($0.8 billion) and outpaced the 3.2 per cent increase ($0.2 billion) in total operating expenses.

Interest income rose by $0.8 billion (9.9 per cent) to $8.6 billion with commercial banks accounting for 88.8 per cent of this increase. Interest income for loans and investments increased by 8.0 per cent ($0.5 billion) and 16.6 per cent ($0.2 billion), respectively. Interest expenses for the year also grew by 25.4 per cent ($0.2 billion), mainly due to a 37.6 per cent ($0.1 billion) rise in interest paid on time deposits and a 27.1 per cent ($0.1 billion) increase in interest paid on short-term borrowing. Nonetheless, the growth in interest income significantly outpaced the rise in interest expenses, resulting in a stronger net interest margin. As a result, the sector's net interest margin improved by 7.7 per cent, reaching $7.5 billion at the end of the period.

Fee income declined by 2.2 per cent ($41.9million), primarily reflecting a $47.6 million (11.5 per cent) reduction in non-banks' fee income. The decline was mainly concentrated in two categories: other service fees, which fell by $23.5 million (40.2 per cent); and other fee income, which decreased by $19.5 million (6.1 per cent).

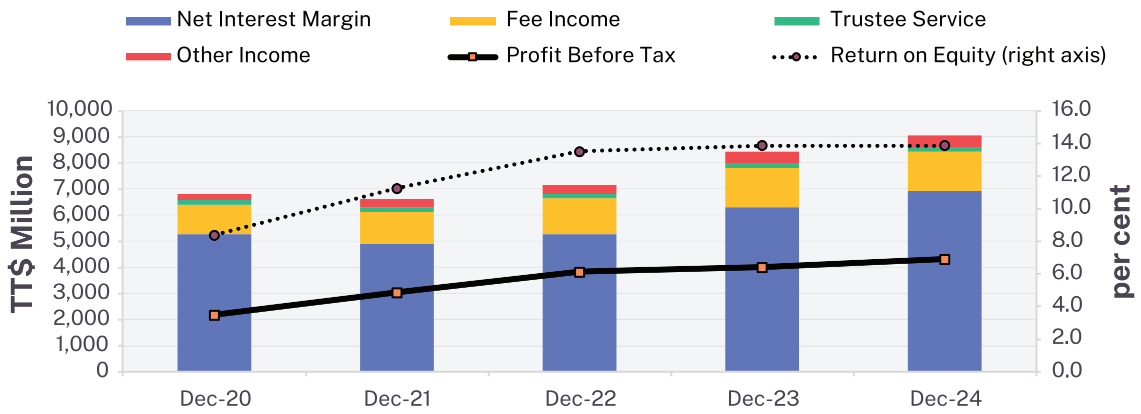
Total non-interest expenses increased slightly from $6.5 billion to $6.6 billion over the year. This was mainly due to a $0.2 billion uptick in salaries and employee benefits and a $0.1 billion rise in other operating expenses (including higher reward redemptions, legal fees, management fees, and fees to Visa and MasterCard). These cost pressures were tempered by the $0.3 billion release of provisions over the year.

The sector's improved profitability was reflected in the ROA, which rose from 2.8 per cent in 2023 to 2.9 per cent in 2024. However, the ROE[26] registered a slight decline, edging down from 13.7 per cent to 13.4 per cent. This marginal decrease was primarily due to a larger increase in capital relative to the rise in after-tax profits.

26 ROE is calculated as per the IMF (2019 methodology) standard. The IMF annualises the income and expense figures and does not sum the actual income and expense figures for four (4) quarters, which is the basis for the analysis otherwise presented in this report. Using the IMF's method, ROE is calculated as Net Income after taxes divided by Capital.

FIGURE 28

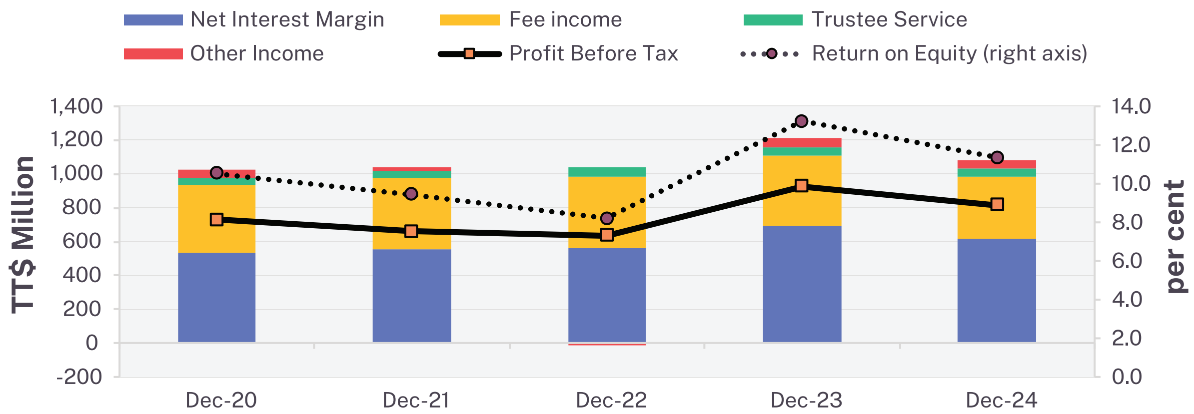
COMMERCIAL BANKS' CONTRIBUTION TO PROFIT BY SOURCE, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

FIGURE 29

NON-BANKS' CONTRIBUTION TO PROFIT BY SOURCE, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

Capital Adequacy

The banking sector's average total CAR remained strong in 2024, reflecting resilience supported by a high Tier 1 ratio and Common Equity Tier 1 (CET 1) capital base. The sector's average CAR rose from 18.0 per cent in December 2023 to 18.2 per cent in December 2024 **(Table 6)**. Moreover, the Capital Conservation Buffer[27] and the capital surcharge for the Domestic Systemically Important Banks (D-SIBs)[28] came into effect on January 1, 2024. All licensed banks and non-banking financial institutions maintained capital levels above the regulatory minimum, inclusive of capital buffers. Commencing January 1, 2024, all licensed financial institutions also complied with the regulatory minimum leverage ratio of at least 3 per cent, as stipulated under the Financial Institutions Act, 2008.

Total adjusted qualifying capital in the sector rose by 5.8 per cent ($1.4 billion). Meanwhile, risk weighted assets (RWAs) increased by 4.6 per cent ($6.2 billion).The improvement in regulatory capital was driven by higher audited profits across most financial institutions, growth in subordinated debt, and a reduction in one commercial bank's investment in subsidiaries due to its corporate restructuring.

The increase in total RWAs was mainly due to credit risk-weighted exposures, which grew by $3.5 billion (3.3 per cent) owing to greater lending to corporate and securities firms, real estate mortgage borrowers (commercial and residential), and other retail clients. Market RWAs climbed by 12.1 per cent ($1.7 billion), mainly driven by a $1.9 billion (20.7 per cent) increase in foreign exchange risk. In contrast, equity RWAs declined by $0.2 billion (24.8 per cent). There was a negligible change in interest RWAs. Operational RWAs grew by 6.5 per cent ($1.0 billion) over the year because of a rise in gross income across several business lines, particularly in retail and commercial banking.

27 Regulation 18 of the Financial Institutions (Capital Adequacy) Regulations, 2020 (Regulations), stipulates that a financial organisation, namely, a licensee or financial holding company (FHC), shall maintain a minimum Capital Conservation Buffer (CCB) of 2.5 per cent of its risk weighted assets in the form of Common Equity Tier 1 (CET1) capital. The CCB requirement is in addition to the minimum regulatory CET1 requirement of 4.5 per cent under Pillar I. The CCB is intended to promote additional high quality capital above the prescribed regulatory minimum requirements under Pillar 1, which could be used to absorb losses during periods of financial and economic stress. Consequently, where the level of CET 1 capital plus CCB falls below 7 per cent, constraints will be imposed on the discretionary distribution of earnings. Full details regarding the CCB can be found in Schedule 5 of the Regulations.

28 Pursuant to Regulation 20 of the Financial Institutions (Capital Adequacy) Regulations, 2020 (Regulations), D-SIBs are required to maintain an additional capital charge between the range of 1 per cent to 2.5 per cent of risk weighted assets in the form of CET1 capital, as determined by the Inspector of Financial Institutions. Licensees have been assessed against the D-SIBs Framework and two banks were determined to be D-SIBs.

TABLE 6

CAPITAL RATIOS AND RISK-WEIGHTED ASSETS (RWA) AS AT DECEMBER 2024

/Per Cent/

Capital Ratio	Minimum Requirement	Banking Sector Ratio
Regulatory capital-to-risk-weighted assets	10.0	18.2
Regulatory tier 1 capital-to-risk-weighted assets	6.0	17.0
Common equity tier 1 capital-to-risk-weighted assets	4.5	17.0
Risk-Weighted Assets (RWA)	**as a per cent of RWA**	**TT$ Billion**
Total RWA	100.0	140.9
RWA Credit Risk	77.2	108.8
RWA Operational Risk	11.7	16.4
RWA Market Risk	11.1	15.7

Source: Central Bank of Trinidad and Tobago

Stress Testing the Commercial Banking Sector

Stress test results as at the end of December 2024 indicated that generally, the commercial banking sector was resilient to most single-factor shocks, supported by robust capital buffers and adequate provisioning levels (Table 7). The CAR and the adjusted CAR, using provisioning guidelines for non-performing credits, stood at 16.9 per cent and 16.2 per cent, respectively. This marginal downward adjustment of 0.7 per cent, reflected the healthy stock of actual provisions held by the sector in proportion to regulatory required provisions (70.8 per cent in December 2024).

The downward interest rate shock produced satisfactory results; however, the upward interest rate shock of 500 bps had the largest impact on the adjusted CAR. The ratio declined by 10.6 percentage points, resulting in a post-shock CAR of 5.5 per cent — below the minimum capital requirement of 10 per cent. The decline was largely because of mismatches between the stock of assets and liabilities due to mature or be repriced, particularly in the medium- to long-term time bands.[29] This result assumes added significance against the backdrop of a volatile international trade environment, which could increase prices, necessitating higher interest rates to contain inflation.

The sector maintained capital levels above regulatory thresholds in response to foreign exchange and credit risk shocks. The net open long position of the aggregate foreign exchange balance sheet continued to support a favourable result against the foreign exchange shock, producing a post-shock CAR of 17.8 per cent. The sector also maintained capital levels above the minimum regulatory requirement when the credit risk stress test was applied, producing a post-shock CAR of 11.2 per cent.

Mixed results were recorded for the liquidity stress tests. The commercial banking sector became illiquid following a liquidity shock, with the number of days until illiquidity falling from 27 days in December 2023 to 25 days in December 2024 when reserves were included in liquid funds. However, excluding reserves, the number of days increased from 16 to 17 over the same period. A more detailed analysis of liquidity risk is provided in **Chapter 2**.

29 This test uses a duration methodology, which is the weighted average of assets held in a portfolio to maturity. As such, the further away the asset is from maturing, the higher interest rate risk it will incur.

TABLE 7
COMMERCIAL BANKING SECTOR STRESS TEST RESULTS, DECEMBER 2023 – DECEMBER 2024

/Per Cent/

		Dec-23	Jun-24	Dec-24	
Pre-Shock CAR		16.3	16.8	16.9	
Pre-Shock CAR Adjusted for Provisions		15.8	16.3	16.2	
SINGLE FACTOR TESTS					
				Post-Shock CAR	Change from Pre-Shock Adjusted CAR
Interest Rate Risk	Upward shock of 500 bps	4.9	5.7	5.5	-10.6
	Downward shock of 100 bps	17.8	18.2	18.1	1.9
Foreign Exchange Risk	TT Dollar depreciates 40 per cent	17.2	17.5	17.8	1.7
Credit Risk	General increase in non-performing loans	11.0	11.4	11.2	-5.0
DAYS UNTIL ILLIQUID					
Liquidity Risk (including reserves)	Bank Run	27	27	25	
Liquidity Risk (excluding reserves)	Bank Run	16	16	17	

Source: Central Bank of Trinidad and Tobago

Note: The Central Bank's current stress testing framework covers six single-factor stress tests. These are the interest rate, foreign exchange, credit, and liquidity risk stress tests. Two liquidity tests are conducted. One includes reserves and another that excludes reserves and applies different daily run-off rates based on the type of deposit (time deposits at 1 per cent and savings and demand deposits at 2 per cent). Two interest rate stress tests are also conducted. The first assumes an upward interest rate shock of 500 basis points, and another test considers the effect of a downward interest rate shock of 100 basis points. Moreover, a 6 per cent provisioning rate is applied to current loans and loans past due 1 to 3 months. This exercise is conducted semi-annually.

INSURANCE SECTOR PERFORMANCE

Long-Term Insurance Industry

Assets

The long-term insurance sector experienced a modest contraction in asset holdings in 2024. Total assets stood at $45.0 billion, down 2.2 per cent ($1.0 billion) from the previous year. Over the past five years, the sector recorded an average growth rate of 0.9 per cent per annum.

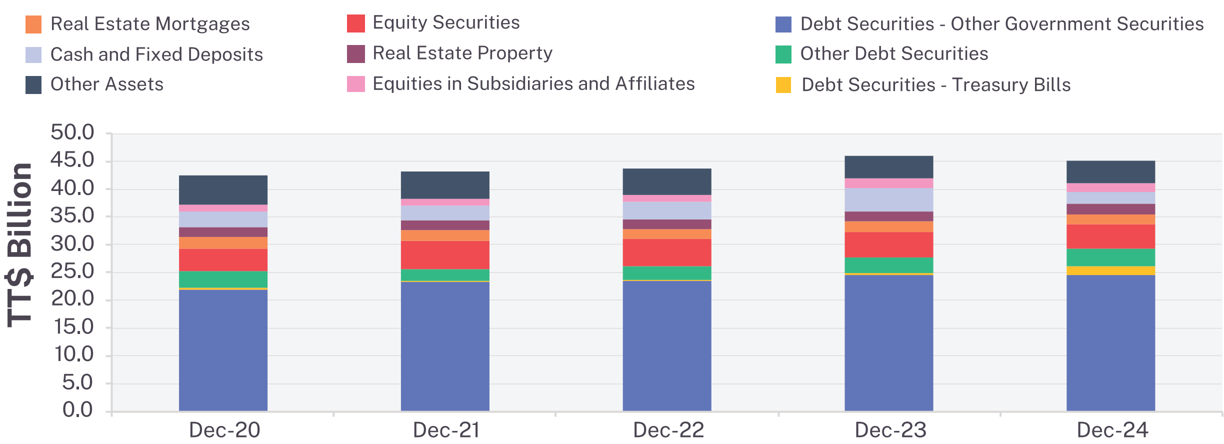
A small group of large insurers continued to dominate the sector's asset base. In December 2024, three large firms accounted for 71.1 per cent of total long-term insurance assets. One of these insurers, which accounted for 24.2 per cent of the sector's assets in December 2024, had previously been placed under emergency control and now maintains a closed portfolio, weighed on the sector's asset growth over the last five years.

The asset holdings have remained heavily skewed towards debt securities over the last five years. At the end of 2024, debt securities represented 65.1 per cent of the total asset base (Figure 30). Debt securities remained the preferred asset class for two main reasons — their longer duration, which facilitate effective asset-liability matching, and the limited availability of alternative longer-term investment instruments. Notably, as of December 2024, approximately 88.7 per cent of the sector's long-term debt securities were government securities, due to their low-risk nature and availability.

Lines of Business

The acquisition of pension plans in wind-up by various insurers during the second half of 2020 and 2022 resulted in elevated levels of premiums for those years. Outside of these acquisitions, the sector's gross premium income remained relatively stable. Gross premium income of $5.2 billion was recorded for December 2023 and December 2024, with no significant changes in any of the business lines (Figure 31). The four primary contributors to premium income were Unit-Linked products, Ordinary Life, Health, and Individual Annuities, which represented 27.0 per cent, 23.1 per cent, 19.0 per cent and 16.4 per cent of total gross premium income, respectively.

FIGURE 30
ASSET MIX – LONG-TERM INSURANCE INDUSTRY, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

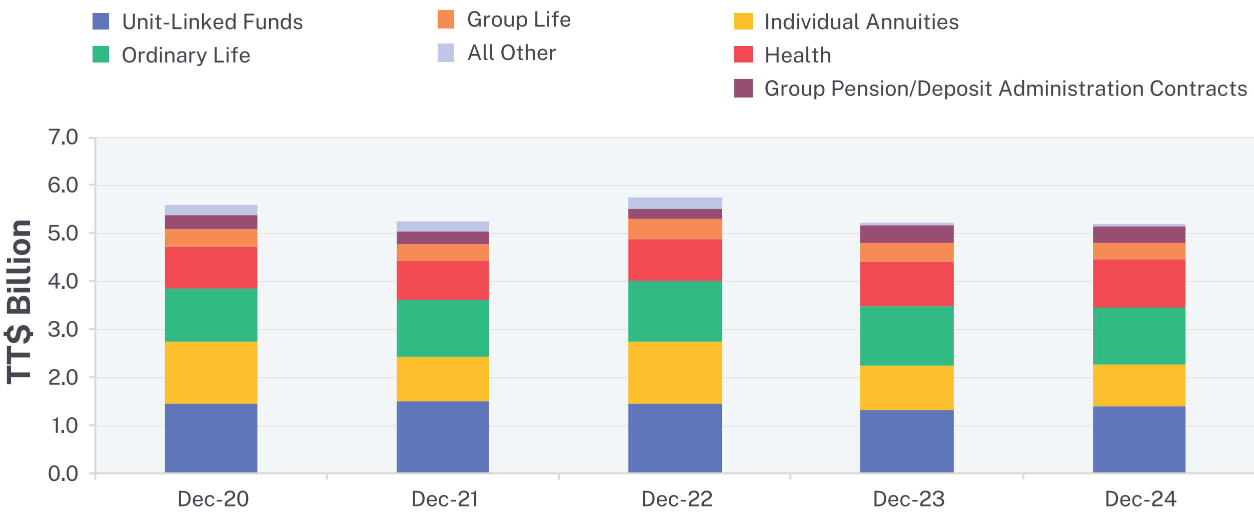
Reported Profits

Over the last year, profits increased marginally from $597.7 million for the year ended December 2023 to $632.0 million for the year ended December 2024 **(Figure 32)**.

Expenses

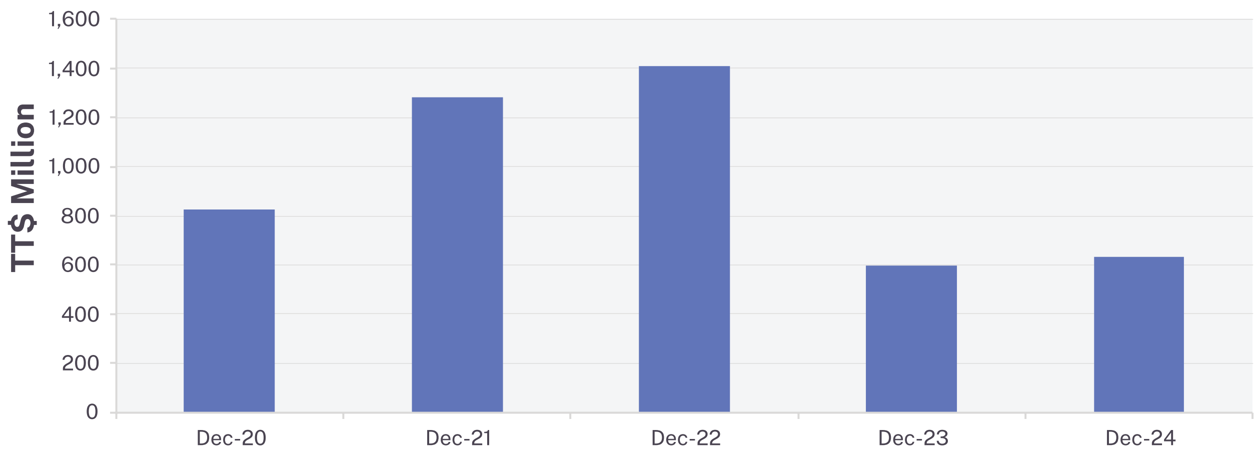
Total expenses decreased by 6.0 per cent over the year from $1.6 billion in December 2023 to $1.5 billion in December 2024 and was driven mainly by a decrease of 6.3 per cent in management expenses, from $1.2 billion to $1.1 billion **(Figure 33)**.

FIGURE 31
ANNUALISED GROSS PREMIUM INCOME – LONG-TERM INSURERS, 2020 – 2024



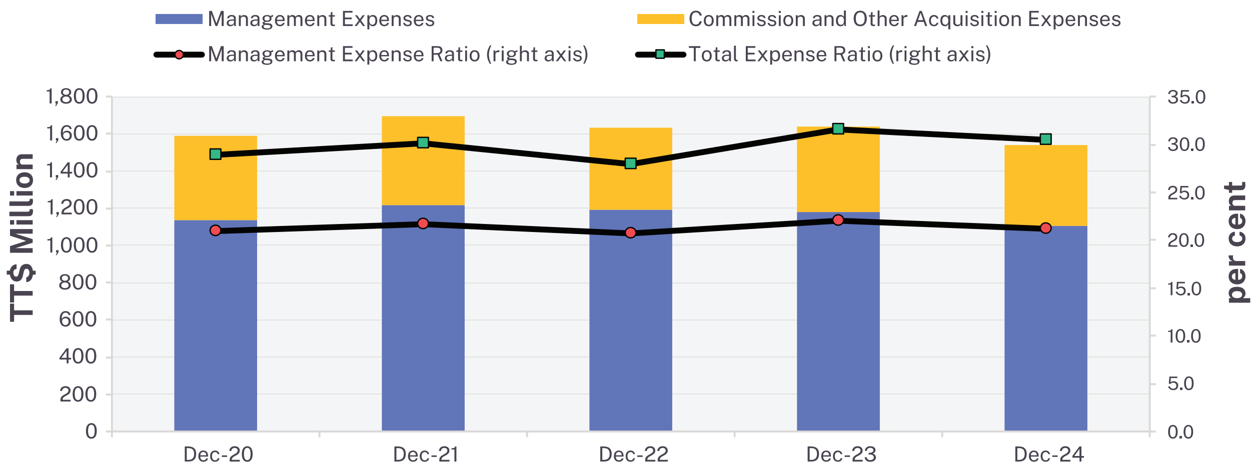
Source: Central Bank of Trinidad and Tobago

FIGURE 32
ANNUALISED PROFITS BEFORE TAXES – LONG-TERM INSURERS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

FIGURE 33
ANNUALISED EXPENSES AND EXPENSE RATIO – LONG-TERM INSURERS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

General Insurance Industry

Assets

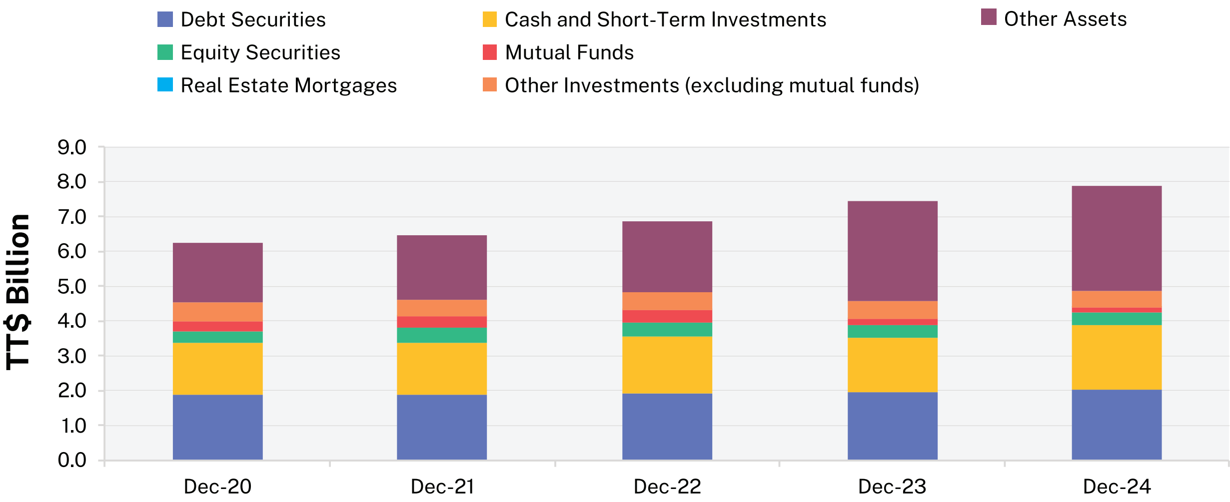
The general insurance sector experienced steady growth in its asset base over the last five years. Total assets increased from $6.3 billion as at December 2020 to $7.9 billion as at December 2024, representing an average annual growth rate of 5.7 per cent **(Figure 34)**.

The sector's asset composition remained largely consistent with the prior year. However, it is more diversified than the long-term insurance sector, with notable concentrations in debt securities (25.7 per cent), and cash and other short-term investments (23.4 per cent). General insurers' liabilities are short-term in nature, so companies commonly maintain a higher allocation of cash and short-term investments.

Accounts receivable represented 18.2 per cent of the general insurance sector's total assets, and consisted primarily of amounts due from agents, brokers, and policyholders. Under the Insurance Act, 2018 (IA 2018), the risk to capital is mitigated and uncollected premiums over twenty days are deemed non-permissible for capital adequacy calculations.

FIGURE 34

ASSET MIX – GENERAL INSURANCE INDUSTRY, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

Lines of Business

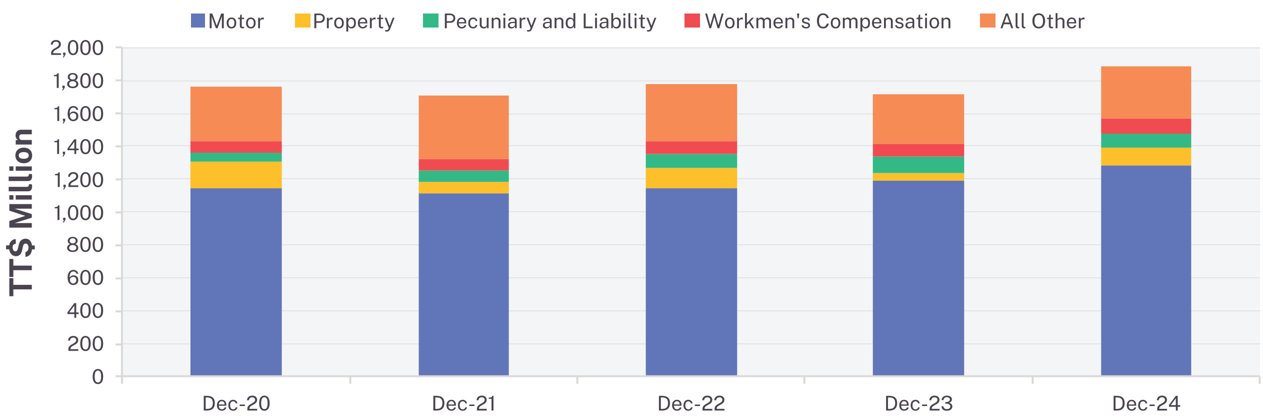
Gross premium income in the general insurance sector also experienced healthy growth in 2024, supported by key business lines. Gross premium income increased from $4.0 billion in December 2020 to $5.3 billion in December 2024, with an average annual growth rate of 6.0 per cent.

The property and motor lines of business remained the top two contributors to gross premium income, accounting for 55.8 per cent and 28.2 per cent, respectively. Motor premiums showed positive growth over the last three years owing to increased business as the economy transitioned from the COVID-19-related restrictions, with an average annual growth rate of 4.8 per cent over the last three years. During the period of heavy restrictions, gross premiums recorded an average annual decline of 2.5 per cent. Also, property premiums have experienced an upward trend over the last five years, averaging 9.2 per cent annually. This increase in property gross premiums was driven by insurers' need to offset rising reinsurance costs and a greater demand for coverage by consumers.

On a net premium basis, the motor and property lines of business accounted for 68.2 per cent and 5.9 per cent of the total net premiums, respectively **(Figure 35)**. The disparity arose from a higher proportion of property business being reinsured, while motor premiums are retained.

FIGURE 35

NET RETAINED ANNUAL PREMIUM INCOME – GENERAL INSURERS, 2020 – 2024

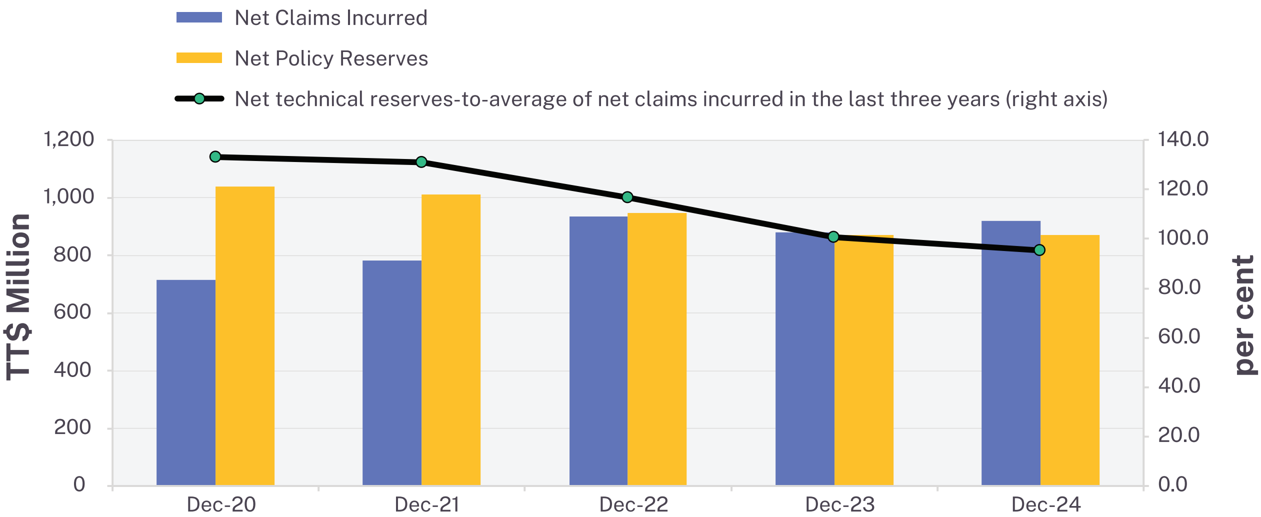


Source: Central Bank of Trinidad and Tobago

Claims Adequacy

Following a spike during the post COVID-19 lockdown period, the industry's claims returned to baseline levels. Over the past year, the level of net claims incurred increased by 4.6 per cent. The three-year average of net claims incurred rose due to higher claims since 2022. As claims paid increased, the level of policy reserves increased marginally by 0.06 per cent during the year. As a result, the ratio of net technical reserves as a percentage of the three-year average of net claims incurred declined over the year from 100.6 per cent to 95.2 per cent **(Figure 36)**.

FIGURE 36
NET TECHNICAL RESERVES[30] / THREE-YEAR AVERAGE NET CLAIMS INCURRED – GENERAL INSURERS, 2020 – 2024



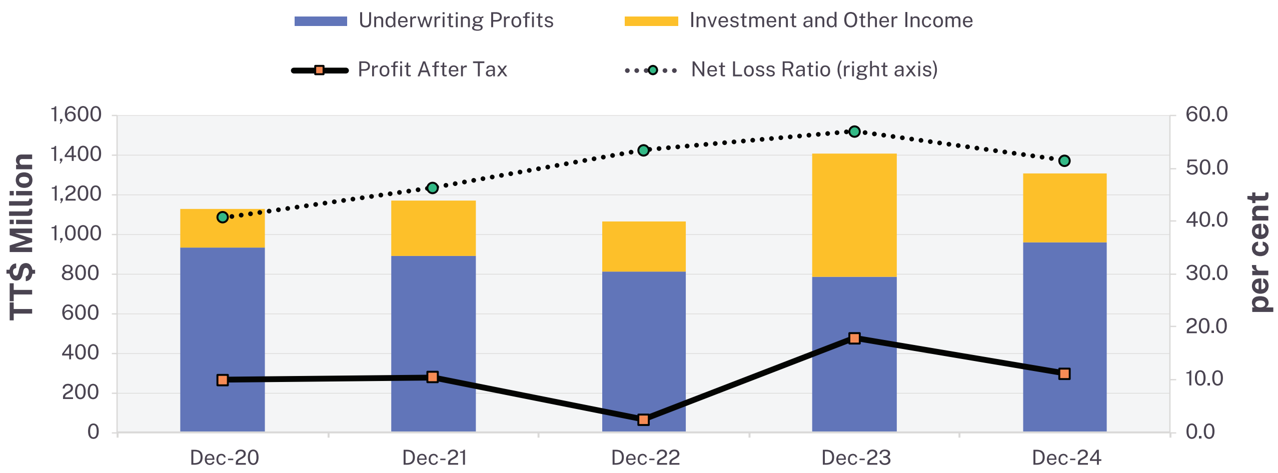
Source: Central Bank of Trinidad and Tobago

30 Technical Reserves = Claims Reserves + any Other Transfers from Funds.

Earnings and Profitability

Over the past year, profits before taxes declined following a spike in 2023 that was driven by a one-time dividend receipt transaction related to growth strategy. In contrast, underwriting profits increased by 22.4 per cent from $784.6 million to $960.6 million over the year, driven by an improvement in the loss ratio **(Figure 37)**. Additionally, increased premium income, particularly in the motor line of business positively contributed to the sector's underwriting results during the review period. The sector successfully lowered its overall net loss ratio from 57.0 per cent to 51.5 per cent. While the net earned premium and net claims incurred increased over the year, claims incurred rose at a slower rate than net earned premiums. This helped to improve the loss ratio, which in turn led to steady profits and may indicate improvements in underwriting standards.

FIGURE 37
CONTRIBUTION TO PROFIT AND EXPENSES (ANNUALISED) – GENERAL INSURERS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

PRIVATE OCCUPATIONAL PENSION PLANS SECTOR

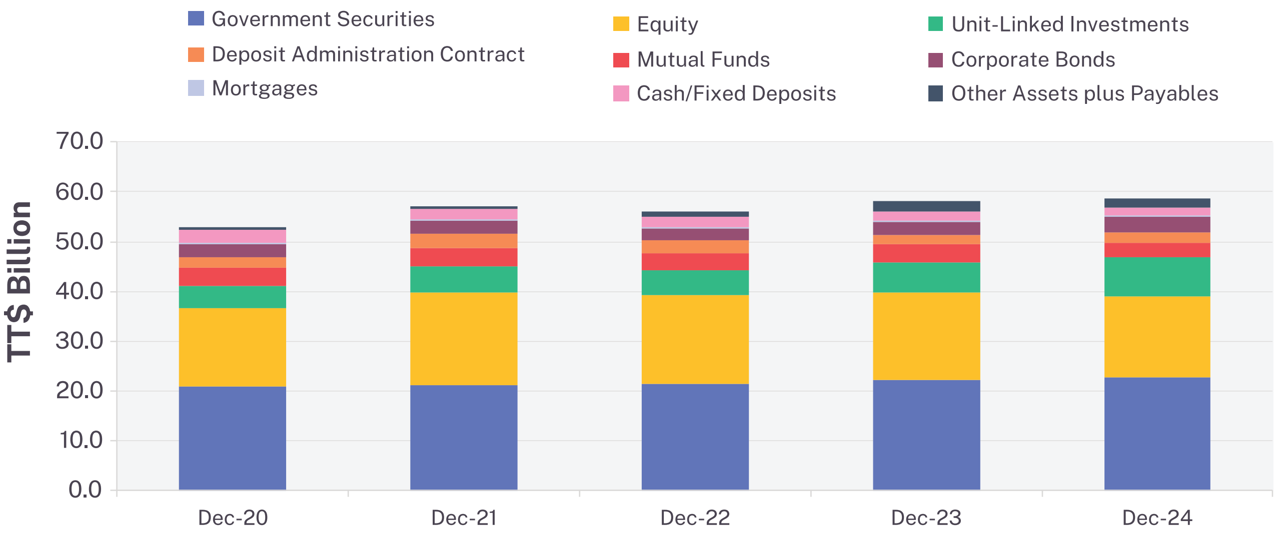
Assets

The occupational pension plans sector experienced a marginal increase in its asset base in 2024 as a result of challenges faced in the equity markets. Assets held by occupational pension plans totalled $58.6 billion as at December 31, 2024, representing a 0.9 per cent increase from $58.1 billion as at December 31, 2023 **(Figure 38)**. Over the last five years, pension funds recorded an average annual growth rate of 2.2 per cent. In 2022, total asset holdings fell noticeably, primarily because of declines in the values of local and foreign equities, resulting in unrealised investment losses for the year. By the close of 2023, pension funds had rebounded, driven by the improved performance of foreign equity markets.

The composition of the pension sector's investment portfolio has remained relatively stable, with GoRTT securities and equities[31] continuing to dominate the asset mix, accounting for 39 per cent and 28 per cent of total assets, respectively, as at December 31, 2024. The investment strategy of pension plan asset managers is aligned with the long-term and fundamental nature of pension plans' liabilities. Investments in bonds offer capital security and steady interest income, while equities are expected to provide capital appreciation and dividend income over the long-term.

However, the local equity market continued to experience notable declines in 2024, which began in 2022, with the All Trinidad and Tobago Index and the Composite Index falling by over 12.7 per cent and 11.6 per cent, respectively. Given the substantial allocation to equities, the performance of the local stock market remains a key factor influencing portfolio volatility and long-term growth prospects.

FIGURE 38
PENSION PLAN ASSET COMPOSITION, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

31 This figure excludes equity holdings within Unit-Linked Investments (13.1 per cent of total assets), which may contain a material equity component.

Income and Payouts

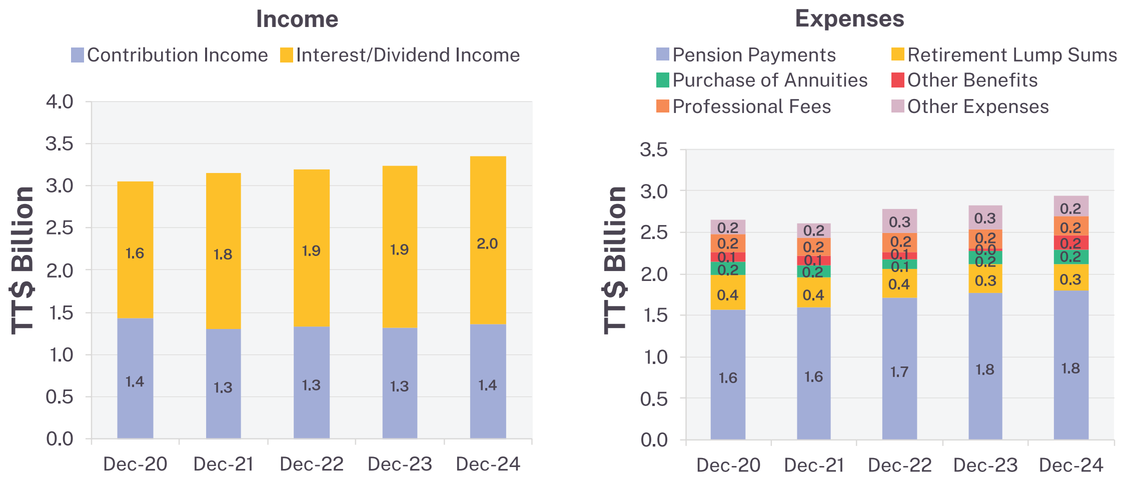
Annual investment income from interest and dividends trended upward consistently from 2020 to 2024, growing from $1.62 billion to $2.0 billion (Figure 39). Contribution income experienced some variability but remained relatively stable over the period. Employer contributions to pension plans declined slightly from $1.1 billion in 2020 to $1.0 billion in 2024. Conversely, employee contributions increased from $0.36 billion to $0.4 billion over the same period.

The decreasing employer-employee contribution ratio may be attributed to several factors. Plan Sponsors have been able to implement contribution reductions due to improved funding positions of defined benefit plans based on increasing interest rates, thus reducing the requirement to pay additional deficit correction contributions. Additionally, the sector experienced a noticeable shift towards defined contribution[32] or hybrid[33] models, which offer lower benefit levels and therefore lower contribution requirements, away from the traditional defined benefit[34] model. These alternative benefit models provide more predictable cash flows for employers and are generally less expensive to fund. However, they place greater reliance on investment performance to grow members' pension savings.

Over the past five years, the pension sector's total income has generally exceeded total payouts, with total contribution and investment income being sufficient to support the pension plans' ongoing liquidity needs.

FIGURE 39

PENSION SECTOR INCOME AND PAYOUTS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

32 With a defined contribution plan, the retirement benefit is typically determined by the amount of money paid into the plan by the employer and member, the returns on the plan's investments and the annuity purchase rate at the time the member retires. There may be no obligation for employers to pay additional funds beyond their regular contributions.

33 A hybrid pension plan combines elements of defined contributions and defined benefit plans.

34 A defined benefit plan specifies the monthly payment (benefit) to be received by a pensioner. The benefit is typically calculated based on years of pensionable service and a percentage of pensionable salary, using a pre-determined formula. An employer is generally obligated, through the plan's trust deed and rules, to ensure that sufficient funds are available to meet all benefit obligations.

Funding

As of December 31, 2024, based on the most recent actuarial valuation reports, 52 active pension plans reported funding deficits on an ongoing basis. These plans represent 29.7 per cent of all active pension plans, which totalled 175. The aggregate deficit across the underfunded plans amounted to $0.6 billion, with approximately 65.2 per cent of this deficit being attributed to state-related employer plans **(Figure 40)**.

The overall funding position of active pension plans improved over the past five years, with a reduction in the number of plans in deficit. The number of private employer plans in deficit decreased from 45 in December 2020 to 36 in December 2024. However, the number of state-related employer plans in deficit remained relatively unchanged, decreasing by just one, from 17 in December 2020 to 16 in December 2024. Of the 16 government-related employer pension plans in deficit as at December 2024, 11 plans had been in deficit since 2020. The primary reason for these plans remaining in deficit is the lack of adequate contribution payments.

The reduction in the number of plans in deficit from 2020 to 2024 was due to several factors including the following:

(i) enhanced regulatory oversight, which has encouraged more prudent funding practices;

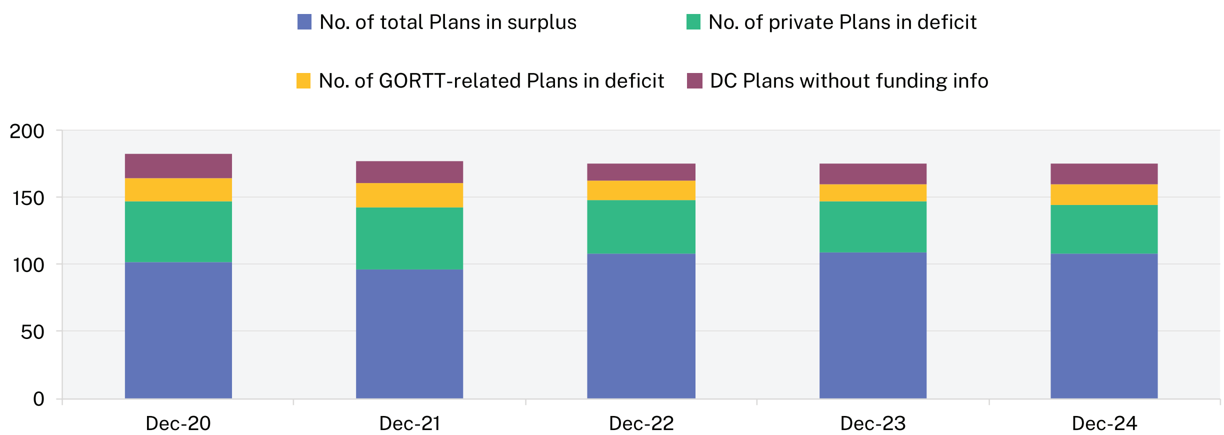
(ii) restructuring of pension plan benefits, including revisions to benefit accumulation formulas and calculation rules aimed at reducing employers' long-term pension liabilities;

(iii) lower-than-expected salary increases for members, which resulted in reduced projected pension benefits and, consequently, lower funding obligations;

(iv) higher discount rates assumed by the actuaries, reflecting a more favourable long-term outlook for the investment markets, which in turn reduced the present value of future pension liabilities.

FIGURE 40

FUNDING STATUS OF ACTIVE PENSION PLANS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

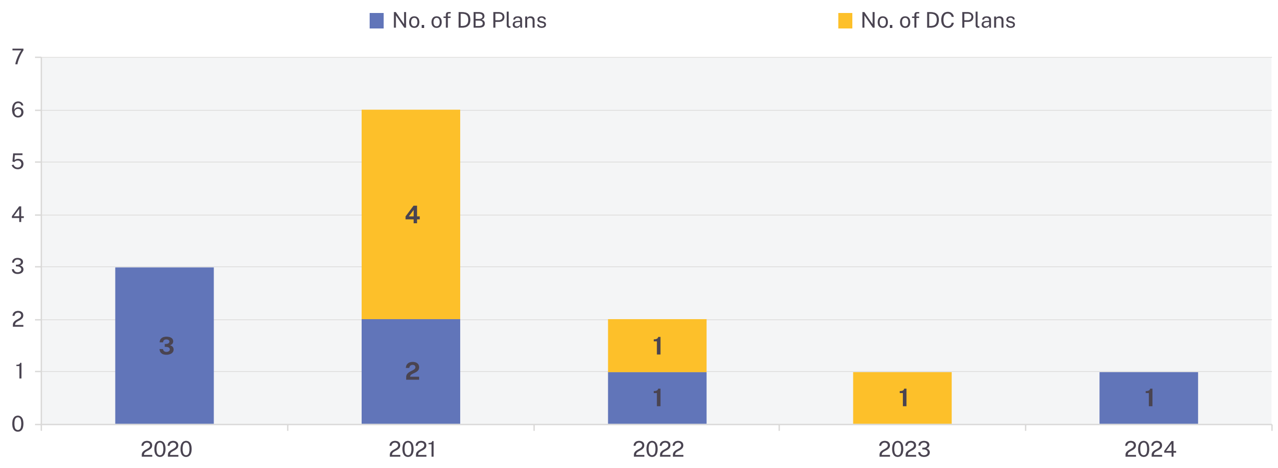
Pension Sector Trends

Wind-ups versus new plan registrations

Since 2020, there has been a sustained trend with a greater number of pension plans being wound up than new plans being registered (Figure 41). The number of active pension plans decreased from 186 in January 2020 to 175 in December 2024 due to 13 wind-ups and 2 new plan registrations over the period.

A notable number of pension plans were being wound up in 2020 and 2021, coinciding with the height of the COVID-19 pandemic. While some employers may have decided to wind up their pension plan prior to the pandemic, the economic slowdown of those years likely accelerated decisions to discontinue pension plans, particularly where maintaining them became financially unsustainable.

FIGURE 41
NUMBER OF PENSION PLANS WOUND-UP, 2020 – 2024



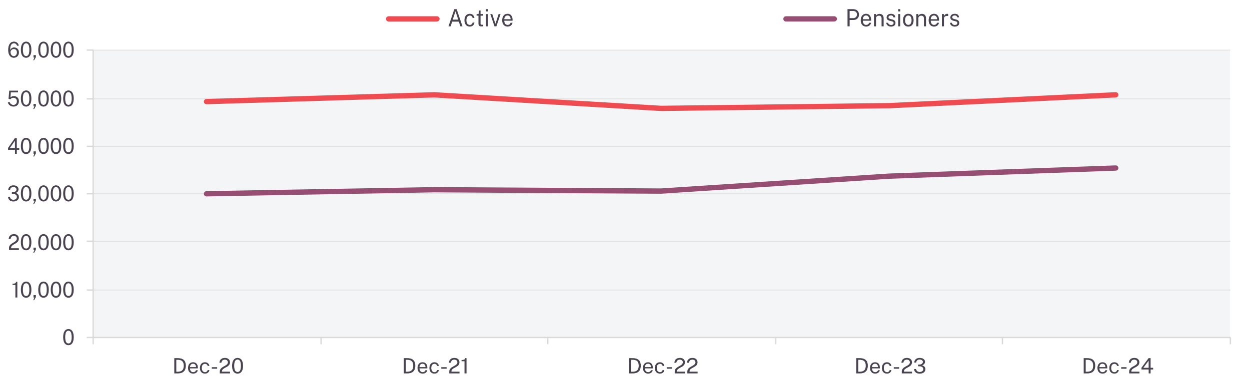
Source: Central Bank of Trinidad and Tobago

Pensioners versus active members

The pension sector has experienced a notable growth in benefit payments, driven by an increasing number of pensioners relative to active members (Figure 42). Benefit payments have increased by 9.8 per cent since December 2020. This growth is attributed to increasing pension payments, which accounted for 73 per cent of all benefit payments as of December 31, 2024. This increase reflects, in part, the growing number of retirees. Available data[35] shows that, for the 10-year period ended December 31, 2024, the ratio of pensioners to active members moved from 40 per cent to 70.1 per cent. Further, the number of pensioners increased by 86.7 per cent over the same period while the number of active pensioners grew by only 8 per cent.

These trends suggest a maturing pension sector, where the number of individuals receiving benefits is growing significantly faster than the number of new contributors. This pattern may reflect reduced availability of occupational pension plan coverage for new workforce entrants, as fewer plans remain operational and growth in pensioners outpaces new member enrollments. These trends will likely continue as employers increasingly seek alternative ways to provide retirement benefits and offer contractual-based employment, which typically does not include pension plan membership, instead of offering permanent positions.

FIGURE 42
NUMBER OF ACTIVE MEMBERS AND PENSIONERS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

35 Data on the pension plans' membership is typically obtained from semi-annual returns submitted to the Central Bank for period ending June 30 and December 31 each year. The submission compliance rate for semi-annual returns is approximately 85 per cent.

CAPITAL MARKETS DEVELOPMENTS

The primary debt market remained robust in 2024. Provisional information suggests that the market issued debt at a total face value of $10.2 billion (16 issues) in 2024, compared to $14.8 billion (13 issues) in 2023 **(Figure 43)**. Central Government financing, which accounted for 81.0 per cent of the total face value of bonds issued during 2024, amounted to $8.2 billion compared to $14.2 billion in 2023. The Government accessed financing mainly for budgetary support and the repayment of maturing securities. Additionally, provisional data indicate that the private sector was absent from the market over the year. Meanwhile, three state enterprises financed $1.9 billion.

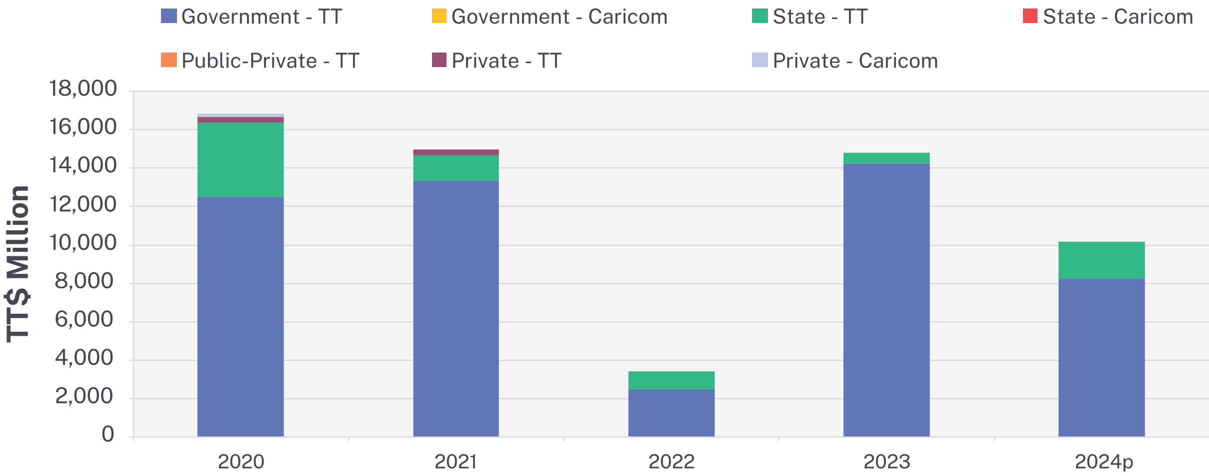
Data from the Trinidad and Tobago Stock Exchange (TTSE) showed a moderation in the volume and value of trades on the secondary Government bond market during 2024. In 2024, the market recorded 428 trades, compared to 880 trades in 2023 **(Figure 44)**. The lower activity was due to a moderation in investors trading their holdings of the Government Series II bond [36]. The total face value exchanged over 2024 was $96.9 million compared to $455.1 million in 2023. Conversely, trading activity on the secondary corporate bond market improved in 2024. The market registered 112 trades at a face value of $8.0 million, compared to 98 trades at a face value of $4.3 million in 2024.

The Central Government yield curve shifted upward, reflecting increased interest rates in 2024. Short-term rates observed notable increases, influenced by a decline in excess liquidity conditions, especially during the second quarter of 2024. The 3-month and 1-year rates jumped by 117 basis points to 2.31 per cent, and 215 basis points to 3.94 per cent, respectively. Similar movements were observed in medium-term rates as the 3-year and 5-year rates increased by 85 basis points to 4.01 per cent, and 65 basis points to 4.87 per cent, respectively. The benchmark 10-year and 15-year rates also gained, advancing by 34 basis points and 24 basis points to 5.55 per cent and 6.22 per cent, respectively. All of the long-term rates advanced along the curve with the exception of the 30-year rate which declined by 1 basis point to 7.64 per cent. The upward progression of the Government yield curve observed in 2024 was due to a generalised decrease in excess liquidity levels, an increase in Government borrowing activity and associated higher risk premiums.

Sudden upward movement in rates could negatively influence asset valuations in investors' (such as commercial banks and insurance companies) bond portfolios. Risk management and portfolio rebalancing can potentially result in further valuation declines given the concentration risks and relatively infrequent secondary market activity.

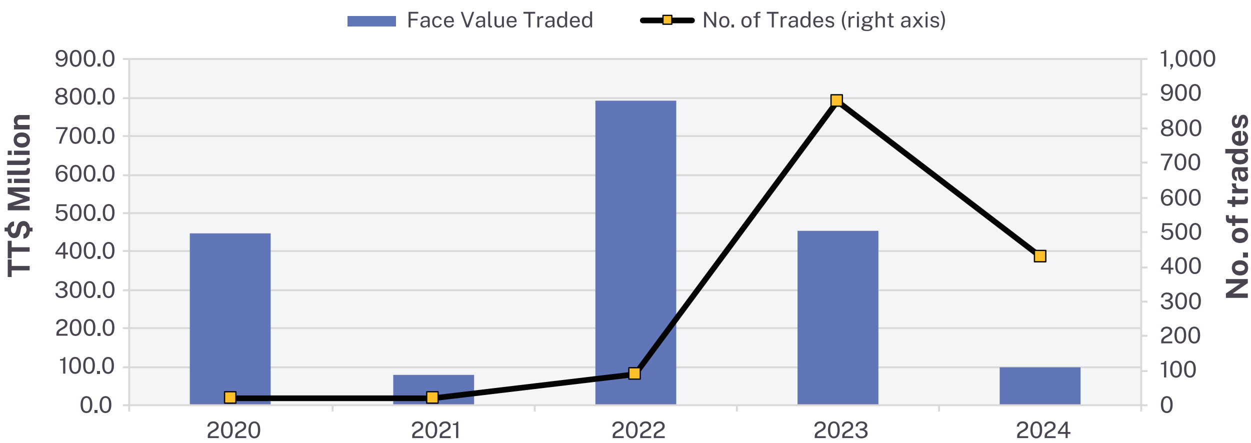
36 In January 2023, a $702.9 million Series II 2037 Government bond was listed on the TTSE secondary Government Bond Market. This bond was previously issued in 2012 and formed part of the CLICO Investment Fund distribution of assets. During 2024, the secondary Government Bond Market recorded 417 trades at a face value of $14.6 million of this Series II 2037 bond.

FIGURE 43
PRIMARY DEBT MARKET ACTIVITY, 2020 – 2024[P]



Source: Ministry of Finance and market participants

FIGURE 44
SECONDARY GOVERNMENT DEBT MARKET ACTIVITY, 2020 – 2024



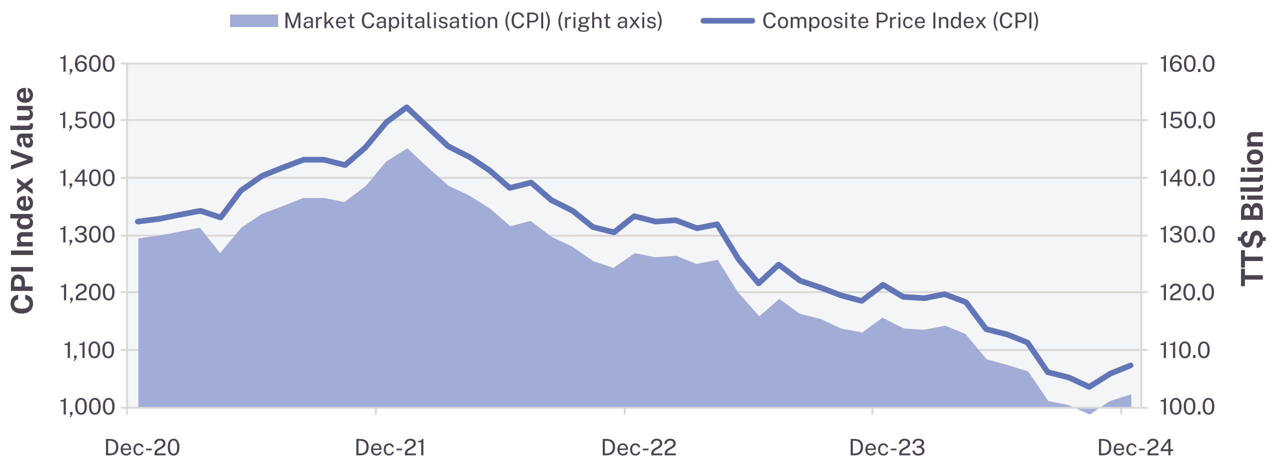
Source: Trinidad and Tobago Stock Exchange

The local equity market recorded a third consecutive year of decline, driven mainly by deteriorating domestic equities. The market fell by 11.6 per cent in 2024, corresponding to total stock market capitalisation of $102.3 billion. In comparison, over 2023 the market declined by 8.8 per cent to reach $115.7 billion **(Figure 45)**. This weakening mostly reflected investor pessimism regarding the earnings potential of domestic equities, linked to significant uncertainty surrounding economic policy in the US following the national elections. This was compounded by escalating global geopolitical tensions. The negative investor sentiment may also be attributed to domestic drivers, particularly subdued domestic energy sector activity.

Persistently weak market conditions resulted in declining trading activity in 2024. The market observed 88.3 million shares exchanged at a value of $844.1 million, corresponding to a turnover ratio of 0.80. In comparison, during 2023, the market recorded 106.2 million shares traded at a value of $1,092.8 million, corresponding to a turnover ratio of 0.92.

The recent increases in the Value-at-Risk (VaR)[37] highlight heightened downside risks in the local equity market and the potential for larger losses. This environment can contribute to elevating market stress and diminishing investor confidence in the resilience of the domestic equity market. Persistently high VaR levels — particularly when combined with existing concentration risks and limited market liquidity — may raise concerns about financial stability, especially if accompanied by other signs of domestic or external financial distress.

FIGURE 45
EQUITY PRICES AND MARKET CAPITALISATION, 2020 – 2024



Source: Trinidad and Tobago Stock Exchange

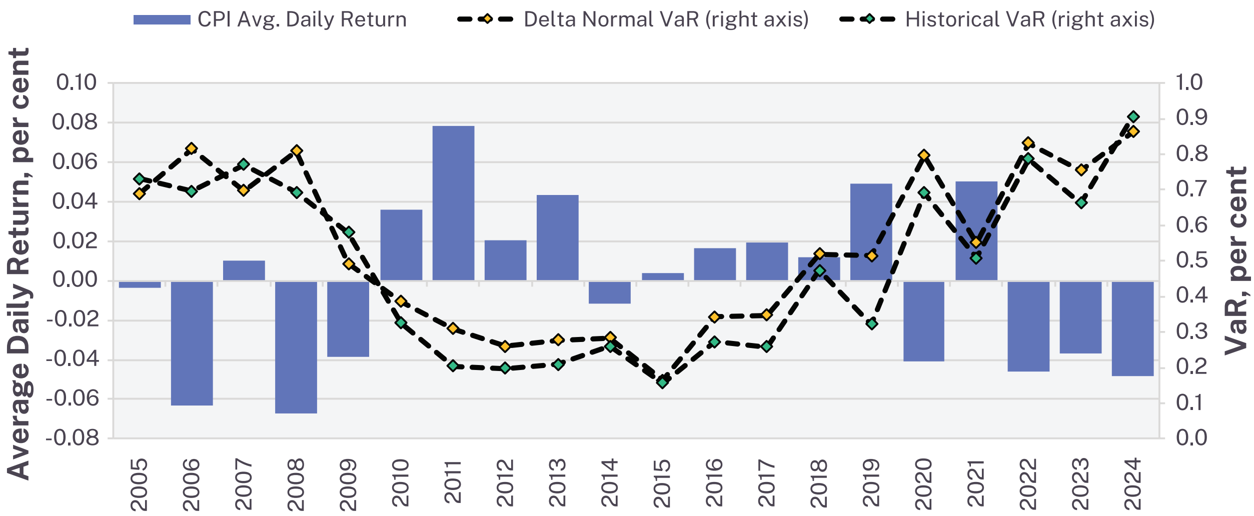
37 VaR describes the minimum loss expected a certain percentage of the time over a certain period. It is computed using a parametric (normal distribution) methodology, which employs the expected return and standard deviation of returns to estimate VaR. The VaR measures in this analysis take the form of a percentage change in the index value over the period. Using a 95 per cent confidence interval, an estimated annual δ per cent VaR indicates that the market index will fall by at least δ per cent, 5 per cent of the time.

The VaR results (Figure 46) present the average daily return (historical) on the composite price index (CPI) alongside its corresponding normal distribution (delta-normal) VaR. Periods of major increases in the VaR have historically aligned with episodes of significant market stress, specifically the regulatory market shock of 2005-2006, the 2008-2009 Global Financial Crisis (GFC) period, and the 2020 COVID-19 pandemic shock. All of these resulted in substantial declines in the CPI market index, reflected in notably larger increases in the VaR.

Following a market recovery in 2021, market conditions deteriorated again between 2022 and 2024, as reflected in the higher estimates of the historical and delta-normal VaRs. This period was shaped by several adverse developments. In 2022, rising imported inflation and elevated food prices eroded consumer purchasing power and dampened investor sentiment. In 2023, tighter global financial conditions and reduced energy prices constrained government revenues and weighed on economic activity. By 2024, domestic growth momentum had softened further amid delays in energy sector investment projects.

FIGURE 46

CPI RETURNS ANNUAL AND DELTA-NORMAL VAR, 2005 – 2024



Sources: Trinidad and Tobago Stock Exchange and Central Bank of Trinidad and Tobago

Mutual Fund Industry

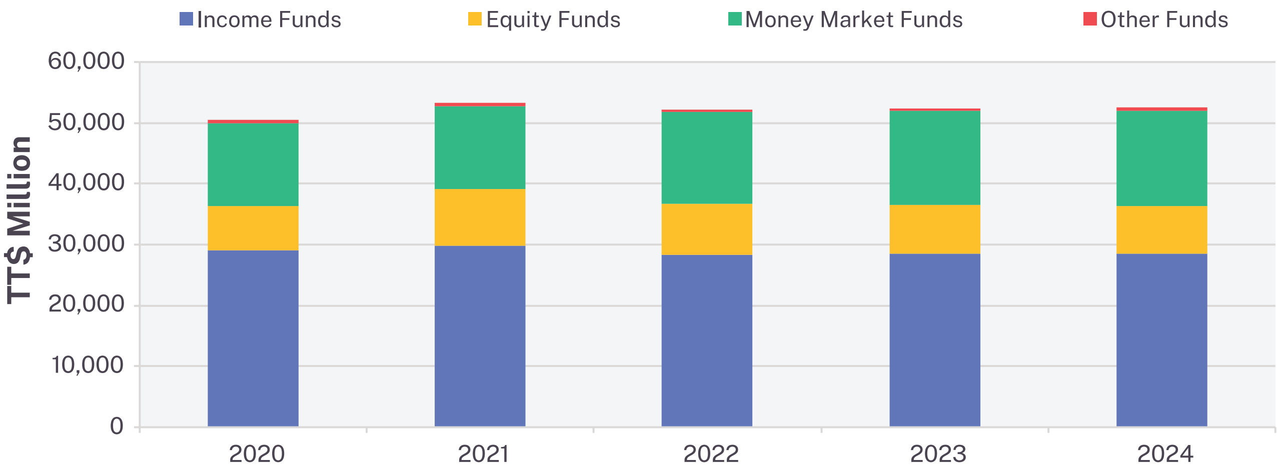
Mutual funds under management (FUM)[38] grew negligibly in 2024, due to fixed Net Asset Value (NAV) funds. The overall industry increased by 0.2 per cent to $52,570.3 million compared to 0.4 per cent in 2023 **(Figure 47)**. Money market funds expanded by 2.6 per cent to $15.8 billion, while 'Other'[39] funds gained 0.3 per cent to $445.8 million over 2024. Income funds stood at a relatively flat position at $28.5 billion in December 2024, while Equity funds recorded a 3.5 per cent decline to $7.9 billion. Fixed NAV funds supported the industry. Fixed NAV funds increased by 2.0 per cent to $40.2 billion. Conversely, floating NAV funds slipped by 5.1 per cent to $12.4 billion over the period. Over the year, the movement towards fixed NAV funds may have been prompted by increased volatility in AE capital markets and the weak performance of the local equity market.

Collective Investment Scheme (CIS) data published by the Trinidad and Tobago Securities and Exchange Commission (TTSEC)[40] suggested that at the end of 2024, the total value of Assets Under Management for all registered funds recorded a 2.0 per cent increase to $63.9 billion.

The mutual funds industry may continue to be impacted by domestic and external factors. Pessimistic investor confidence can trigger fire sales or affect asset pricing, potentially resulting in liquidity challenges.

FIGURE 47

VALUE OF FUNDS UNDER MANAGEMENT (FUND TYPE), 2020 – 2024



Source: Central Bank of Trinidad and Tobago

38 Aggregate funds under management refer to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Royal Bank of Trinidad and Tobago, Republic Bank Limited and First Citizens Bank Limited.

39 Other funds represent high yield funds and special purpose funds

40 CIS data from the TTSEC represents 84 registered funds from 16 issuers at the end of 2024.

PAYMENTS SYSTEM (LOCAL CURRENCY PAYMENTS)

In 2024, electronic payments continued its upward growth trend, with notable increases in the total volume and value for large-value and retail payments. Transactions via the Real Time Gross Settlement System (RTGS), Automated Clearing House (ACH), and card payments continued to rise despite a steady demand for cash, as evidenced in the uptick in the volume and value of cash withdrawals in 2024. Conversely, the volume and value of cheque transactions sustained its downward trajectory. Domestically, the introduction of new technologies and participants are expanding the payment options available to consumers and businesses. As at March 2025, four non-bank E-Money Issuers (EMIs) were fully registered with the Central Bank and one non-bank EMI was provisionally registered to issue electronic money[41].

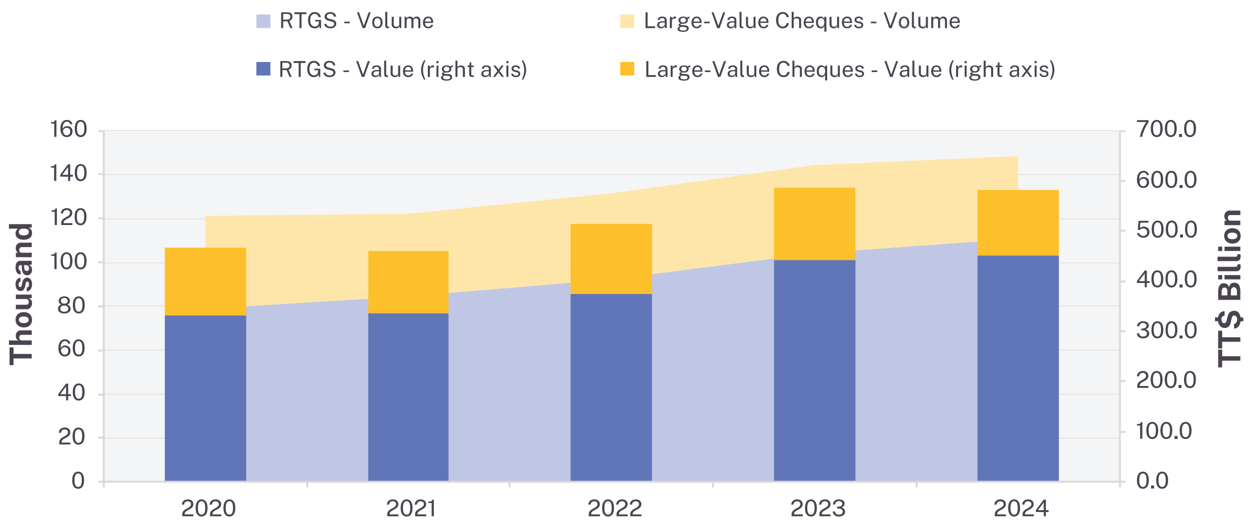
Wholesale (Large Value) Payments – Transaction Volume and Value

In 2024, the volume and value of large-value payments processed over the RTGS increased by 6.4 per cent and 2.0 per cent, respectively, compared to the previous year. Similar to 2023, RTGS payments also accounted for over 70 per cent of the volume and value of all large-value payments.

Cheque payments accounted for less than 30 per cent of the volume and value of large-value payments. In 2024, the volume and value of large-value cheque payments decreased by 5.5 per cent and 8.9 per cent, respectively **(Figure 48)**.

FIGURE 48

SHARE OF WHOLESALE PAYMENTS – VOLUMES AND VALUES, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

41 E-money can be broadly defined as an electronic store of monetary value on a technological device (including mobile phones) that may be widely used for making payments to entities other than the EMI.

Retail Payments – Transaction Volume and Value

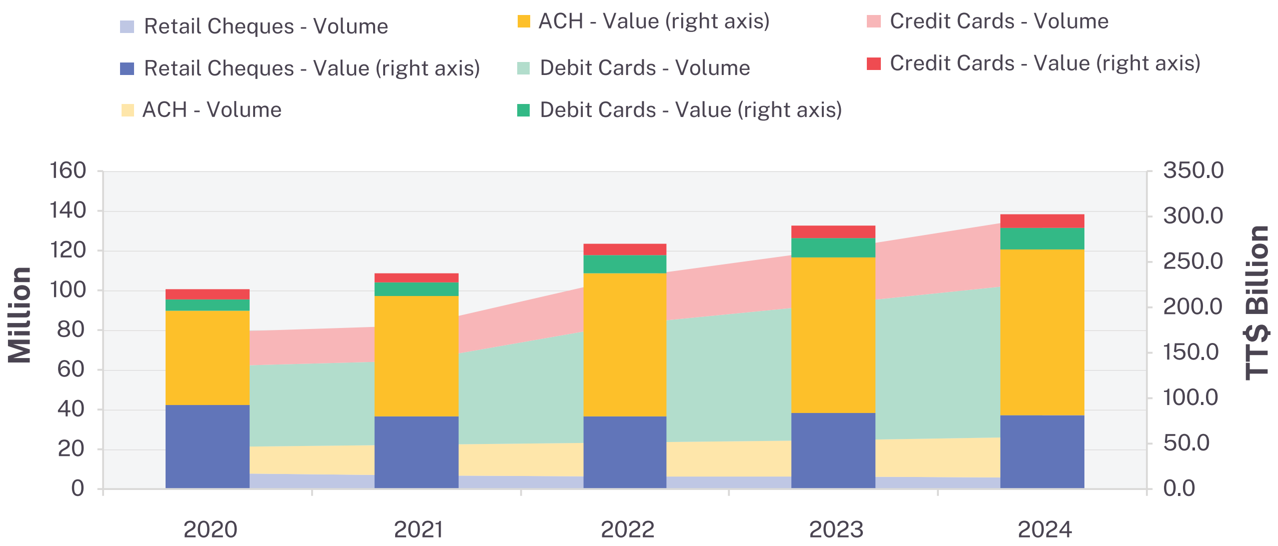
The volume and value of all retail payments[42] expanded by 13.5 per cent and 4.1 per cent, respectively in 2024. Transactions processed through the ACH totalled 20.4 million and were valued at $182.7 billion, representing increases of 9.1 per cent and 6.3 per cent, respectively, when compared to 2023. The adoption of online and mobile banking payment channels for routine payments, such as bill payments and other interbank transfers, has led to an increase in ACH payments. Comparatively, retail cheque payment volumes trended downward in 2024 with volumes amounting to 6.0 million, while the value of these retail cheques declined by approximately 3 per cent to $81.9 billion **(Figure 49)**.

In 2024, Point of Sale (POS) payments recorded an uptick as evidenced by the increase in the number of EMV[43] cards issued by commercial banks and used by consumers. The number (volume) of retail payments made using debit and credit cards at POS machines accounted for 56.7 per cent and 24.1 percent, respectively, of total retail payments. Comparatively, ACH and cheque transactions accounted for 14.9 per cent and 4.4 per cent, respectively.

In terms of value, for the fifth consecutive year (2020-2024), ACH payments surpassed that of retail cheque payments which declined. This marked a major market development as ACH transactions stood at 60.3 per cent of all retail payments when compared to retail cheques, which stood at 27.0 per cent. Of note, the value of debit card transactions accounted for 7.6 per cent of retail payments, followed by credit card payments at 5.1 per cent.

FIGURE 49

SHARE OF RETAIL PAYMENTS – VOLUMES AND VALUES, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

42 Refers to payments less than or equal to TT$500,000.00.

43 EMV stands for Europay, MasterCard® and Visa®. EMV cards offers increased security of payment card transactions through the use of a chip embedded in the cards.

Payments Infrastructure

At the end of 2024, there were 499 Automated Teller Machines (ATMs) throughout Trinidad and Tobago, a decrease of five ATMs from the previous year. The number of POS machines rose to 28,385 machines in 2024 from 25,322 machines in 2023. Commercial banks have been encouraging consumers to make use of ATMs to access electronic banking services, make routine transactions and withdraw cash. Banks are also promoting online banking rather than in-person banking, where possible, in an attempt to reduce the number of over-the-counter (OTC) transactions.

Moreover, commercial banks continued to upgrade their infrastructure (POS and ATMs) to process EMV chip cards. These co-branded, VISA/LINX EMV debit chip cards can process domestic and online/international transactions[44] and reflect an important market development. As at December 2024, all banks had migrated to EMV debit chip cards which offer a "Tap and Go" feature. "Tap and Go" allows card holders the convenience of making contactless payments based on established bank limits. In December 2024, 91 per cent of POS machines were "Tap and Go" ready.

Cash Withdrawals

A review of the last five years revealed that cash remains an important option for making payments. The number of cash withdrawals at ATMs, accounted for 95.5 per cent of the total number of withdrawals and 57.7 per cent of the value of withdrawals when compared to OTC transactions. ATM withdrawals increased from $36.1 billion in 2023 to $36.6 billion in 2024. Meanwhile, the volume of OTC cash withdrawals declined slightly; however, the value of these transactions increased from $26.7 billion in 2023 to $26.9 billion in 2024 **(Figure 50)**.

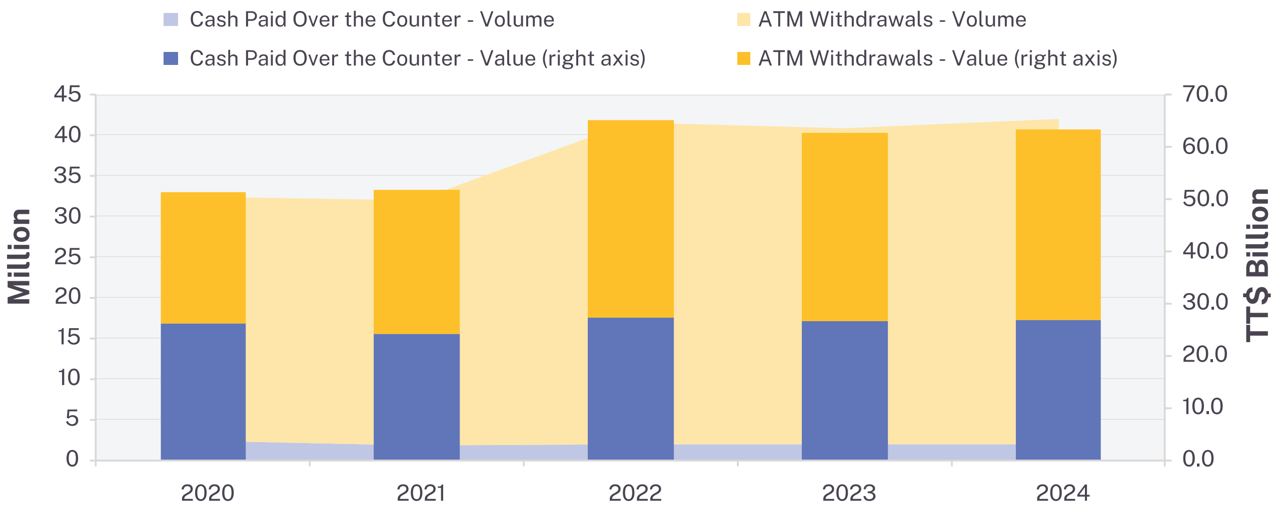
Cash in Active Circulation[45] fell from $7.7 billion in 2023 to $7.5 billion in 2024 (a decrease of 2.6 per cent). When taken as a percentage of GDP[46], the percentage of cash in circulation remained relatively steady between 2023 (4.5 per cent) and 2024 (3.9 per cent).

44 The ability of the VISA/LINX card to process foreign currency transactions is dependent on whether the issuing bank offers the facility to its customers.

45 Source: Central Bank of Trinidad and Tobago.

46 GDP was sourced from the CSO.

FIGURE 50
CASH WITHDRAWALS – VOLUMES AND VALUES, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

Payment Service Providers

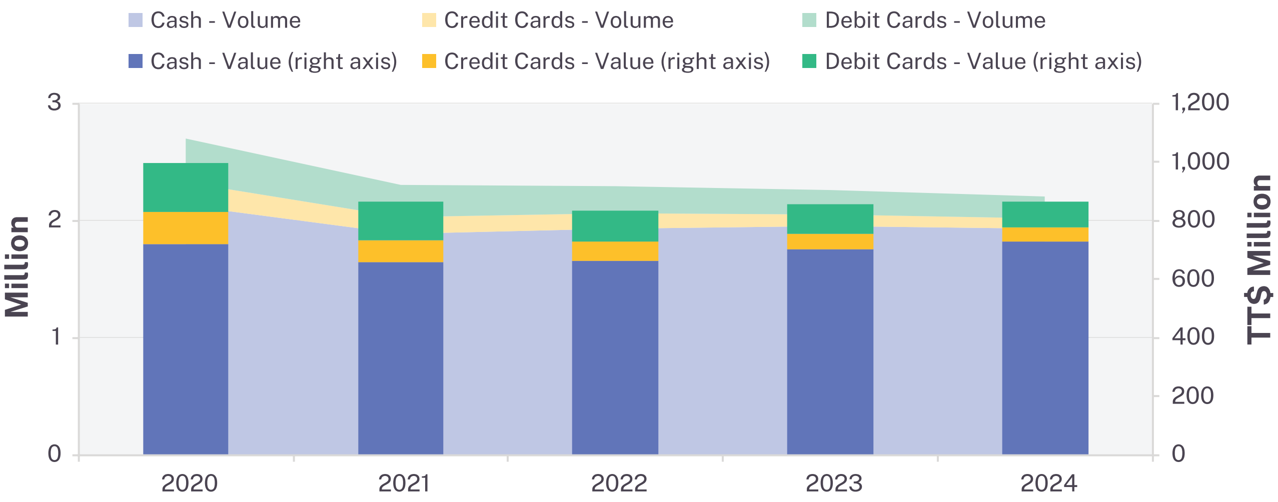
As at December 2024, four Payment Service Providers (PSPs) and one Bill Payment Service Provider (BPSP) were registered with the Central Bank. PSPs generally facilitate payments on behalf of third parties, including bill payments.

A total of 2.2 million payment transactions valued at $0.9 billion were processed by PSPs and BPSPs in 2024, compared to 2.3 million transactions valued at $0.9 billion in 2023. Cash remained the most popular means of making payments at PSPs, accounting for over 84 per cent of the volume and value of total payments **(Figure 51)**. Meanwhile, the volume and value of payments made using debit cards and credit cards declined in 2024 when compared to the previous year, by less than 14 per cent in both cases.

Conversely, the volume and value of bill payments processed by commercial banks increased by 5.1 per cent and 11.5 per cent, respectively. This increase may be ascribed to the migration of consumers to paying bills via commercial banks' websites and apps. As with previous years, commercial banks processed bill payments of larger values **(Figure 52)**.

FIGURE 51

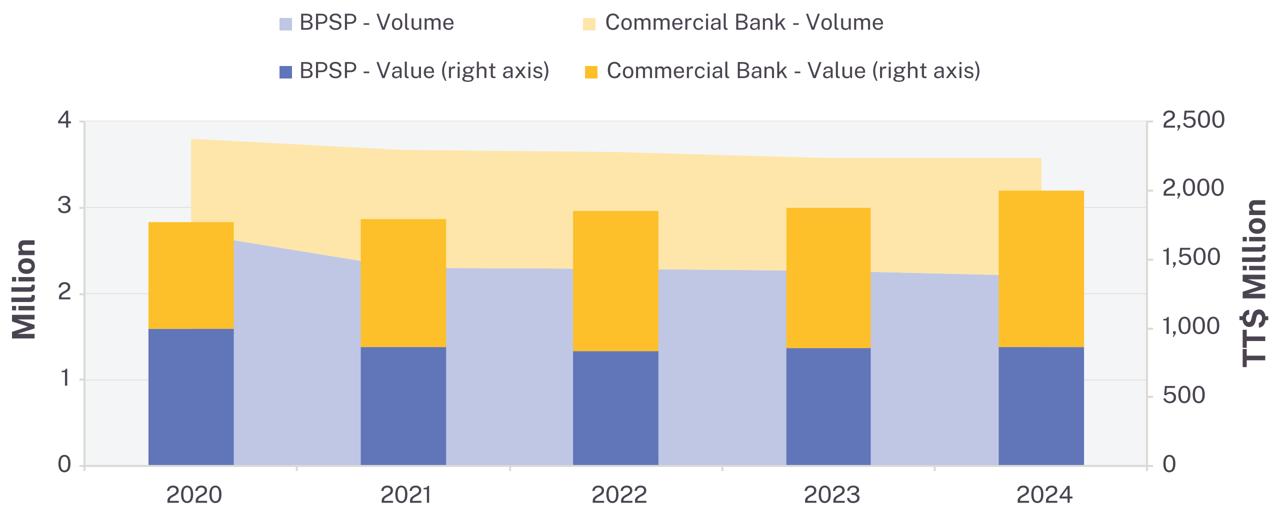
TRENDS IN DOMESTIC RETAIL PAYMENTS – BILL PAYMENTS, 2020 – 2024



Source: Central Bank of Trinidad and Tobago

FIGURE 52

TRENDS IN DOMESTIC RETAIL PAYMENTS – BILL PAYMENTS AND COMMERCIAL BANKS, 2020 – 2024

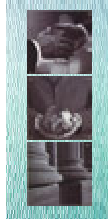


Source: Central Bank of Trinidad and Tobago

E-Money Issuers

EMIs provide platforms that allow its users to make cashless payments via money stored on a wallet, prepaid card, or online account. As at December 2024, there were five EMIs registered by the Central Bank. Of the five EMIs, one held a provisional registration. Notably, with effect from September 30, 2024, the provisional registration of one EMI was revoked in accordance with clause 6(5)(b) of the Order and section 17(5)(c)(i) of the Financial Institutions Act, 2008.

The volume and value of EMI transactions stood at 0.67 million and $0.12 billion, respectively. Though the EMI market continued to show growth in 2024, EMI transactions remain lower than the volume and value of other PSP transactions.



BOX 2
FACTORS INFLUENCING PREMIUMS IN THE INSURANCE INDUSTRY

This Box seeks to outline the main factors which influence the setting of an insurance premium against the backdrop of rising public concern that premium costs are trending upwards. Premium affordability has implications for population coverage as well as the proportion of existing insurance holders who may slip into the ranks of the underinsured. The goal of setting insurance premiums is to determine rates such that the premium is expected to cover all claims and expenses and achieve the target underwriting profit. This means that insurance premiums can differ greatly based on the nature, extent and characteristics of the associated risks.

The following are common factors that influence the setting of insurance premiums:

- Historical experience
- Rate changes
- Operational changes
- Inflationary pressures
- Changes in the mix of business written
- Law changes.

Ratemaking is therefore a complex process which estimates the future costs associated with the insurance product. Before a new or amended product can be introduced in our local market, insurers writing long-term business in Trinidad and Tobago must provide a signed statement by an actuary of the insurer stating that he/she has reviewed the policy contract and has found the premium rates to be suitable for the class of policy to which it belongs.

For insurers writing general insurance business, rates are usually driven by the underlying expected costs, but also market forces. As explained in the section on the general insurance industry performance, general insurers rely more on reinsurance protection, and particularly heavily for their property business. Therefore, one key component of the rate is to cover the cost of reinsurance premiums.

Reinsurance is critical as it protects the solvency and stability of the insurers and allows it to mitigate their exposures to catastrophes. An insurer cannot be registered unless it has adequate reinsurance arrangements in place. Caribbean territories continue to be impacted by global reinsurers' decisions to increase rates and reduce capacity for providing reinsurance coverage. These decisions were driven by large losses incurred from catastrophic hurricanes that have occurred regionally in the recent years. This increase has a knock on impact on the rates local insurers can provide for direct insurance coverage. However, the capacity aspect has not yet impacted the Trinidad and Tobago market. Due to the geographic location of Trinidad and Tobago, its risk of hurricane catastrophe is not as high as other Caribbean territories, but it is to be noted though that the risk is still material. As such, continued coverage for Trinidad and Tobago insurers will provide some leverage in creating a balanced portfolio for a reinsurer to the Caribbean region. At this time, there is no immediate threat of significantly reduced capacity for reinsurance coverage, but should this situation change, then some form of policy intervention may be required to treat with the projected impact.


+ 11.38
+ 7.12
+ 7.00
+ 6.92
+ 6.01
+ 5.56

CHAPTER 4

Safeguarding the Financial System

SAFEGUARDING THE FINANCIAL SYSTEM

The Central Bank advanced domestic financial stability through key regulatory initiatives. In 2024, it focused on Basel II/III risk disclosure rules, liquidity coverage, and monitoring metrics. Work also continued on revising insurance regulations on capital adequacy, policy liabilities, and financial condition reporting — expected to conclude in 2025. A cross-department team began developing a Cybersecurity Risk-Based Supervision Framework, including a risk-based policy manual and related procedures. As part of the National Anti-Money Laundering Committee, the Bank supported Trinidad and Tobago's CFATF 5th Round Evaluation set for March 2026 and completed National Risk Assessments and on-site reviews for selected entities.

STATUS OF IMPLEMENTATION OF NEW SUPERVISORY STANDARDS

Basel II/III

The Bank completed consultations with the banking industry on the draft Financial Institutions (Liquidity) Regulations ("Regulations") for the implementation of the Liquidity Coverage Ratio and Liquidity Monitoring Tools. The draft Regulations was submitted to the Ministry of Finance in October 2024 for approval and promulgation.

The Bank has taken measures to progress implementation of Pillar 3 Disclosure Requirements under the Basel II/III Framework. Pillar 3 requires financial institutions to disclose key information on capital, liquidity, risk exposure, and risk management systems and controls. The draft Pillar 3 Guideline was issued for public consultation in June 2025.

International Financial Reporting Standard 17 (IFRS 17)

A revision of the legislative framework for the regulation of insurers was required to ensure alignment with International Financial Reporting Standards such as IFRS 17 (the valuation of insurance contracts). Also, to ensure the smooth transition of reporting to IFRS 17, several measures were taken:

- Development and issuance of revised regulatory Annual Returns which are IFRS 17 compliant.
- In recognition of the challenges with implementation of the IFRS 17 standard in 2024 insurers were granted a three-month extension, followed by an additional one-month extension — for the submission of 2023 annual returns and audited financial statements.
- The Bank consulted all industry stakeholders on changes to Regulations, reporting forms and instructions — the Bank has systematically responded to feedback received.
- The Bank convened an Industry Stakeholder Committee to enhance transparency and communication on policy positions on various issues.

Notwithstanding, three Regulations require amendments and are expected to be finalised:

1. **Insurance (Capital Adequacy) Regulations, 2020**
   - Issued for a secondary round of consultation. Analysis of this data is crucial to ensure a robust, fair and workable solution without causing major disruptions to the sector.
   - The availability of insurers' data to inform the calibration of the risk factors and the

ratio calculations is the main challenge. All insurers submitted their 2023 annual return packages, but only 50 per cent of insurers submitted the parallel run of the new capital adequacy forms.

2. **A new Insurance (Policy Liabilities) Regulations, and a concurrent repeal of the Insurance (Caribbean Policy Premium Method) Regulations, 2020**
    - The Caribbean Policy Premium Method, which was prescribed by the Bank, is not IFRS 17 compliant and must be repealed and replaced by the new Regulations.
    - The Bank issued Instructions for Appointed Actuaries on the requirements for the valuation, certification and reporting of policy liabilities and other actuarial liabilities.
3. **Minor Amendments to the Insurance (Financial Condition Reporting) Regulations**

The next steps for the IFRS 17 implementation project are:

- Finalisation of the Regulations. In the interim, while the new Regulations are not yet in effect, the Bank has issued numerous guidance and instructions to insurers so that they can maintain compliance with the requirements of the IA 2018; and
- IFRS 17 compliant regulatory Quarterly Returns are being developed by the Bank for industry consultation.

STRENGTHENING FINANCIAL STABILITY

Cybersecurity

The financial sector continues to comply with the Cybersecurity Best Practices Guideline issued in September 2023, which aims to enhance cyber resilience among institutions. As part of this effort, regulated entities are required to submit annual self-assessment reports and notify the Bank of significant cyber incidents. In addition to the Guideline, the Bank established a cross-departmental team to develop a Cybersecurity Risk-Based Supervision Framework (Framework) and Risk-Based Manual of Policies and Procedures for Cyber Security Supervision (Policies and Procedures). The draft Framework is scheduled to be completed by the end of FY2025, while the Policy and Procedures for off-site monitoring and on-site examinations, are anticipated to be completed by the second half of FY2025. Further to this, all Examiners are being trained in cyber risk.

Recovery Plans

Under the Recovery Plan Guideline (issued in October 2023), financial institutions submitted Board-approved Recovery and Action Plans to the Inspector of Financial Institutions in July 2024. These plans are currently under review to identify potential gaps to inform future supervisory actions. **Box 3** provides a general overview of the objective and importance of financial institutions having comprehensive recovery plans to mitigate against distress events.

Thematic Liquidity and Market Risk On-site Examinations

The Bank is finalising its thematic Liquidity and Market Risk on-site examinations (Thematic Reviews) of selected financial institutions (banking entities). Upon conclusion of the Thematic Reviews, a thematic report will be issued. Fieldwork for the last of the selected entities commenced at the end of April 2025. The report will set out common findings, areas of concern, and make recommendations for improving liquidity and market risk management in the banking sector.

OTHER SUPERVISORY INITIATIVES/DEVELOPMENTS

Risk-Based Supervision

The Caribbean Regional Technical Assistance Centre (CARTAC) conducted training on Risk-Based Supervision for Examiners on September 16-20, 2024. This training was used to enhance elements of the Risk- Based Supervision Framework which is being finalised for approval and rollout for the second half of FY2025.

Supervisory Updates (Insurance Sector)

1. A draft guideline on Own Risk Solvency Assessment (ORSA) was issued to insurers for consultation. Industry feedback has been received and the review is currently underway. Technical assistance was received from CARTAC in two phases (the third quarter of 2023 and the first quarter of 2024). The ORSA guideline is expected to be finalised in the third quarter of 2025.
2. The draft guideline on the Management of Liquidity Risk for Insurers was issued for industry consultation in March 2025. Industry feedback was received in May 2025 and is currently being reviewed.
3. In October 2024, feedback from the industry was received on a draft Guideline on the Approval for Insurers to Engage in Real Estate Investments. The feedback is currently under review. This draft Guideline seeks to provide some guidance for insurers on the governance and risk management aspects of their real estate investments. For instance, insurers require prior approval of the Central Bank for: (i) investments in permissible real estate entities; and (ii) the conduct of holding, managing or otherwise dealing in real estate.

4. Restructuring of financial groups are ongoing, and involves continuous collaboration with regional regulators in respect of those groups operating throughout the Caribbean — to ensure group structures allow consolidated supervision and meet the requirements of the home regulators.

ANTI-MONEY LAUNDERING/ COUNTER-TERRORISM FINANCING PAYMENTS SYSTEM REGULATORY DEVELOPMENTS

External Assessments

CFATF 5th Round Mutual Evaluation

The Bank, as a member of the National Anti-Money Laundering Committee, continued to support Trinidad and Tobago's preparations for the Caribbean Financial Action Task Force (CFATF) 5th Round Mutual Evaluation on-site (scheduled for March 2026). For instance, during 2024, the Bank worked to finalise the National Risk Assessments (NRAs) for the sectors for which it is responsible and also advanced scheduled on-site examinations of selected entities. Summaries of the NRA activities are as follows.

National Risk Assessments

a. Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment

In June 2024, a workshop was hosted by the National Anti-money Laundering and Combatting the Financing of Terrorism (AML/CFT) Committee and the World Bank to share findings and recommendations of the 2nd national AML/CFT risk assessment (NRA), and to agree on action plans (with public and private sector stakeholders). The Bank commenced work to address the NRA recommendations regarding its regulated sectors. This included, inter alia, implementing its risk-based AML supervisory framework and developing relevant AML/CFT/Counter Proliferation Financing (AML/CFT/CPF) guidance.

b. Assessments of Virtual Assets / Virtual Assets Service Providers and the Money Lending Sectors

The money laundering, terrorist financing and proliferation financing (ML/TF/PF) risk assessment of Virtual Assets and Virtual Assets Service providers, initiated in 2024 with technical assistance from the EU Global AML Training Facility, was subsequently deferred to 2025.

In the second half of the year, a multi-agency working group, comprised of representatives from the Office of the Attorney General, the regulators, law enforcement agencies and the Licensing Committee of the Judiciary, was convened to undertake an ML/TF/PF risk assessment of the money lending sector. The outcomes of the assessments will inform the policy proposals for regulatory frameworks for both sectors.

c. Administrative Fines

In November 2024, legislation was passed which, inter alia, established the regulatory framework for the Central Bank, the TTSEC and the Financial Intelligence Unit of Trinidad and Tobago, to levy administrative monetary fines for AML/CFT contraventions. Extensive legislation reform was also undertaken to strengthen the beneficial ownership framework.

Trinidad and Tobago's Status on the European Union's (EU) List

In July 2024, the Global Forum commenced a Second Round Peer Review to assess Trinidad and Tobago's compliance with the Global Forum's Tax Transparency Standards. This culminated with an on-site assessment in October 2024. The outcome of the assessment, is one of three critical milestones which will determine whether the country is removed from the EU Tax List. As of July 2025, the report was being finalised for publication. Thereafter, the outstanding criteria to be assessed are Automatic Exchange of Information and Country-by-Country Reporting, both of which are expected to be finalised.

Thematic AML Examinations

The Bank commenced a targeted thematic on-site examination of three commercial banks over the period June – December 2024. The thematic review focused on evaluating the customer due diligence (CDD) processes of the commercial banks, particularly the processes for identifying and verifying: (i) the identities of beneficial owners of legal persons; and (ii) legal arrangements of customers of banks. The CDD thematic review and additional AML on-site examinations continues in 2025.

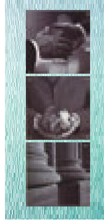
Regulatory Guidance

The Bank developed draft guidance, to assist reporting financial institutions, with implementing compliance programmes to meet their tax reporting and record-keeping obligations for the automatic exchange of information under the EU's Common Reporting Standards. As of July 2025, the guidance was being finalised for submission to the Minister of Finance for approval to be laid (for information) in Parliament The Bank also developed Guidance for Conducting Periodic Reviews of Customer Relationships. This will set out the Bank's expectation with respect to the conduct of ongoing due diligence and periodic reviews of customer relationships. The guidance was published in April 2025

PAYMENT SYSTEM REGULATORY DEVELOPMENTS

In light of the rapidly evolving domestic payments landscape, the Bank, in 2024, completed the draft Payments Systems and Services Bill and three accompanying Regulations. The three Regulations are: (i) Payment Systems and Services (Licensing, Supervision and Oversight) Regulations; (ii) Payment Systems and Services (Safeguarding of User Funds) Regulations; and (iii) Payment Systems and Services (E-Money) Regulations.

The proposed legislative framework would, once implemented, inter alia, allow the Bank to regulate, supervise, and oversee a wider range of fintech activities, non-bank PSPs, and payment system operators. In 2024, the Bill was revised following feedback received from a 2023 IMF Technical Assistance mission to Trinidad and Tobago. Further revisions are expected, following market developments, and thereafter the Bill and accompanying regulations will be published for public consultation.



Fast Payments

The Bank continued to work with stakeholders to implement a FPS similar to India's Unified Payments Interface (UPI). This will make Trinidad and Tobago the first Caribbean nation to adopt and implement a FPS using UPI technology. The National Payments Corporation of India, an umbrella organisation established to facilitate digital payment solutions such as UPI, held a "Discovery Week", in Trinidad and Tobago during the period December 16-20, 2024. During Discovery Week, key stakeholders met to discuss design features and regulatory arrangements for the UPI-based FPS.

In 2025, the IMF also provided Technical Assistance on:

- institutional arrangements and use cases for fast payments;
- regulation, supervision, and oversight of FPS; and
- a review of other country's experiences using fast payments.

The CARICOM Payment and Settlement System (CAPSS)

In October 2023, regional central banks agreed to adopt the Pan-African Payment and Settlement System (PAPSS) for processing and settlement of intra-regional trade transactions. PAPSS, developed by the African Export-Import Bank (Afreximbank), seeks to revolutionise cross-border payments and boost intra-African trade. In the Caribbean, this system known as the CARICOM Payment and Settlement System's (CAPSS), is designed to facilitate real-time local currency transactions and instant cross-border payments across the CARICOM region. This system seeks to eliminate the complexities and inefficiencies that often hinder intra-regional trade.

During February 19-21, 2025, at the Central Bank of the Bahamas, representatives from the Bahamas, Barbados, Suriname, and Trinidad and Tobago, along with Afreximbank, PAPSS, and Montran Corporation, successfully tested the ability of CAPSS to process instant cross-border payments without intermediaries.

BOX 3
THE ROLE OF RECOVERY AND RESOLUTION IN FINANCIAL CRISIS MANAGEMENT

Introduction

Safe and sound financial institutions are central to the health of national, regional and global economies. The failure of these entities can have profound ripple effects to the affected economies and the populations at large. This was especially apparent during the 2008 Global Financial Crisis. In response, regulatory and standard setting bodies around the world introduced various mechanisms to ensure the stability and resilience of financial institutions. One of the most critical among these mechanisms is Recovery and Resolution Plans (RRPs). These plans have two main purposes namely: (i) to enable financial institutions to prepare for and determine ways to mitigate potential instances of financial distress and (where possible) restore viability ('recovery'); and (ii) to manage their orderly exit upon failure without significant systemic disruption ('resolution'), if recovery is not viable. This Box explores the role of RRPs in financial crisis prevention and management, highlighting their design, implementation, and the challenges associated with their effective deployment.

Understanding Recovery and Resolution Plans

RRPs are structured strategies that financial institutions and regulators use to prepare for and manage crises. A *recovery plan* is developed by the institution itself and outlines how it will respond to a range of stress scenarios in order to restore its financial health. A *resolution plan* is typically prepared by the regulator and details how a firm could be wound down, in the event of failure, while preserving critical functions and maintaining financial stability.

Collectively, the main objectives of RRPs in financial crisis prevention and management are as follows:

- ***Enhancing Firm Preparedness:*** Recovery planning forces firms to identify vulnerabilities, assess resilience, and establish governance structures to respond quickly to stress. This enhances the overall preparedness of financial institutions.
- ***Reducing Systemic Risk:*** By ensuring that financial institutions are proactive in identifying and prepared for dealing with potential stress scenarios and moving to orderly wind up where failure is inevitable. This seeks to ensure that the failure of one institution does not cascade through the system, leading to reduced systemic risk. Clear resolution plans help regulators manage failing banks without triggering widespread panic or market contagion.
- ***Facilitating Orderly Resolution:*** A structured resolution process avoids chaotic collapses and minimises losses to creditors and taxpayers. Mechanisms such as bail-ins (where creditors absorb losses) replace the need for government bailouts.
- ***Strengthening Market Discipline:*** When market participants believe that banks can fail without government support, it creates stronger incentives for prudent risk-taking and due diligence, promoting healthier financial markets.

Key Components of Recovery Plans

Financial institutions are tasked with developing their recovery plans. The plan must outline strategies that a firm would implement to restore financial strength and viability following a significant shock. The key components to be included in recovery plans are as follows:

- ***Governance Framework:*** A clear decision-making structure for activating recovery actions during crises.

BOX 3 (CONTINUED)
THE ROLE OF RECOVERY AND RESOLUTION IN FINANCIAL CRISIS MANAGEMENT

- ***Risk Indicators and Triggers:*** Quantitative and qualitative indicators that signal when recovery measures should be initiated.
- ***Recovery Options:*** A range of measures to restore capital and liquidity, such as asset sales, capital raising, reduction in risk-weighted assets, or changes in business strategy.
- ***Communication Plans:*** Guidelines for internal and external communication to preserve stakeholder confidence during recovery.
- ***Scenario Analysis:*** Simulations of stress scenarios to test the effectiveness and feasibility of recovery actions.

In 2023, the Central Bank of Trinidad and Tobago issued a Recovery Planning Guideline for Financial Institutions. Accordingly, all regulated financial institution were required to conduct a gap analysis on their respective compliance with the guideline and communicate with the Bank. Subsequently, Recovery Plans were submitted by all licensees and registrants that fall within the purview of the Central Bank. The guideline can be found at https://www.central-bank.org.tt/wp-content/uploads/pdf/recovery-planning-guideline-financial-institutions-20221108.pdf

Key Components of Resolution Plans

Regulatory authorities, based on information from the institution including their recovery plans, typically prepare resolution plans (sometimes referred to as “living wills”) for designated systemically important financial institutions (SIFI). These detail how a failing institution can be wound down or restructured in a way that maintains financial stability, protects depositors or policyholders, and minimises taxpayer burden. The key components of resolution plans include:

- ***Critical Functions Identification:*** Determining which services must be maintained to avoid systemic impact.
- ***Legal and Organisational Structure Mapping:*** Understanding the firm's structure to facilitate the ability to separate and wind-down of business lines.
- ***Resolution Strategies:*** These may include bail-in mechanisms, sale of business units, bridge banks, or asset separation.
- ***Operational Continuity:*** Ensuring access to essential services and infrastructures (for example, IT, payments) during resolution.
- ***Cross-Border Coordination:*** Addressing the complexities of globally active financial institutions and coordinating with foreign regulators.

Challenges in Implementation

Despite their importance, RRPs face several challenges:

- ***Complexity of Financial Institutions:*** The intricate legal and operational structures of SIFIs make resolution planning a difficult task. Interconnectedness and interdependencies across jurisdictions complicate the execution of plans.
- ***Legal and Regulatory Barriers:*** Differences in national insolvency laws and regulatory powers can impede cross-border resolution efforts. In some cases, authorities may prioritise domestic stability over coordinated international action.
- ***Data and Information Gaps:*** Creating effective RRPs requires detailed, up-to-date information about institutions' operations, exposures, and interconnections. Incomplete or inaccurate data can compromise the utility of these plans.

BOX 3 (CONTINUED)
THE ROLE OF RECOVERY AND RESOLUTION IN FINANCIAL CRISIS MANAGEMENT

- ***Market Confidence:*** The mere existence of RRPs does not guarantee market confidence. They must be credible, and stakeholders must believe that authorities have the capability and willingness to implement them effectively.
- ***Operational Readiness:*** Executing a resolution strategy in real time demands sophisticated infrastructure, trained personnel, and seamless coordination across agencies and borders — resources that are not always readily available.

Conclusion

RRPs have become essential tools in modern financial crisis prevention and management. By promoting early intervention, ensuring orderly resolution, and reinforcing market discipline, RRPs contribute significantly to financial stability and systemic resilience. However, their effectiveness depends on continuous refinement, robust supervision, and global cooperation. As financial systems evolve and new risks emerge — such as those related to fintech, climate change, and cyber threats — RRPs must adapt to remain relevant. Ultimately, while RRPs cannot prevent financial crises, they can help contain their impact and reduce the cost to society.

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APPENDICES

APPENDIX A
DOMESTIC FINANCIAL STABILITY MONITOR HEAT MAP, 2020 – 2024

Source: Central Bank of Trinidad and Tobago

Note: A 'heat map' is a data visualisation tool, which takes the form of a matrix. They condense a large amount of data into a more user-friendly form. The Central Bank's Domestic Financial Stability Monitor summarises 51 macroeconomic and financial data series, as well as 4 composite risk indices, over a five-year period. Each indicator is assigned a risk rating of 1 (low) to 5 (very high) based on a a specific benchmark. The overall and sub-sector risk ratings are estimated by using the equal-weighted average of the associated indicators. The result is rounded to the nearest whole number and the respective colour rating is subsequently applied. With this approach, it is possible for the overall risk rating to change as a result of aggregate changes in the underlying indicators, without sufficient magnitude to trigger sectoral rating adjustments.

1. Aggregate Indicators consist of indicators which evaluate macroeconomic, macro-financial, or composite risk.

2. 'Other Financial Institutions' consist of Insurance (Long-Term and General) and Occupational Pension Plans sectors.

APPENDIX B
BANKING SECTOR LOANS BY SECTOR, 2019 – 2024

	TT$ Millions (Absolute Values)						TT$ Millions (Change)					Percentage Change (per cent)					Share (per cent)				
PUBLIC SECTOR LOANS	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-19 Dec-20	Dec-20 Dec-21	Dec-21 Dec-22	Dec-22 Dec-23	Dec-23 Dec-24	Dec-19 Dec-20	Dec-20 Dec-21	Dec-21 Dec-22	Dec-22 Dec-23	Dec-23 Dec-24	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Petroleum	3,155.4	2,534.3	2,427.1	2,375.9	2,520.1	2,428.4	(621.0)	(107.3)	(51.2)	144.2	(91.6)	(19.7)	(4.2)	(2.1)	6.1	(3.6)	25.2	24.8	24.1	20.7	20.6
Construction	645.4	1,226.4	1,135.5	1,548.5	3,000.3	4,011.8	581.0	(91.0)	413.1	1,451.7	1,011.5	90.0	(7.4)	36.4	93.7	33.7	12.2	11.6	15.7	24.7	34.1
Transport, Storage and Communication	640.2	525.6	412.4	718.0	498.6	389.9	(114.6)	(113.3)	305.6	(219.4)	(108.7)	(17.9)	(21.5)	74.1	(30.6)	(21.8)	5.2	4.2	7.3	4.1	3.3
Finance, Insurance and Real Estate	4,369.8	4,007.5	4,330.8	3,823.8	4,717.3	3,569.2	(362.2)	323.2	(507.0)	893.6	(1,148.1)	(8.3)	8.1	(11.7)	23.4	(24.3)	39.9	44.2	38.8	38.8	30.3
Electricity and Water	1,067.8	1,030.5	651.3	682.8	754.3	735.7	(37.3)	(379.2)	31.5	71.5	(18.6)	(3.5)	(36.8)	4.8	10.5	(2.5)	10.3	6.6	6.9	6.2	6.3
Other	757.4	719.8	844.2	714.1	660.1	632.7	(37.7)	124.4	(130.1)	(54.0)	(27.4)	(5.0)	17.3	(15.4)	(7.6)	(4.2)	7.2	8.6	7.2	5.4	5.4
TOTAL	**10,636.0**	**10,044.2**	**9,801.2**	**9,863.0**	**12,150.7**	**11,767.7**	**(591.8)**	**(243.1)**	**61.9**	**2,287.7**	**(382.9)**	**(5.6)**	**(2.4)**	**0.6**	**23.2**	**(3.2)**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
BUSINESS LOANS	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-19 Dec-20	Dec-20 Dec-21	Dec-21 Dec-22	Dec-22 Dec-23	Dec-23 Dec-24	Dec-19 Dec-20	Dec-20 Dec-21	Dec-21 Dec-22	Dec-22 Dec-23	Dec-23 Dec-24	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Real Estate Mortgage Loans	7,856.5	8,347.8	8,810.2	8,960.3	9,815.1	10,365.8	491.3	462.4	150.1	854.8	550.7	6.3	5.5	1.7	9.5	5.6	26.1	26.7	24.4	24.5	24.4
Finance, Insurance and Real Estate Companies	8,240.5	8,358.2	8,228.9	10,223.9	10,217.3	10,767.7	117.6	(129.2)	1,995.0	(6.7)	550.4	1.4	(1.5)	24.2	(0.1)	5.4	26.1	24.9	27.8	25.5	25.3
Services	9,270.8	8,464.5	8,919.9	9,747.1	10,623.2	11,420.2	(806.3)	455.4	827.1	876.1	797.0	(8.7)	5.4	9.3	9.0	7.5	26.5	27.0	26.5	26.6	26.8
Manufacturing	3,933.8	3,949.0	3,829.6	4,251.5	4,893.5	4,905.7	15.1	(119.4)	421.9	642.0	12.2	0.4	(3.0)	11.0	15.1	0.2	12.4	11.6	11.6	12.2	11.5
Construction	1,566.2	1,684.5	1,840.4	2,170.8	2,196.6	2,629.6	118.3	156.0	330.4	25.7	433.1	7.5	9.3	18.0	1.2	19.7	5.3	5.6	5.9	5.5	6.2
Other (Agriculture, Petroleum, Leasing)	1,137.7	1,168.8	1,391.9	1,427.6	2,264.1	2,461.8	31.0	223.1	35.7	836.5	197.7	2.7	19.1	2.6	58.6	8.7	3.7	4.2	3.9	5.7	5.8
TOTAL	**32,005.6**	**31,972.6**	**33,021.0**	**36,781.2**	**40,009.7**	**42,550.8**	**(33.0)**	**1,048.4**	**3,760.2**	**3,228.5**	**2,541.1**	**(0.1)**	**3.3**	**11.4**	**8.8**	**6.4**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
CONSUMER LOANS BY PURPOSE	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-19 Dec-20	Dec-20 Dec-21	Dec-21 Dec-22	Dec-22 Dec-23	Dec-23 Dec-24	Dec-19 Dec-20	Dec-20 Dec-21	Dec-21 Dec-22	Dec-22 Dec-23	Dec-23 Dec-24	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Real Estate including Mortgages	19,016.7	19,336.4	19,779.6	21,084.5	22,471.7	23,995.4	319.7	443.2	1,305.0	1,387.1	1,523.7	1.7	2.3	6.6	6.6	6.8	51.9	53.1	53.4	53.0	51.7
Vehicles	5,219.4	5,187.9	4,683.7	4,548.8	5,072.1	5,845.4	(31.5)	(504.2)	(134.9)	523.3	773.4	(0.6)	(9.7)	(2.9)	11.5	15.2	13.9	12.6	11.5	12.0	12.6
Credit Cards	3,224.8	3,143.2	2,903.6	3,260.4	3,309.1	3,679.9	(81.6)	(239.6)	356.8	48.7	370.8	(2.5)	(7.6)	12.3	1.5	11.2	8.4	7.8	8.3	7.8	7.9
Refinancing	2,601.6	2,776.2	3,270.5	3,712.8	3,896.0	4,188.7	174.6	494.3	442.2	183.3	292.7	6.7	17.8	13.5	4.9	7.5	7.5	8.8	9.4	9.2	9.0
Consolidation of Debt	2,877.7	2,961.6	2,865.9	3,057.5	3,283.9	3,652.7	83.9	(95.7)	191.6	226.4	368.8	2.9	(3.2)	6.7	7.4	11.2	7.9	7.7	7.7	7.8	7.9
Other Purposes	4,152.3	3,850.2	3,758.0	3,852.3	4,333.0	5,044.1	(302.1)	(92.2)	94.3	480.7	711.1	(7.3)	(2.4)	2.5	12.5	16.4	10.3	10.1	9.7	10.2	10.9
TOTAL	**37,092.5**	**37,255.5**	**37,261.2**	**39,516.3**	**42,365.8**	**46,406.2**	**163.0**	**5.7**	**2,255.1**	**2,849.5**	**4,040.4**	**0.4**	**0.0**	**6.1**	**7.2**	**9.5**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago

Note: Banking sector loans data are obtained from regulatory reports submitted to the Central Bank.

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FINANCIAL STABILITY REPORT 2024

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