

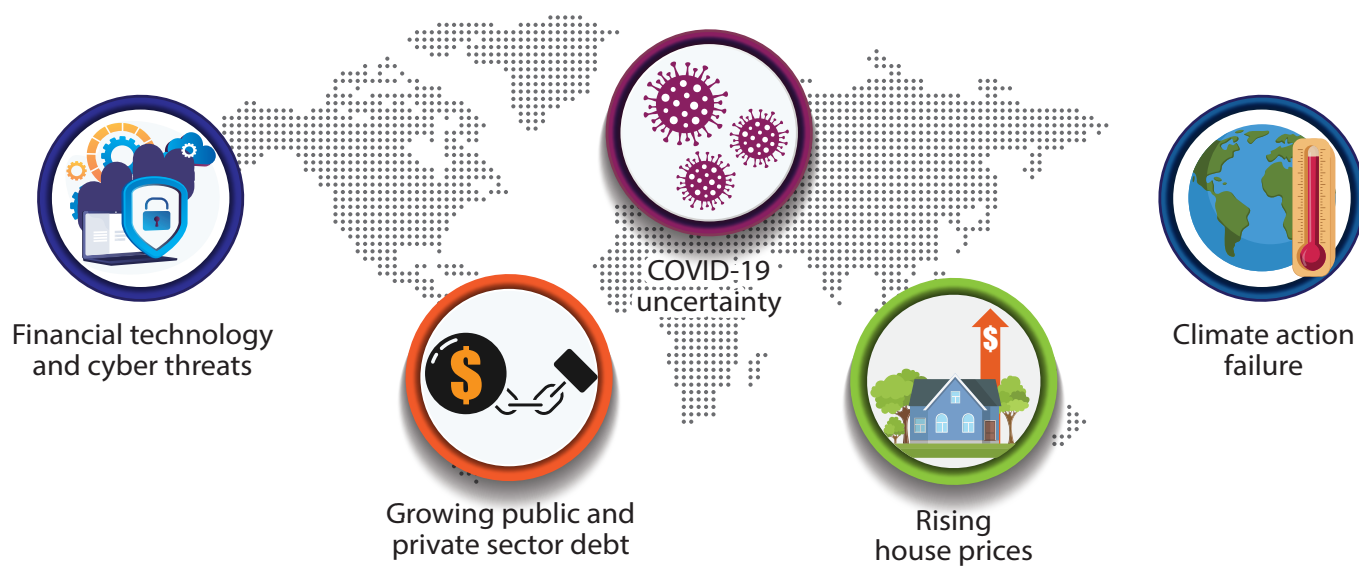
HIGHLIGHTS



In Summary:

- The active and comprehensive response to the novel coronavirus (COVID-19) pandemic has helped soften risks to global financial stability in 2020. Nonetheless, the emergence of new coronavirus strains and the uncertain path and timing to majority vaccination for many countries shadows the outlook.
- In addition to growth challenges worsened by the pandemic, the Caribbean region has unique financial stability concerns, including environmental risks, withdrawal of correspondent banking services and increasing market concentration and interconnectedness.
- Domestically, the energy sector is estimated to have underperformed in 2020 and weighed heavily on economic indicators. This was cushioned somewhat by less severe contractions in the non-energy sector, as restrictions eased in the second half of the year.
- The domestic financial sector remained resilient in 2020 in the face of the unprecedented shock to economic activity. Institutions maintained healthy capital and liquidity buffers, while facing lower asset quality and profitability ratios.
- The 2020 vulnerability and risk assessment has identified high sovereign concentration in the financial system and rapid digitalisation in the financial services industry, which have intensified since 2019 on account of the pandemic. Though household debt contracted minimally over the year, financial institutions maintained significant exposure to the household sector. Risks related to high banking concentration and interconnections in the financial services industry have also been raised as an area of concern.
- The Central Bank continues to promote financial stability through a number of strategic initiatives, as well as operational and developmental projects. These initiatives aim to improve risk-based supervision; ensure compliance with international standards; and strengthen the Central Bank's capability in supervision and resolution. Notable milestones include the Financial Institutions (Capital Adequacy) Regulations, 2020 and the new Insurance Act (IA) 2018 which became effective from May 2020 and January 2021, respectively.

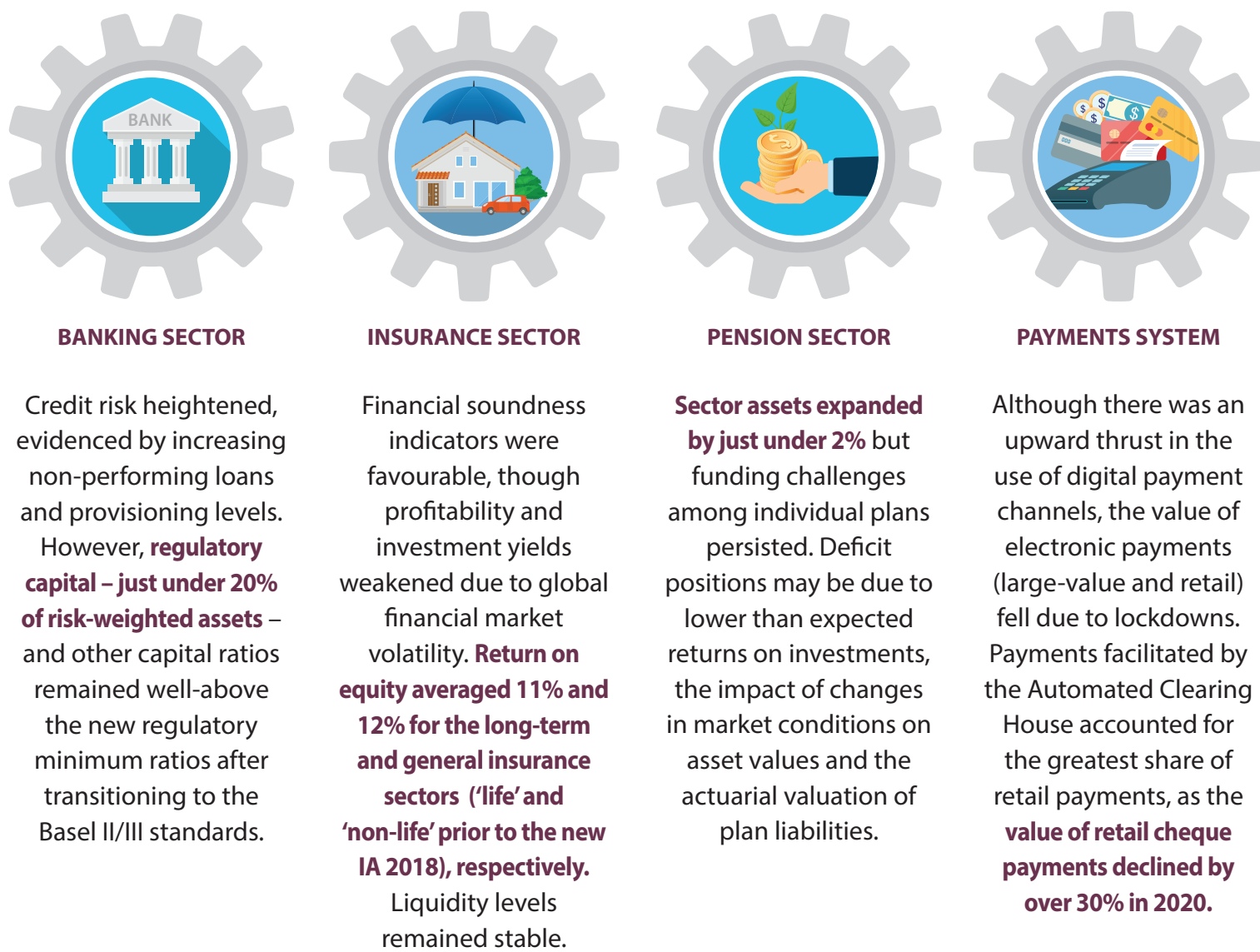
1. GLOBAL FINANCIAL STABILITY RISKS



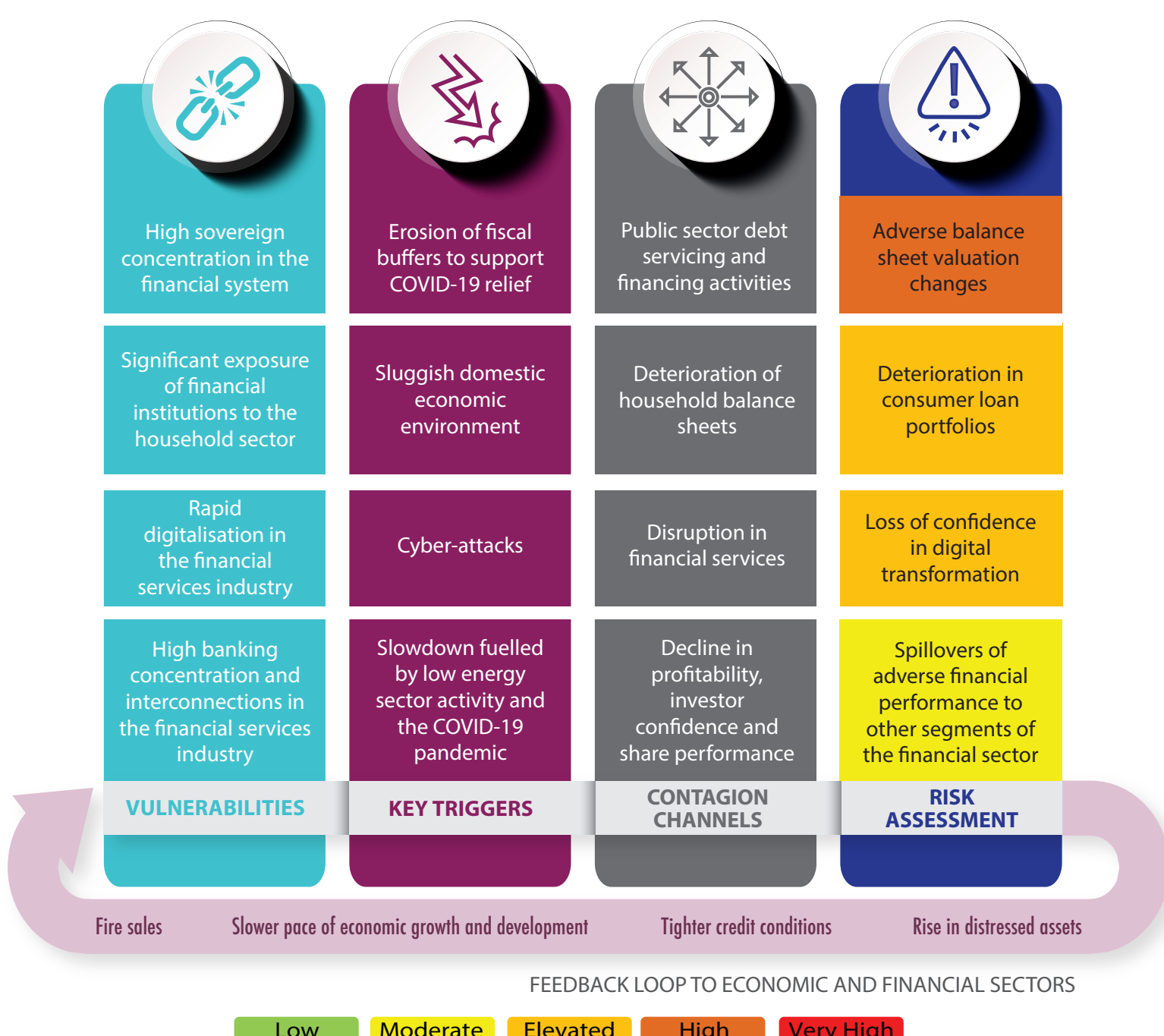
2. DOMESTIC MACRO-FINANCIAL CONDITIONS



3. FINANCIAL SECTOR PERFORMANCE



4. VULNERABILITIES AND RISKS



5. EFFORTS TO PROMOTE CONTINUED FINANCIAL STABILITY

