ISSN 276-7757

CENTRAL BANK OF
TRINIDAD & TOBAGO

2025



FINANCIAL STABILITY REPORT

Central Bank of Trinidad and Tobago
P.O. Box 1250
Eric Williams Plaza, Independence Square
Port of Spain
Republic of Trinidad and Tobago
www.central-bank.org.tt

© Copyright 2025 Central Bank of Trinidad and Tobago

CENTRAL BANK OF TRINIDAD AND TOBAGO

FINANCIAL STABILITY REPORT 2025



FOREWORD

FOREWORD



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

In 2025, global financial conditions were challenging, which elevated the risks to financial stability. Unresolved geopolitical tensions remained and geoeconomic concerns heightened. AI disruption of the IT sector accelerated and continued capital flows to AI-related assets increased revaluation risk. The sovereign debt overhang widened, and the risk of fiscal dominance added to financial stability concerns. Finally, inflation remained above targets in many countries and persistent, stalling monetary authorities' attempts to normalised policy rates. Despite the challenging environment, global growth and corporate profitability held steady in 2025. However, growth and profitability exhibited a high degree heterogeneity across countries and sectors and were based on a narrow set of economic drivers, the front loading of trade ahead of tariff adjustments, AI-related investments, and the persistent resilience in consumption supported by fiscal expansion and high asset valuations.

In the first of half of 2026, the disruption of trade and maritime traffic in the Strait of Hormuz have tightened global financial conditions, weakened growth outlook, added to sovereign debt load, and kept inflation elevated and above monetary targets in many countries. For the remainder of 2026, the general health of the global financial system rests on a permanent solution to the conflict in the Strait of Hormuz, reducing the risks associated with irrational exuberance in AI-related investments, and a careful management of the risk AI poses to cybersecurity.

Domestically, economic activity moderated in 2025. Energy sector output improved while non-energy sector activity grew at a slower pace. Softer economic activity highlighted the importance of monitoring household sector indebtedness. Further, continued fiscal deficit financing has kept sovereign concentration risk

Softer economic activity also highlights the importance of monitoring liquidity conditions and household sector indebtedness.

an area of concern in the banking sector and incrementally added to the volatility of market liquidity. On a brighter note, the financial system exhibited resilience owing to strong capital positions, low non-performing loan ratios, and sustained profitability. Regionally, the aftermath of Hurricane Melissa re-emphasised the urgent

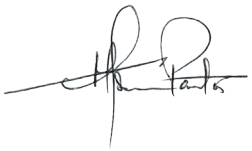


need to not only to strengthen and improve the loss absorption capacity of the financial system for natural disasters but also the resilience of financial market infrastructures to safeguard the continuity of payments.

The 2025 Financial Stability Report identifies four key risk channels that warrant continued close oversight: elevated sovereign-financial sector linkages; cyber and operational disruptive events; liquidity volatility; and household-sector indebtedness. While risks through these channels did not crystallise into financial stability concerns during 2025, they remain important channels through which external and domestic shocks could propagate and amplify risks to financial stability. Accordingly, the Report analyses the interaction among these risk areas and evolving macro-financial developments, noting their impact on the resilience of the domestic financial system.

The Report also outlines the Central Bank's regulatory and supervisory initiatives undertaken to strengthen financial sector resilience in 2025. These include: the issuance of the Financial Institutions Liquidity Regulations, 2025, which introduced the Liquidity Coverage Ratio requirement for the banking sector. A draft Guideline on Management of Liquidity Risk for Insurers was also issued in March 2025. The Central Bank also advanced its efforts to strengthen insurers' capital adequacy calculations in line with International Financial Reporting Standard 17 (IFRS 17). It also enhanced supervisory engagement through increased staff training and on-site examinations, with particular focus on cyber resilience.

As external developments continue to evolve, preserving financial stability will require proactive oversight and enhanced collaboration with the financial sector. These efforts are reflected in the Report and underscore the Central Bank's commitment to strengthening the financial system to absorb potential adverse shocks and to continue supporting sustainable economic growth and confidence in Trinidad and Tobago.



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



TABLE OF CONTENTS

	Foreword	iv
	List of Abbreviations	vii
	Preface	x
	Overview	2
Chapter 1	**The Macro-Financial Context**	8
	Global Macro-Financial Stability	8
	Regional Developments	12
	The Domestic Setting	13
	Box 1: Geopolitical Tensions, Energy Price Dynamics, And Financial Stability In Trinidad And Tobago	16
Chapter 2	**Financial Stability Risks in Trinidad and Tobago**	20
	Macroprudential Early Warning Indices (EWIS)	20
	Risks in the Regulated Domestic Financial Sector	22
	Risks Assesment	34
Chapter 3	**Performance and Resilience of the Financial System**	38
	Financial Sector Interlinkages	38
	Financial Soundness Indicators	40
	Banking Sector (Commercial Banks and Non-banks)	40
	Insurance Sector Performance	55
	Long-Term Insurance Industry	55
	General Insurance Industry	58
	Private Occupational Pension Plans Sector	62
	Domestic Capital Markets Developments	67
	Payments System (Local Currency Payments)	72
	Box 2: Enhancing Financial Crisis Management Capabilities Through Simulation Exercises	78
Chapter 4	**Safeguarding the Financial System**	82
	Status of Implementation of New Supervisory Standards	82
	Strengthening Financial Stability	83
	Other Supervisory Initiatives/Developments	83
	Anti-Money Laundering/Counter-Terrorism Financing Payments System Regulatory Developments	84
	Payment System Regulatory Developments	85
	Box 3: Update On Payments System And Services Bill	87
APPENDICES		90



LIST OF ABBREVIATIONS

Abbreviation	Name
ACH	Automated Clearing House
AE	Advanced Economy
Afreximbank	African Export-Import Bank
AFSI	Aggregate Financial Stability Index
AGGD	Adjusted General Government Debt
AI	Artificial Intelligence
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	Automated Teller Machine
AUM	Assets Under Management
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BSI	Banking Stability Index
CCSCAP	CARICOM Cyber Security and Cybercrime Action Plan
CAPSS	CARICOM Payment and Settlement System
CAR	Capital Adequacy Ratio
CET1	Common Equity Tier 1
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
ECL	Expected Credit Loss
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®
ESG	Environment, Social and Governance
EU	European Union
EWI	Early Warning Indices



LIST OF ABBREVIATIONS

Abbreviation	Name
FCI	Financial Conditions Index
FIUTT	Financial Intelligence Unit of Trinidad and Tobago
FPS	Fast Payment System
FSB	Financial Stability Board
FSI	Financial Soundness Indicators
FSC	Financial Stability Committee
FSR	Financial Stability Report
FUM	Funds Under Management
FY	Fiscal Year
Gap	Credit-to-GDP Gap
GDP	Gross Domestic Product
GFSR	Global Financial Stability Report
GoRTT	Government of the Republic of Trinidad and Tobago
HHI	Herfindahl-Hirschman Index
HQLA	High Quality Liquid Assets
HSF	Heritage and Stabilisation Fund
HY	Half-Year
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
LAC	Latin America and the Caribbean
LCR	Liquidity Coverage Ratio
LNG	Liquefied Natural Gas
MEV	Mutual Evaluation
MoU	Memorandum of Understanding
MOF	Ministry of Finance
NA	Not Available
NAMLC	National AML/CFT/CPF Committee
NAV	Net Asset Value
NBFI	Non-Bank Financial Institution
NDFI	Net Domestic Fiscal Injection



LIST OF ABBREVIATIONS

Abbreviation	Name
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NIPL	NPCI International Payments Limited
NIS	National Insurance Scheme
NPCITT	National Payments and Innovation Company of Trinidad and Tobago
NPL	Non-Performing Loan
NPL Ratio	Non-Performing Loans to Gross Loans Ratio
NRA	National Money Laundering/Terrorist Financing Risk Assessment
NSFR	Net Stable Fund Ratio
OMO	Open Market Operations
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-Counter
P2M	Person-to-Merchant
P2P	Person-to-Person
PAPSS	Pan-African Payment and Settlement System
PF	Proliferation Financing
PSP	Payments Service Providers
POS	Point of Sale
RCR	Regulatory Capital Ratio
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement System
RWA	Risk-Weighted Assets
SRAI	Systemic Risk Accumulation Index
TT	Trinidad and Tobago
TT-CSIRT	Trinidad and Tobago Cyber Security Incident Response Team
TTSE	Trinidad and Tobago Stock Exchange
TTSEC	Trinidad and Tobago Securities and Exchange Commission
UPI	Unified Payments Interface
US	United States
VaR	Value-at-Risk
VA/VASP	Virtual Assets/Virtual Assets Service Providers
WALR	Weighted Average Loan Rate
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/core-functions/financial-stability/financial-stability-report/



Overview

OVERVIEW[1]

The global financial system demonstrated resilience in 2025 despite heightened geopolitical tensions, tariff uncertainty, and increasing trade fragmentation. These shocks were partially offset by technology-related investments and fiscal policy support. Additionally, major central banks pursued accommodative monetary policy in 2025, prioritising support for economic growth over strict adherence to inflation targets. Recent developments in the Middle East involving the United States (US), Israel, and Iran during the first half of 2026, heightened risks to financial stability due to their potential impact on global economic growth, inflation expectations, and financial conditions. Tensions in the Middle East region continue to evolve, and risks persist.

The International Monetary Fund (IMF), in its October 2026 World Economic Outlook Update, projected global growth to decelerate to 3.1 per cent in 2026 from 3.5 per cent in 2025, with downside risks. Global inflation is expected to pause its decline, instead increasing to 4.7 per cent in 2026 from 4.1 per cent in 2025. The upward revision reflects multiple factors that can affect energy and food prices, such as the heightened military tensions, supply constraints, gradual pass-through of tariffs, and rising shipping costs. Further, recent global financial stability reports highlighted the implications of the war in the Middle East for global equity prices and bond yields, noting that the longer this conflict persisted, the greater the risks of inflationary pressures, equity market volatility, and tighter financial conditions. The agency warned that the war could amplify existing vulnerabilities and trigger financial instability. Countries with high sovereign debt and rollover risks may face higher borrowing costs and difficulty in refinancing debt. Investors could exit riskier emerging markets and developing economies (EMDEs) in favour of 'safe haven' economies, weakening EMDEs' currencies and capital accounts. The interconnectedness of global financial system suggests that stresses in EMDEs could easily propagate and even amplify across borders to affect financial market conditions, firms, and households in other countries.

Domestically, economic activity moderated in 2025[2]. Energy sector activity improved over the period, reflecting the commencement of new natural gas production fields. However, non-energy sector activity experienced slower growth reflecting significant falloffs in key sectors, namely Construction and Trade and Repairs (excluding Energy). Improved activity in some non-energy sectors, such as Non-Energy Manufacturing, and Financial and Insurance Activities, helped offset the other underperforming non-energy sectors. Official data from the Central Statistical Office (CSO)show that real Gross Domestic Product (GDP) declined by 0.5 per cent (year-on-year); there was an expansion in energy sector output (0.6 per cent), while non-energy sector output growth slowed (0.5 per cent). Labour market conditions remained relatively stable, with an unemployment rate at 4.5 per cent in 2025, compared to 5.0 per cent in 2024. Meanwhile, the fiscal accounts recorded a higher deficit of 5.8 per cent of GDP in fiscal year (FY) 2025 (5.3 per cent in FY2024). Although energy revenue increased expenditure also rose. Notwithstanding, the smaller recorded fiscal deficit in 2025, adjusted General Government debt edged up to $146.9 billion (84.0 per cent of GDP) at the end of FY2025 from $140.7 billion (81.8 per cent of GDP) one year earlier. Monetary conditions remained supportive, but weaker non-energy activity contributed to a loss of momentum in private sector credit growth during the year.

1 This Report includes economic developments up to October, 2026, while financial industry data are as at December 2025.
2 Total GDP is measured at purchaser prices, while the sectoral GDP is measured at producer prices. To derive GDP at purchaser prices, 'taxes less subsidies on products' are added to the GDP at producer prices.



Financial stability risks in Trinidad and Tobago remained moderate to elevated in 2025, due to international energy market volatility and external shocks stemming from geopolitical tensions, trade policy uncertainty, slowing global economic growth, and cautious global monetary policy easing. Trinidad and Tobago remain heavily exposed to external shocks, particularly the ongoing Middle East war. A protracted war could trigger global energy and food price pressures, and tighter financial conditions, with important implications for Trinidad and Tobago. Rising global inflation could translate to increased domestic prices, while slower global growth could weaken non-energy foreign earnings, domestic activity, and employment. A reversal of monetary policy actions by major central banks in response to inflationary pressures could weaken capital inflows into Trinidad and Tobago.

The 2024 Financial Stability Report highlighted sovereign debt concentration in the banking and insurance sectors, increasing cyber incidents, heightened liquidity risk, and household indebtedness as the major sources of systemic risks. In 2025, several of these areas remained relevant and continued to shape domestic financial stability. The report notes the following financial stability concerns: elevated debt and sovereign-financial linkages, evolving cyber and operational incidents, liquidity volatility, and household sector indebtedness.

The Summary Heat Map below reports the risk levels for principal factors that shaped the health of the domestic financial sector in 2025.

- **Elevated Public Debt and Sovereign-Financial Linkages:** The asset portfolios of banks and insurers remained heavily exposed to the Government sector, as fiscal deficit continues to be financed mainly by domestic borrowing. The Heritage and Stabilisation Fund helped to reduce the size

GRAPHIC 1

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



Source: Central Bank of Trinidad and Tobago

of the domestic borrowing, which added some stability to the fiscal account. Recent stress test results revealed a slight reduction in banks' sovereign exposure. Nonetheless, the sovereign concentration risk remains relevant, as the amplified volatility in international energy prices has increased the uncertainty of fiscal revenues.

- **Evolving Cyber and Operational Incidents:** Cybersecurity and operational incidents remain a key concern for firms, including those operating in the domestic financial sector. Although reported cyber incidents declined in 2025, cyber and operational vulnerabilities remain widespread as digitalisation and electronic payment methods have expanded — increasing the avenues that bad actors can exploit. Further, while technology lags deepen the vulnerability to cybercrime, authorities have introduced mitigation measures, including stronger cooperation on cyber intelligence and incident response, cybersecurity supervision, and third-party risk management guideline.
- **Liquidity Volatility:** Liquidity has exhibited heightened instability over the last five years. During 2025, this instability became more evident as conventional tools, such as open market operations (OMO) becoming operationally constrained, limiting the Bank's ability to manage liquidity conditions. To fill this gap, banks are making greater use of the interbank market and repurchase agreements. Additionally, stress test results suggest that number of days until banks could potentially exhaust their liquid resources has narrowed. Notwithstanding the tighter liquidity survival horizon, the introduction of the Liquidity Coveragae Ratio has strengthened financial institutions' resilience to liquidity stressed run of 30 days.
- **Household Sector Indebtedness:** Debt concentration in the real estate sector and sustained growth in credit card borrowing increased banks' exposure to household vulnerability. Although growth in household debt slowed, signs of weakening asset quality emerged within consumer loan portfolios, and the value of non-performing loans increased over the period. Increased economic uncertainty and weakening labour market conditions have put strain on households' finances. While domestic inflation remained in the low single-digit, increasing global prices due to the spike in energy prices may further weaken household finances in the coming months as higher import inflation passes through to domestic prices.

Trinidad and Tobago's financial sector remained resilient in 2025, as reflected in key financial soundness indicators (for capital adequacy, asset quality, and profitability). However, liquidity levels moderated as banking institutions utilised liquid funds to expand their loan and investment portfolios amid a slowdown in deposit growth — vulnerabilities could be amplified by external shocks and strong sovereign-financial linkages. Long-term and general insurers recorded growth in total assets — with capital ratios normalising in the latter. While the pensions sector remained resilient in 2025, as funding positions improved, deficits persisted particularly among state-related plans (mainly due to inadequate contributions). Notably, pension funds' asset portfolios remained dominated by domestic sovereign debt and public equity holdings. With respect to the latter, recent developments in the domestic equity market could weaken the asset portfolios of pension funds.

Over the year, the Central Bank continued efforts to promote financial stability. For instance, the banking sector's Financial Institutions (Liquidity) Regulations for implementing the Liquidity Coverage Ratio and Liquidity Monitoring Tools came into effect on October 1, 2025. In March 2025, a draft guideline



on the management of liquidity risk for insurers, along with a complementary liquidity risk return, was issued to the industry. The draft Pillar 3 Market Disclosures Guideline was issued to the industry for consultation during 2025 and subsequently finalised with an effective date of July 1, 2026[3]. The Central Bank continued to implement International Financial Reporting Standard 17 (IFRS 17) by advancing efforts to calibrate the insurance sector's capital adequacy framework and to issue quarterly regulatory returns. On cybersecurity, regulated entities have been submitting their annual self-assessments, identifying key gaps in their cybersecurity frameworks and progressing action plans to mitigate risks. In addition to the above, the Central Bank has focused on increasing its oversight through various staff training programmes and on-site examinations during the year; some of these specifically focused on cyber risk.

3 It was then implemented via a notice in the Gazette by the Minister of Finance on June 29, 2026, and came into effect on July 1, 2026





CHAPTER 1

The Macro-Financial Context

THE MACRO-FINANCIAL CONTEXT

Global financial conditions were broadly accommodative in 2025 against the backdrop of stable growth and receding inflation, which supported cautious monetary easing. However, trade policy uncertainty and geopolitical tensions kept financial stability risks elevated during the year as underlying vulnerabilities, such as stretched asset valuations, high public debt, and increasing financial interconnectedness, have the potential to create future stress. The Middle East war involving the United States, Israel, and Iran threatens to revive inflationary pressures, reverse current monetary paths, and heighten the risk of tightening financial conditions in 2026, potentially challenging the resilience of the global financial system.

GLOBAL MACRO-FINANCIAL STABILITY

Global economic growth held steady in 2025 despite heightened trade tensions and geopolitical risks. According to the International Monetary Fund (IMF), in its October 2026 World Economic Outlook (WEO), global Gross Domestic Product (GDP) grew by 3.5 per cent in 2025, unchanged from 2024. The expansion in activity largely reflected continued technology-related investment, accommodative financial conditions, and supportive fiscal and monetary policies, which helped offset the drag from higher trade barriers and persistent uncertainty. However, downside risks to the outlook have intensified. The conflict in the Middle East threatens global growth prospects owing to spillovers to commodity markets, inflation expectations and financial conditions. In view of these developments, the IMF projects global growth to ease to 3.0 per cent in 2026. On the inflation front, global price pressures continued to ease (falling to 4.1 per cent in 2025 from 5.8 per cent in 2024), led by the deceleration in EMDEs' inflation while inflation receded more slowly in advanced economies (AEs). Amid easing inflationary pressures, most central banks (for instance, the United States Federal Reserve, European Central Bank, Bank of England, People's Bank of China, and Reserve Bank of India) gradually reduced their policy rates during the year[4]. An escalation of tensions **(Box 1)** in the Middle East in 2026 could reignite inflationary risks and lead to a tightening of global financial conditions. Against this background, the IMF forecasts global inflation to inch up to 4.7 per cent in 2026.

The global financial system was broadly resilient; however, financial stability risks remained elevated. Though accommodative for most of 2025, global financial conditions tightened modestly in October 2025, and the war in the Middle East and associated inflationary pressures, coupled with elevated sovereign debt burdens, have increased the risks of further tightening in 2026. This major shock could exacerbate existing vulnerabilities (such as sovereign debt and fiscal sustainability, asset repricing, and financial interconnectedness) and create new ones, raising financial stability risks. The IMF, in its April 2026 Fiscal Monitor, reported that public debt (as a per cent of GDP) rose to 93.9 per cent in 2025, up from 92.0 per

4 See Chapter 9 of Central Bank of Trinidad and Tobago's Annual Economic Survey 2025. https://www.central-bank.org.tt/cbtt_storage/2026/04/Annual-Economic-Survey-April-2025-2-3.pdf



cent in 2024, reflecting responses to tariffs and geopolitical shocks **(Figure 1).** Persistently elevated global debt levels and widening fiscal deficits have created a more challenging environment for sovereign debt sustainability. To contain interest rate costs, amid rising bond yields and risk premia, many governments may shift to shorter-term debt issuance. However, this has implications for rollover and refinancing risks in the short term. Notably, high sovereign debt levels can intensify the sovereign-bank nexus, especially where domestic banks hold large amounts of government securities. At the same time, rising risk premia, partly triggered by US dollar appreciation and increasing sovereign yields, also increase the likelihood of rapid asset repricing. EMDEs face additional pressures, including volatile capital outflows, amid heightened global uncertainty. For instance, EMDEs recorded net portfolio investment outflows of US$532.4 billion in 2025, up from US$264.6 billion in 2024, with further outflows of US$194.9 billion projected for 2026[5]. Moreover, cross-border flows and increasing interconnectedness between non-bank financial institutions (NBFIs) and the broader financial system can further transmit and amplify shocks within the financial sector.

International and regional financial regulatory bodies continued to work towards reducing global risks and strengthening resilience (Figure 2). During the May 2024 – April 2025 financial year, the IMF conducted 133 surveillance exercises, provided US$63.0 billion to 20 countries — including US$9.0 billion to 13 low-income countries — and delivered US$382 million in technical assistance and capacity development. Other international organisations also advanced global financial stability through standard-setting and policy guidance. In 2025, the Financial Stability Board (FSB) emphasised leverage risks and data gaps in the NBFI sector, recommending that national authorities identify financial stability risks from NBFIs and adopt flexible, targeted policy responses. The International Organisation of Pension Supervisors (IOPS) updated key supervisory guidelines, including those on pension fund assessments, investment supervision, crisis management, and Environmental, Social and Governance (ESG) implementation. On climate related risks, the Bank for International Settlements (BIS) developed a voluntary climate risk disclosure framework, while the Network for Greening the Financial System (NGFS) issued guidance on long-term climate scenarios and integrating climate risks into financial stability assessments.

5 IMF. "World Economic Outlook October 2026: Resilience Under Strain, Urgent Choices." International Monetary Fund. October 2026 https://www.imf.org/en/publications/weo/issues/2026/10/13/world-economic-outlook-october-2026

FIGURE 1
SUMMARY OF GLOBAL FINANCIAL STABILITY RISKS, 2025 – HALF YEAR 1 (HY1) 2026

GLOBAL CHALLENGES**

GEOPOLITICAL RISK

297.3
was the second largest value (over last ten years) and was recorded in March 2026

ECONOMIC UNCERTAINTY

371.1
was the eighth largest value (over the last ten years) and was recorded in November 2025

CLIMATE CHANGE

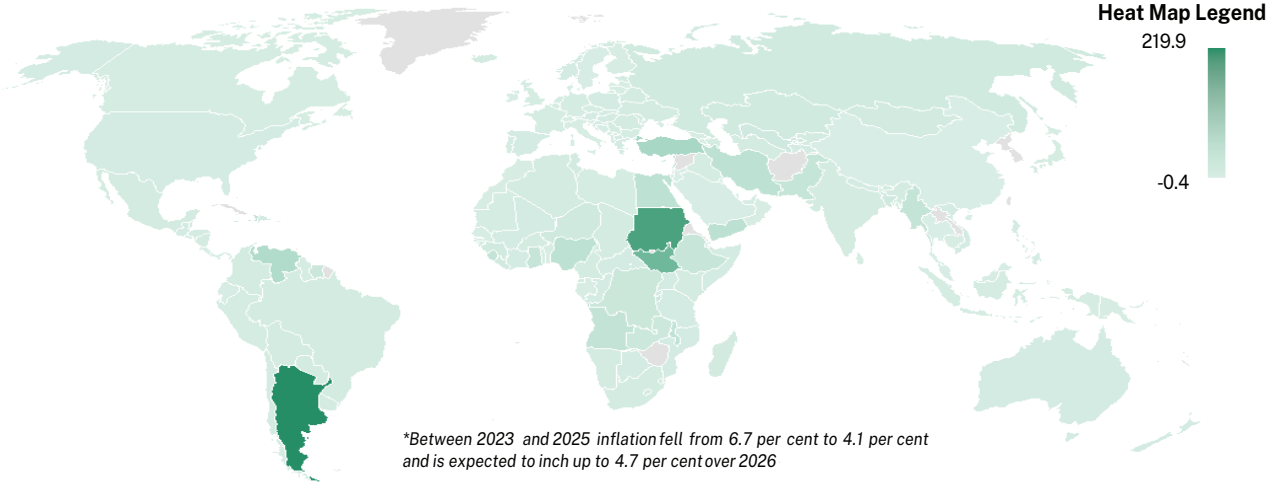
US$ 169.7 billion
in economic losses from natural disasters in 2025

SOVEREIGN DEBT

BOND

93.9 per cent
public debt to GDP as at 2025

GLOBAL INFLATION RATES, 2025



**Between 2023 and 2025 inflation fell from 6.7 per cent to 4.1 per cent and is expected to inch up to 4.7 per cent over 2026*

REGIONAL CHALLENGES

AFRICA
- Geopolitical Tensions
- Public Sector Debt
- Cyber Threats

AUSTRALIA
- Geopolitical Tensions
- Public Sector Debt
- Stretched Asset Valuations

EUROPE
- Stretched Asset Valuations
- Limited Fiscal Space
- High Exposure to Trade-sensitive firms

UNITED KINGDOM
- Geopolitical Tensions
- Public Sector Debt
- Stretched Asset Valuations

ASIA
- Trade Uncertainty
- US dollar's Safe-haven Status
- Public Sector Debt

CANADA
- Trade Uncertainty
- Private Sector Debt
- Stretched Asset Valuations

LATIN AMERICA AND THE CARIBBEAN
- Geopolitical Tensions
- Public Sector Debt
- Cyber Threats

UNITED STATES
- Trade Uncertainty
- Financial Sector Leverage
- 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, 2025 – HY1 2026

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

Framework for Voluntary Disclosure of Climate-related Financial Risks (JUNE2025)

The framework incoporates flexibility to account for evolving climate-related data and will be voluntary, with jurisdictions to consider its domestic implementability.

Principles for the Sound Management of Third-party Risk (DECEMBER 2025)

The principle establishes a common baseline for banks and supervisors for the risk management of third-party service provider arrangements.

FINANCIAL STABILITY BOARD (FSB)

Recommendations on Financial Stability risks from NBFI Leverage (JULY2025)

The FSB encourages the identification of financial stability risks created by NBFI leverage and the implementation of, flexible, and tailored policymeasures to address identified risks.

Annual Report(MARCH 2026)

Key areas emphsised in the report were NBFI leverage and related data challenges ensuring consistent regulatory implementation for crypto-asset activities initiatives to enhance the resolution and operational resilience of financial firms; and improving cross-borderpayments

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS)

Guidance for Supervisors on Practial Aspects of RBS Regime Implementation (JUNE2025)

The IAIS and IMF developed guidance onhow supervisors can design and implement risk-based solvency (RBS) regime.

IAIS Global Insurance Market Report 2025 (DECEMBER 2025)

The global insurance sector remained resilient supported by strong solvency, liquidity and profitability, alongside a slight decline in aggregate systemic risk.

INTERNATIONAL MONETARY FUND (IMF)

Annual Report,2024/25 (SEPTEMBER2025)

Covers activitiesbetweenMay 1, 2024and April 30, 2025. Notably: (i) 133 countryhealth checkswere conducted (ii) US$63 billion in loans to 20 countries, including US$9 billion to 13 low-income countries; and (iii) US$382 million dedicated to capacity development.

Good Practices in Cyber Risk Regulation and Supervision (JANUARY 2026)

The DepartmentalPaper outlines good practices for effective, proportionate, outcome-oriented regulation to address increasingly frequent and complex cyber threats that pose systemic risks.

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

Guidelines for the Supervisory Assessment of Pension Funds (NOVEMBER 2025)

The guidelines' focus is mainly prudential supervision and is intended to coverall types of private pesion arrangements.

IOPS Annual Report (2025)

Over the year, several key projects, aligned with the Organization's Strategy, were successfully developed and completed such as finalising the reviews of the IOPS Guidelines for the Supervisory Assessment of Pension Fund; the implementation note for the IOPS ESG Guidelines; projects on supervision of pension investments; and supervisory authorities' crisismanagement plans.

NETWORK FOR GREENING THE FINANCIAL SYSTEM (NGFS)

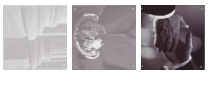
Notes on NGFS Long-term Climate Scenarios (NOVEMBER 2025)

The explanatorynotes aimsto improvethe clarity and usabilityof its long-term climate scenarios The two important areas of physical risks—Acute Physical Risk and Climate Tipping Points—were addressed.

Guide to Climate Scenaio Analysis for Central Banks and Supervisors (JANUARY2026)

The Guide provides modern, practica lguidance for integration of climate related risks into financial stability assessments and supervisory frameworks.

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



REGIONAL DEVELOPMENTS

Advanced economies showed notable resilience in 2025, with growth rising to 1.9 per cent (Figure 3). Nevertheless, the outlook remains subdued as several jurisdictions contended with persistent structural challenges: (i) tight labour markets; (ii) low productivity; and (iii) high energy prices. These pressures magnified specific financial stability concerns — weak bank profitability in Japan, housing market vulnerabilities in Canada and Australia, and uncertain financial reform in the Euro Area. Only the United States (US) enjoyed unencumbered growth — supported by robust asset market performance. The stability of asset market growth, however, has been questioned as it was tied to stablecoins and artificial intelligence (AI)[6]. These advances have come under increased scrutiny as the former emerged as the third-largest holder of US Treasury bills while the latter is structured around significant circular financing arrangements. In effect, liquidity and contagion risks have increased in the US as: (i) a digital asset run could trigger sudden, large sell-offs of US Treasuries; and (ii) AI investment[7] has struggled to show returns, while circular funding[8] structures tighten linkages between asset markets and the broader financial sector.

Emerging Market and Developing Economies are becoming structurally reliant on dollar-denominated assets. To circumvent remittance payment challenges, jurisdictions intensified stablecoin usage — the April 2026 GFSR noted that gross cross-border flows[9] rose from US$12.0 billion in the first quarter of 2020 to US$316.0 billion in the first quarter of 2025. While this supported a 4.4 per cent increase in economic activity **(Figure 3),** it has bound EMDEs more tightly to US monetary conditions. Although alignment pressures did not materialise, EMDEs nevertheless faced investor risk repricing. This reignited concerns about the sovereign bank nexus in emerging markets as weaker economies saw the share of government debt in banking system assets climb from 15.0 per cent, before the COVID-19 pandemic, to 20.0 per cent by 2025.

Latin America and the Caribbean (LAC) continues to face challenges in breaking out of its 2.0 per cent growth trend. According to the Economic Commission for Latin America and the Caribbean (ECLAC), economic activity **(Figure 3)** was constrained by weak developments in private consumption, gross fixed capital formation and total factor productivity[10]. These pressures were aggravated by structural challenges such as, energy dependence, high informality in labour markets and climate change **(Figure 4)** — Hurricane Melissa inflicted an estimated US$12.2 billion (56.7 per cent of GDP) in damage and losses in Jamaica. Governments' ability to respond has been constrained by high debt-to-GDP ratios — 72.4 per cent on average for Caribbean countries (seven countries exceeded this) and 72.8 per cent on average for South American countries (five countries exceeded this). Liability management operations therefore featured prominently, particularly in the Caribbean — sovereign credit ratings were upgraded for Barbados, Jamaica, The Bahamas, and the Turks and Caicos Islands[11]. Financial sector developments were also pivotal to improved ratings. For instance, according to the Caribbean Development Bank[12], private-sector lending growth accelerated, commercial banks' regulatory

6 IMF. "World Economic Outlook Update April 2026: Global Economy in the Shadow of War." International Monetary Fund. April 2026. https://www.imf.org/-/media/files/publications/weo/2026/april/english/text.pdf
7 Amid concerns on the technology's: (i) impact on employment; (ii) output quality; (iii) reliability and (iv) security.
8 Deal structures where one party provides equity or credit, to another, in exchange for multi-year procurement services.
9 For the two largest dollar-pegged stablecoins, Tether and USDC.
10 ECLAC. "Resource Mobilization to Finance Development." Economic Commission of Latin America and the Caribbean. August 2025. https://www.cepal.org/en/publications/82264-economic-survey-latin-america-and-caribbean-2025-resource-mobilization-finance
11 The Bahamas and Barbados successfully returned to international capital markets after years of absence.
12 CDB. "Caribbean Economic Review and Outlook 2025 - 2026". April 2026. Caribbean Development Bank https://www.caribank.org/publications-and-resources/resource-library/economic-reviews/caribbean-economic-review-and-outlook-2025-2026

capital ratios grew, and non-performing loans as a share of gross loans declined. Progress was supported by several supervisory advancements: (i) Bank of Jamaica transitioned to ISO 20022; (ii) Bank of Guyana issued new standard operating procedures for the financial sector; (iii) Central Bank of Belize launched a credit reporting system; and (iv) Central Bank of The Bahamas issued a new version of its interbank settlement system.

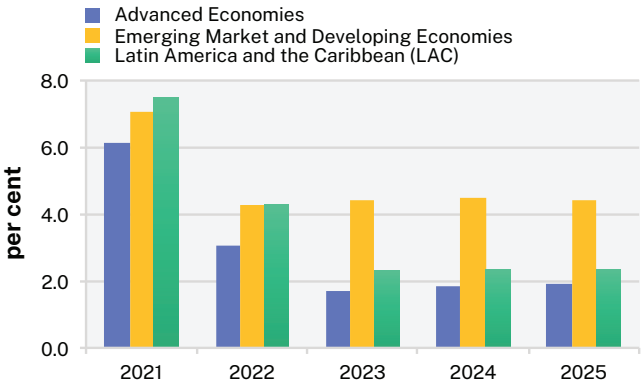
THE DOMESTIC SETTING

Economic activity has moderated. The CSO estimated that real GDP declined by 0.5 per cent in 2025, compared to 2024 (Figure 5). Non-energy sector production grew at a slower pace (0.5 per cent) while energy sector output marginally improved (0.6 per cent) — following start-up of the bpTT Cypre and Mento fields.

Inflation remained subdued. Headline inflation rose by 50 basis points over 2025. Despite this, it remained at historically low levels (1.0 per cent in 2025) — price pressures were underpinned by modest increases in food (3.0 per cent in 2025 compared to 1.5 per cent in 2024) and core inflation (0.5 per cent in 2025 compared to 0.2 per cent in 2024) **(Figure 6).**

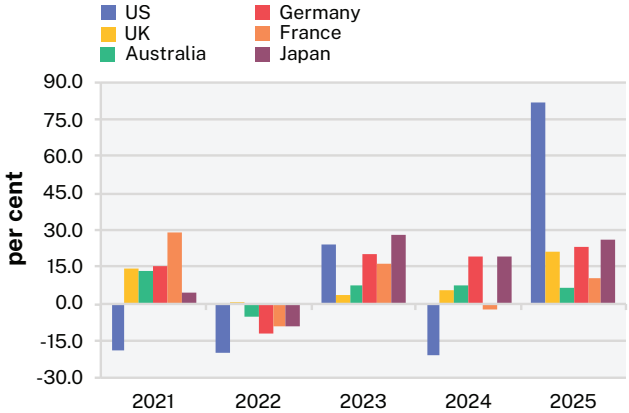
Fiscal policy assumed heightened importance in FY2025. Energy revenues grew by 17.4 per cent to $16.4 billion (benefiting from new developments in the sector) while total expenditure rose by just 2.6 per cent (to $58.4 billion). These movements resulted in a wider deficit (Figure 7) alongside a drop in gross official reserves (by 4.2 per cent to US$5.4 billion) and the rise (by 220 basis points to 84.0 per cent) in adjusted general government debt to GDP **(Figure 8).**

FIGURE 3
INTERNATIONAL REAL GDP GROWTH RATES, 2021 – 2025



Source: International Monetary Fund

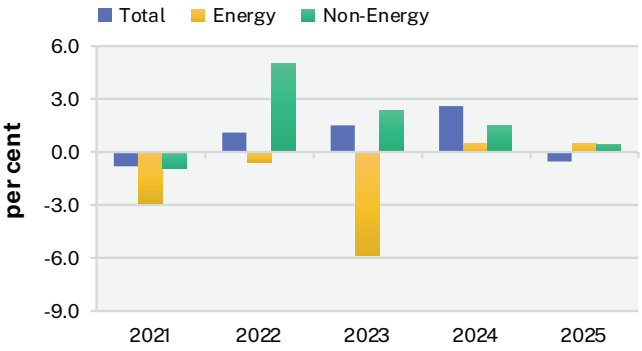
FIGURE 4
MAJOR[13] STOCK EXCHANGES, 2021 – 2025



Source: Yahoo Finance
Note: Illustrates the change (year-on-year) in the closing price of the corresponding stock index.

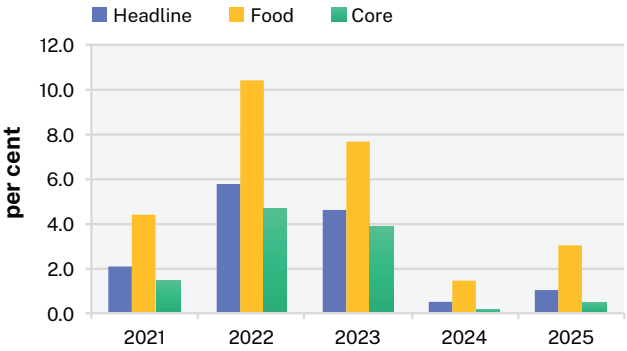
13 Respectively: (i) Standard & Poor's 500; (ii) Financial Times Stock Exchange 100 Index; (iii) Standard & Poor's/Australia Stock Exchange 200 Index; (iv) Deutscher Aktienindex; (v) Cotation Assistée en Continu; and (vi) Nikkei Stock Average.

FIGURE 5
REAL GDP GROWTH, 2021 – 2025



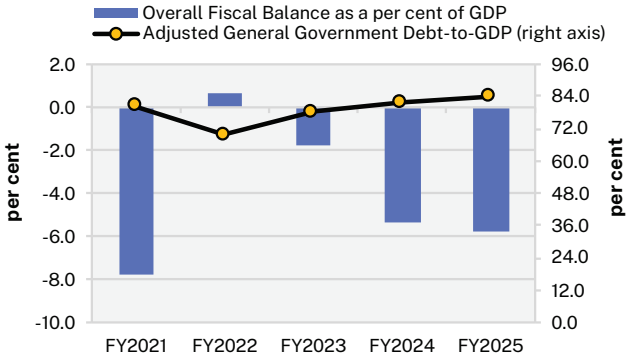
Source: Central Statistical Office
Note: p (Provisional).

FIGURE 6
PER CENT CHANGES IN THE CONSUMER PRICE INDEX, 2021 – 2025



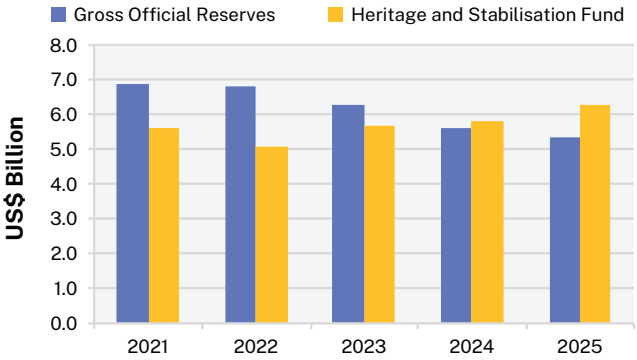
Source: Central Statistical Office

FIGURE 7
FISCAL OPERATIONS, FY2021 – FY2025



Source: Ministry of Finance
Note: GDP data used for ratios prior to 2025 are sourced from the CSO; ratios for 2025 are computed using Central Bank estimates.

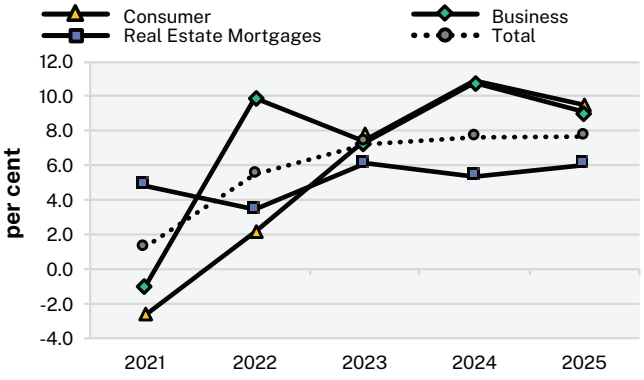
FIGURE 8
GROSS OFFICIAL RESERVES AND HERITAGE AND STABILISATION FUND, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

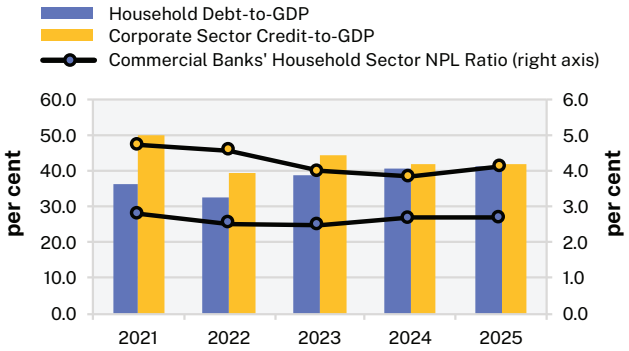


FIGURE 9
PRIVATE SECTOR CREDIT GRANTED BY THE CONSOLIDATED FINANCIAL SYSTEM – AVERAGE, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

FIGURE 10
HOUSEHOLD AND CORPORATE SECTOR CREDIT RATIOS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago
Note: GDP data used for ratios prior to 2025 are sourced from the CSO; ratios for 2025 are computed using Central Bank estimates.

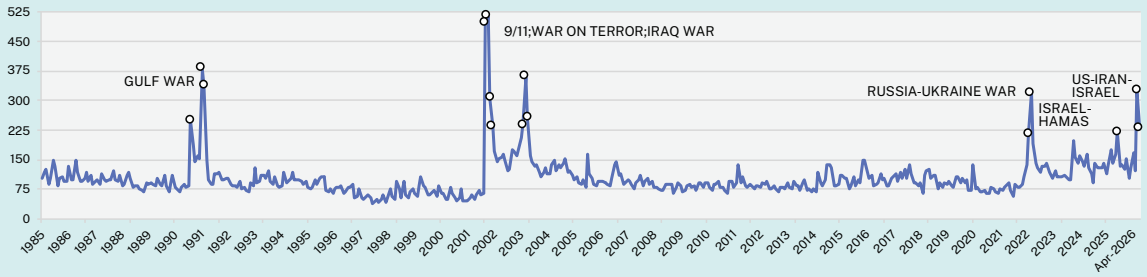
The Central Bank maintained a policy stance that balanced economic growth and inflation. No changes were made to the repo rate (3.50 per cent) and reserve requirement ratio (10.00 per cent) over 2025[14]. Despite this, the weighted average rate for new loans increased (by 72 basis points to 11.32 per cent) amidst increased inter-bank and repurchase market activity **(Chapter 2).** While the rise in interest rates did not result in a material rise in credit risks, private sector lending **(Figure 9)** slowed (by 268 basis points) to 5.3 per cent. This slowdown in private sector credit growth was driven by the consumer portfolio as estimated household debt-to-GDP rose **(Figure 10)** by just 94 basis points (to 41.5 per cent) — by comparison, corporate sector credit-to-GDP fell by 16 basis points (to 42.0 per cent).

14 The repo rate was last changed (reduced by 150 basis points) in March 2020 while the reserve requirement ratio was last changed (lowered by 400 basis points) in July 2024.

BOX 1
GEOPOLITICAL TENSIONS, ENERGY PRICE DYNAMICS, AND FINANCIAL STABILITY IN TRINIDAD AND TOBAGO

Geopolitical risk refers to the threat, realisation and/or escalation of adverse events associated with wars, terrorism and any tensions among states and political actors that affect the peaceful course of international relations (Caldara and Iacoviello). It is far from a new phenomenon, with historical records (Figure 1) showing episodes as early as 1990, when the Gulf War underscored how conflict and instability could reverberate through global markets. Traditionally, such risks manifested as economic uncertainty, impairing investor sentiment and trade flows. In recent years, however, their impact has increasingly been transmitted through energy prices as instability has risen in source markets.

Figure 1: Geopolitical Risk Index, 1985 – April 2026



Source: Caldara et al (2020)
Note: Major events were included.

Beginning with the Russia-Ukraine conflict (2022), sanctions and disrupted gas flows sent oil prices soaring and forced Europe to pivot towards Liquefied Natural Gas (LNG) (Figure 2). This event was shortly followed by the Israel-Hamas conflict (2023), which heightened regional instability and lifted risk premiums for energy. In 2024, Houthi attacks on the Red Sea shipping network disrupted trade routes, raising freight costs and delaying LNG shipments. By 2025, escalating tensions between Iran and Israel had drawn in broader regional engagement. This culminated in blockages at the Strait of Hormuz — a chokepoint for nearly one-fifth of global oil and LNG flows — triggering sharp price spikes and strategic reserve drawdowns. Finally, in 2026, renewed fighting in Ukraine (combined with Iran-backed attacks on shipping lanes) drove another surge in energy prices.

Figure 2: Recent Geopolitical Shocks and their Impact on Global Energy Markets



Source: Various reports of international regulatory and supervisory bodies
Note: Arrow direction reflects annual price movement.

As energy accounts for approximately 85.0 per cent of exports in Trinidad and Tobago, elevated oil and gas prices deliver substantial benefits — higher foreign exchange inflows and increased fiscal revenues. Despite this gains are not without risks as prolonged, high energy prices often coincide with weaker global economic growth, higher inflation, increase financial market volatility, and tighter financing conditions. Through international linkages, such pressures can spill over into Trinidad and Tobago's economy, manifesting as higher transportation costs, inflated shipping premiums, more expensive imports and increased pressure to align domestic interest rates with international rate shifts. Challenges can also manifest in the fiscal space as recent energy price hikes were accompanied by a substantial rise in refined petroleum product prices — which may undo progress made with government expenditure.

Despite the potential for the fallouts from geopolitical tensions to spill over locally, the impact on the financial system from elevated energy prices appears marginal due to low exposures to the energy sector and subsidised energy cost, which help to keep domestic inflation and income levels of households relatively stable. For instance, while the two main asset classes across banks (commercial banks and non-bank financial institutions) and insurance companies are loans and investments (78.2 per cent of total assets), regulatory filings indicate that only: (i) 4.9 per cent of total loans are extended to energy companies; and (ii) 3.7 per cent of total investments are allocated to state enterprises. Even if direct financial exposures are low, the weakening in liquidity can be traced to volatility in global energy prices — low oil and gas receipts constrain the scale of net domestic fiscal injections, the primary source of financial sector liquidity. Further, higher global energy prices, which tend to result from conflicts, are likely to increase government energy revenues, which may offset the rising cost of energy subsidies and keep the fiscal deficit and liquidity demand stable.

The consequences of geopolitical risk may be more apparent from indirect channels as these disruptions: (i) destabilise established trading routes; (ii) raise government expenditure (humanitarian aid); (iii) intensify housing pressures (heightened immigration); and (iv) postpone investments. While each development may not pose a significant threat on its own, their combined effect could amplify



vulnerabilities and undermine financial stability. This is because, trade disruptions and higher public spending weaken fiscal positions while raising the need for sovereign debt. Moreover, high demand for housing could inflate valuations, raising property price misalignments within the mortgage portfolio — an increasingly important credit line as the slowdown in investment cooled growth in other lending areas.

Looking ahead, the recent recovery in global energy prices and the commissioning of two new gas fields offer significant benefits for Trinidad and Tobago as higher energy receipts will support larger and more predictable net domestic fiscal injections (NDFIs). This in turn should reduce: (i) the need for banks to draw down liquid assets; and (ii) reliance on short-term funding facilities. At the same time, stronger energy inflows will replenish foreign exchange reserves, enhancing the Central Bank's capacity to defend against external shocks. Notwithstanding, as the swing in energy prices is driven by multi-faceted, unpredictable factors, there is a possibilitythat windfalls may be short-lived or that energy markets may be forced to over-correct when geopolitical tensions subside.

CHAPTER 2

Financial Stability Risks in Trinidad and Tobago

FINANCIAL STABILITY RISKS IN TRINIDAD AND TOBAGO

Risks to domestic financial stability remained at a 'broadly moderate to elevated' level in 2025. The Early Warning Indicators suggest that stability pressures could stem from weaker resilience to external shocks and slower domestic non-energy activity. Financial conditions tightened somewhat but remained broadly accommodative. Sovereign debt exposures in the banking and insurance sectors declined slightly but remain a structural stability concern. Banking sector liquidity experienced periodic volatility, underscoring the importance of prudent liquidity management and regulatory oversight. Households remain sensitive to adverse economic shocks. Despite a marginal decline in 2025, cyber and operational incidents pose a recurring challenge due to lagging technology and cybersecurity expertise.

MACROPRUDENTIAL EARLY WARNING INDICES (EWIS)

The domestic EWIs suggest that the risk environment remained broadly stable in 2025, relative to the prior year **(Figure 11).** The macro-financial environment deteriorated slightly as the banking sector exhibited signs of tighter and more volatile liquidity levels, particularly since the latter half of 2025. Notwithstanding, vulnerabilities did not increase substantially, and credit conditions generally continued to support domestic economic activity. While the indicators suggest that current lending levels do not warrant action, banking sector credit developments should be monitored for signs of systemic risk build-up.

Aggregate Financial Stability Index (AFSI)

The AFSI fluctuated between **'low'** and **'elevated'** levels over the last five years. In 2025, however, the index remained within the **'moderate'** range, declining marginally from 88.8 in 2024 to 87.8. This slight decrease signals a deterioration in domestic financial stability over the year. The weakening largely reflects a rise in banking sector non-performing loans (NPLs), lower stock market activity, and a slowdown in non-energy economic activity. The domestic economy also experienced weak external accounts and volatile liquidity conditions in the banking system.

Partially offsetting these developments, over the 12 months, were: (i) the modest improvements in the country's fiscal position; (ii) continued private sector credit growth; and (iii) stronger banking system profitability and capital adequacy ratios (CARs).

Financial Conditions Index

The FCI moved to a **'low'** risk level, or generally accommodative conditions, over the last two periods. Prime lending rates held steady, and institutions made increasing use of interbank and repurchase facilities to support lending initiatives. Despite this, loan growth moderated over 2025. Amid the slowdown in economic activity, this bodes well for credit risks; however, it suggests that market confidence may have moderated — challenging the sustainability of recovery efforts.

Credit-to-GDP Gap

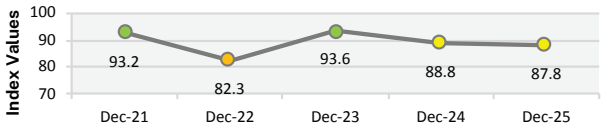
Over the five-year period, the credit-to-GDP gap shifted from alignment with GDP growth to a mild divergence, ending in the **'moderate'** risk range by December 2025. This recent outturn signals a modest disconnect between private sector credit expansion and broader economic activity. Financing conditions, which remained accommodative during the last two periods, likely contributed to this development.



FIGURE 11
DOMESTIC MACROPRUDENTIAL EARLY WARNING INDICES, 2021 – 2025

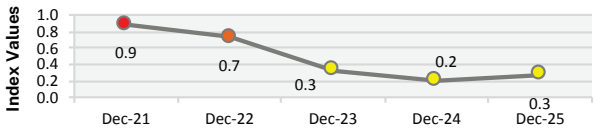
Aggregate Financial Stability Index (AFSI)

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



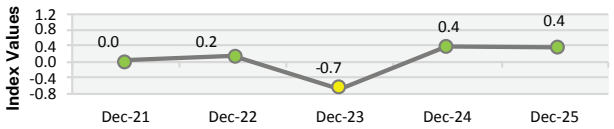
Systemic Risk Accumulation Index (SRAI)

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



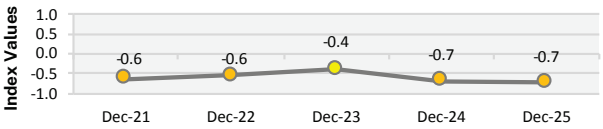
Financial Conditions Index (FCI)

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



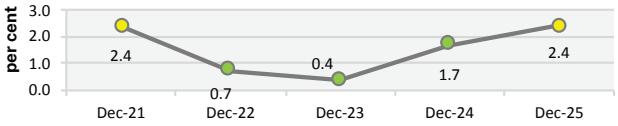
Banking Stability Index (BSI)

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. The indices are also part of a broader financial stability surveillance framework **(Appendix A).** They should not be viewed in isolation but should be complemented with evaluations from stress tests, Financial Soundness Indicators (FSIs), network maps, and other useful risk measurement tools.

Systemic Risk Accumulation Index

Systemic risk in the financial system, as measured by the SRAI, displayed a gradual deceleration over the past five years, declining from a **'very high'** range in 2021 to a **'moderate'** range in 2025. While the index remained within the **'moderate'** range throughout 2023–2025, it showed a modest uptick from 0.2 in 2024 to 0.3 in 2025. This development signalled a slight build-up in systemic risk over the year. It was attributed to: (i) weakened external accounts; (ii) the softening of economic activity; and (iii) declining banking sector liquidity.

Banking Stability Index

The BSI fluctuated between **'moderate'** and **'elevated'** levels, reaching an **'elevated'** risk to financial stability in December 2025. Persistent liquidity pressures and weaker earnings performance drove this deterioration. However, these risks were partially offset by improvements in capital adequacy and reduced sensitivity to market risk, reflecting stronger buffers and reduced exposure to volatile markets.

RISKS IN THE REGULATED DOMESTIC FINANCIAL SECTOR

The key risks to domestic financial stability identified in the FSR 2024 persisted in 2025 and continued to warrant close monitoring. Elevated sovereign–financial linkages, evolving cyber and operational incidents, liquidity volatility, and rising household indebtedness remained the principal risks facing the regulated financial sector. While regulated financial institutions remained generally resilient, these risks could adversely affect financial stability through their impact on capital adequacy, liquidity, profitability, and credit quality.

While moderate levels of sovereign-financial nexus are desirable, excessive linkages can create financial stability risks. Commercial banks and insurance companies invest in government instruments because they are relatively safe assets that support portfolio management for institutional investors. These investments also promote capital market development and facilitate Government's financing requirements. However, excessive sovereign exposures can increase financial institutions' sensitivity to deteriorating fiscal conditions, and sudden changes in market interest rates, credit spreads, and depositor behaviour.

Digitalisation of financial services enhances efficiency, innovation, and access to financial products; however, it also introduces exposure to cyber threats and operational disruptions. Phishing, smishing, vishing, and other forms of cyber-enabled fraud pose risks to financial stability. Successful cyberattacks could disrupt critical operations, compromise sensitive information, and undermine confidence in the financial system. These risks are compounded by regional shortages of specialised cybersecurity skills and the evolving nature of cyber threats.

Liquidity conditions are fundamental to the resilience of the financial system. Adequate liquidity enables financial institutions to meet funding obligations and absorb short-term shocks. Sufficient funds also facilitate resource allocation by enabling financial institutions to extend credit to households, businesses, and the public sector. Extremely high liquidity levels can contribute to risk build-up by encouraging excessive growth, increased risk-taking, and asset price imbalances. However, volatile and declining system liquidity could increase financial institutions' vulnerability to stress, potentially affecting broader financial stability.

Household borrowing plays a key role in supporting consumption, homeownership, and broader economic activity in the short term, but raises financial stability risks in the medium term. Access to credit helps smooth household consumption over time, promotes living standards, and contributes to economic growth. At the same time, higher household indebtedness increases borrowers' sensitivity to adverse



economic conditions and banking instability. Since borrowers may be committing a greater share of their income to debt, debt-servicing capacity could be affected if income growth weakens or borrowing costs rise steeply.

These systemic concerns continue to warrant close monitoring given their potential implications for the resilience of regulated financial institutions and the broader financial system. The following section assesses each risk in detail, considering both contributing and mitigating factors, and evaluates their implications for domestic financial stability.

Elevated Public Debt and Sovereign–Financial Linkages

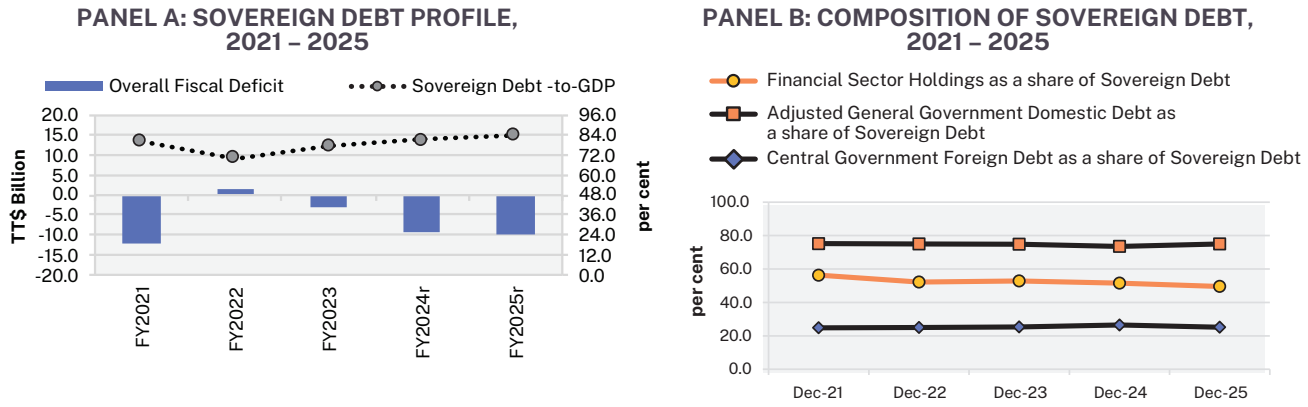
Persistent government borrowing and refinancing needs continue to underpin the significant domestic exposures among banks and insurers. This reliance on domestic funding sources reinforces strong linkages between domestic fiscal performance and financial sector stability. System-wide stress testing indicates some improvement in sovereign credit risk resilience between 2024 and 2025; however, outcomes vary across institutions. While the Government retains access to alternative funding options — such as the Heritage and Stabilisation Fund (HSF) and access to international credit markets — near-term international developments could affect fiscal buffers and intensify sovereign-financial sector linkages. Against this backdrop, financial sector sovereign exposure risk was ***'moderate-to-elevated'*** *in 2025.*

Persistent fiscal deficits contributed to a steady increase in sovereign debt levels over the past five years (Figure 12, Panel A). Fiscal accounts recorded deficits in most years between FY2021 and FY2025, except for a marginal surplus of $1.3 billion in FY2022, as expenditures consistently exceeded revenues. To finance these budgetary shortfalls, sovereign debt increased, with adjusted general government debt (AGGD)[15] levels rising progressively from $126.8 billion at the end of FY2021 to $146.9 billion at the end of FY2025. Despite the rise in debt levels, the AGGD-GDP ratio fluctuated, averaging 78.8 per cent, over the five fiscal years. In FY2025, the fiscal deficit recorded was $10.1 billion, compared to $9.1 billion in FY2024. Domestic and external borrowings, along with withdrawals from the HSF, were used to finance the fiscal shortfall in FY2025. For the quarter ending December 2025, AGGD outstanding was reported at $147.6 billion (84.4 per cent of GDP). This ratio is above the International Monetary Fund's debt-to-GDP threshold of 60.0 per cent for market-access countries[16].

Government borrowing and refinancing needs continued to drive domestic sovereign issuance over the review period. Most of the sovereign debt is owed to domestic creditors (Figure 12, Panel B), which helps sovereign asset/liability matching but increase concentration risk particularly in the local banking sector. Over the 12 months to December 2025, there were 11 Government issues on the local bond market to raise funds for budgetary support and debt financing. Meanwhile, 419 trades were recorded on the secondary government bond market during the year[17]. By the end of December 2025, Adjusted General Government domestic debt[18] stood at 74.9 per cent of sovereign debt, underscoring its dominant role in the sovereign debt portfolio. The banking and insurance sectors remained the primary holders of domestic sovereign investments (securities and loans), together accounting for 39.4 per cent of sovereign debt. This concentration reinforces the strong sovereign–financial sector nexus and highlights the transmission of fiscal conditions to financial sector balance sheets.

15 Adjusted General Government debt outstanding excludes debt issued for sterilisation purposes.
16 International Monetary Fund. 2013. Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries. https://www.imf.org/external/np/pp/eng/2013/050913.pdf
17 See Central Bank of Trinidad and Tobago's Annual Economic Survey 2025 Chapter 7 - Capital Markets for more information.
18 Adjusted General Government Debt includes Central Government Debt and Non-self-serviced guaranteed debt. Non-self-serviced guaranteed debt comprises debt from state enterprises and statutory bodies.

FIGURE 12
SOVEREIGN DEBT* DYNAMICS



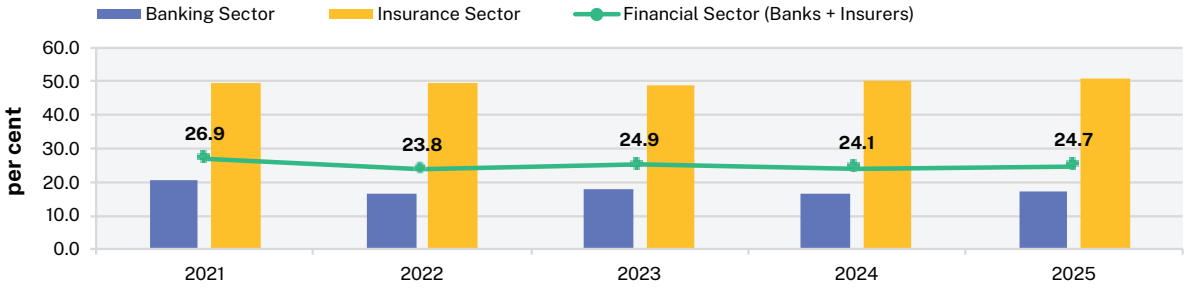
Sources: Ministry of Finance, Central Statistical Office, and Central Bank of Trinidad and Tobago
Financial Sector Holdings includes both domestic and foreign holdings of sovereign assets by the banking and insurance sectors.
*Sovereign Debt refers to AGGD. AGGD represents outstanding balances at the end of the fiscal year and excludes all securities issued for Open Market Operations (OMO).
Adjusted General Government Debt includes Central Government Debt and non-self-serviced guaranteed debt. Non-self-serviced guaranteed debt comprises debt from state enterprises and statutory bodies. Over the last five years, all non-self-serviced guaranteed borrowing by public entities were executed domestically. The entire external debt stock is attributed to the Central Government.
Central Government domestic and foreign debt exclude sterilised debt.
r (Revised).
p (Provisional).

The composition of sovereign debt has important implications for the balance sheets of financial institutions. On average, 71.9 per cent of sovereign debt over FY 2021–FY 2025 was denominated in Trinidad and Tobago (TT) dollars, rising to 74.9 per cent at end-December 2025, with foreign currency debt accounting for 25.1 per cent. Foreign currency exposure is mainly within the external debt portfolio, the majority of which is denominated in US dollars. With respect to interest rate structure, 88.2 per cent of sovereign debt carries fixed interest rates. While this structure bring some level of predictability to the financing needs of the sovereign, it can pose risks to the banking sector's asset portfolio values, earnings and capital in the event of adverse movements in market interest rates and / or credit spread.

Domestic sovereign holdings — comprising government securities and loans — accounted for a significant share of sectoral assets. Over the five year period from 2021 to 2025, sovereign exposure in the banking sector averaged 17.5 per cent of total banking sector assets, while the insurance sector recorded a substantially higher average exposure of 49.7 per cent of its assets. Notably, these ratios exhibited only marginal fluctuations over the period **(Figure 13).** At the end of 2025, sovereign exposure to the total assets of banking and insurance sectors amounted to 16.8 per cent and 52.8 per cent, respectively. More specifically, the banking sector allocated more than half of its investment portfolio (53.8 per cent) to government securities, while 9.6 per cent of its loan portfolio was extended to the domestic sovereign **(Figure 14).** Similarly, the insurance sector held more than two-thirds (67.2 per cent) of its investments in government securities. Large exposures to the sovereign have the potential to crowd out lending to the private sector; however, this depends on the prevailing liquidity environment, as increased sovereign borrowing costs can tighten banking



FIGURE 13
DOMESTIC SOVEREIGN EXPOSURE TO ASSETS BY SECTOR
2021 - 2025



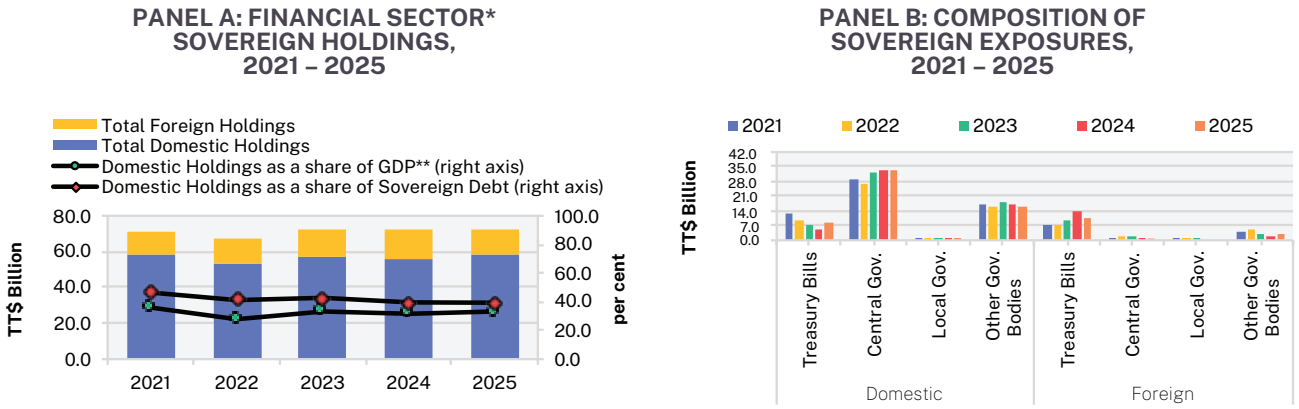
Source: Central Bank of Trinidad and Tobago

system liquidity. Over the five years, banking sector liquidity, as measured by excess reserves, fell from an average of $8.1 billion in 2021 to $5.1 billion in 2025. Declining and volatile liquidity levels could make the Government's future debt refinancing initiatives difficult. Further, low and volatile liquidity levels, stemming from government borrowing, can increase the vulnerability of domestic banks to liquidity stress in the event of sudden withdrawals due to confidence shocks.

Despite a marginal reduction in sovereign-related asset exposures, the commercial banking sector remains materially exposed to sovereign credit risk. Exposure to the Government of the Republic of Trinidad and Tobago (GoRTT) group remained elevated at 56.3 per cent of commercial banks' total large group exposure[19] in December 2025, albeit down from 60.0 per cent in December 2024 and below its five-year average (61.1 per cent). Notwithstanding this improvement, the high concentration of sovereign exposures continues to pose a significant source of systemic vulnerability. Stress testing indicates that when the large group exposure (GoRTT) is stressed[20], the sovereign credit shock would reduce the capital adequacy ratio (CAR) by 6.0 percentage points to 10.9 per cent. The recent result represents a marked improvement from the 8.0 per cent in December 2024 and the previous three years. [21]. However, institution-level results reveal that some commercial banks, including one domestic systemically important bank (D-SIB), would breach minimum capital requirements under a sovereign default scenario. Similarly, stress testing of the largest sectoral exposure — the "Other Services" sector, which is heavily weighted towards Government and Government-related entities — would lower the CAR by 4.7 percentage points, resulting in a post-shock CAR of 12.3 per cent. This outcome compares favourably to December 2024, when the post-shock CAR stood at the regulatory minimum of 10.0 per cent as well as the previous three years[22]. Despite the improvement in capital buffers, sovereign concentration continues to be a vulnerability that requires prudent sovereign exposure management.

19 Large exposures include all exposures reported under Section 79(1) of the Financial Institutions Act, 2008, that is, credit exposures to persons, borrower groups or related groups amounting to 10.0 per cent or more of the commercial bank's capital base.
20 The stress test assumes that 50.0 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.
21 Stress testing the large group exposure (GoRTT) resulted in post-shock CARs of 3.9 per cent in 2021 and 7.1 per cent in both 2022 and 2023.
22 Stress testing of the largest sectoral exposure — the 'Other Services' sector recorded post-shock CARs of 8.1 per cent in 2021, 10.3 per cent in 2022, and 9.1 per cent in 2023.

FIGURE 14
FINANCIAL SECTOR SOVEREIGN EXPOSURE



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 Central Statistical Office.

The Government retains several avenues of financial flexibility, including access to alternative debt financing and ongoing fiscal consolidation efforts. Although moderating, Trinidad and Tobago's external position remained resilient in 2025, supported in part by HSF withdrawals[23] amounting to US$510.8 million. At the end of 2025, net official reserves stood at approximately US$5.4 billion, slightly below the US$5.6 billion recorded one year earlier. Despite the withdrawal from the HSF, its net asset value (NAV) rose to US$6.3 billion by end 2025[24], underscoring its role as a key buffer against sovereign stress. Further, notwithstanding the downward revisions to the domestic economic outlook by international credit rating agencies during 2025[25], access to international capital markets remained favourable, with the successful issuance of a US$1.0 billion, 10 year unsecured bond, on the international market in January 2026. At the same time, fiscal consolidation measures implemented in January 2026, which include 0.25 per cent asset levy on financial institutions, a landlord business surcharge, electricity surcharge, increases in excise duties, and a phased 3.0 per cent increase in National Insurance Scheme (NIS) contributions, are expected to strengthen fiscal revenues. The revenue enhancing measures are expected to support the move towards fiscal consolidation and potentially reducing the overall fiscal deficit in FY2026, thereby easing financing pressure on domestic financing and external buffers.

International developments are likely to influence sovereign debt-financial sector linkages in the near term. Heightened geopolitical tensions in early 2026 — particularly the US/Israel-Iran tensions and disruption in the Strait of Hormuz — could support domestic fiscal

23 A withdrawal from the HSF is an inflow to the country's official reserves.
24 Over the past five years, the HSF's NAV averaged US$5.9 billion.
25 International credit rating agencies, Standard and Poor's (S&P) Global Ratings and Moody's, downwardly revised Trinidad and Tobago's outlook from stable to negative in September and December 2025, respectively.



revenues through higher international energy prices, given Trinidad and Tobago's position as a commodity price taker. However, offsetting these gains is the pass-through of higher imported food and fuel (shipping) costs, which could place upward pressure on domestic inflation and government expenditure. Increased commodity price volatility may heighten uncertainty for fiscal accounts and sovereign debt levels. Additionally, ongoing or escalating tensions pose risks of supply disruptions that could increase global inflationary pressures. This would limit the ability of major monetary authorities to lower policy rates, prolonging the elevated global interest rate environment, and sustaining high debt-servicing costs. Persistently high borrowing costs could weaken domestic debt sustainability over time. Fiscal stress could propagate to highly exposed financial institutions through various channels, affecting financial stability. Consequently, financial sector sovereign exposure risk is assessed as **'moderate-to-elevated'.**

Evolving Cyber and Operational Incidents

Cybersecurity and operational incidents continue to pose a concern for Trinidad and Tobago's financial system stability[26]. Increased digitalisation, including the expansion of electronic payments, online financial services, and the rapid emergence and adoption of artificial intelligence (AI) tools, has increased the sector's exposure to cyber threats and operational disruptions. Although reported cyber incidents declined slightly in 2025, persistent operational vulnerabilities continue to reveal gaps in technological infrastructure and internal control frameworks. These weaknesses have contributed to a rise in financial fraud incidents, highlighting the need for improved risk management processes. Therefore, overall cyber and operational risk exposure remained ***'elevated'*** *in 2025.*

The continued advancement of telecommunications services infrastructure has created an enabling environment for the expansion of digital financial services. From December 2021 to December 2025, fixed internet penetration among households steadily increased from 88.0 per cent to almost full coverage, at 99.2 per cent **(Figure 15, Panel A).** Mobile internet penetration fluctuated but remained strong, while mobile voice penetration declined, suggesting a shift in consumer preferences towards data-driven communication and digital services as opposed to traditional voice-based interactions.

Simultaneously, Trinidad and Tobago's financial services infrastructure continued to diversify and modernise. During the financial year, the Central Bank advanced several initiatives aimed at strengthening the payments ecosystem. Key developments included upgrades to the messaging system of the Real-Time Gross Settlement (RTGS) system to the ISO20022 standard and the licensing of two new e-money issuers (EMIs)[27]. Notably, the Central Bank deepened its partnership with the National Payments Corporation of India to implement a real-time payments platform modelled on the Unified Payments Interface (UPI) system, positioning Trinidad and Tobago as the first Caribbean nation to adopt this fast payment solution. At the institutional level, software development expenditure and related technology expenses also continued to increase within the financial sector **(Figure 15, Panel B).**

These trends reflect a rapidly evolving digital landscape that supports economic growth and financial inclusion through greater connectivity and access to online financial services. As digital and telecommunications usage expands, financial institutions are better positioned to deliver faster, more inclusive payment solutions, thereby enhancing efficiency and access. However,

26 The Basel Committee on Banking Supervision (BCBS) defines operational risk as the potential for loss arising from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk.

27 Central Bank of Trinidad and Tobago, "Annual Report 2025," 2026, https://www.central-bank.org.tt/wp-content/uploads/2026/05/cbtt-annual-report-2025-revised-08.05.26-may-2026.pdf

the growing reliance on digital channels also heightens cyber and operational risks, which calls for robust cybersecurity frameworks and risk-based supervision to safeguard financial integrity and maintain public trust in the digital economy.

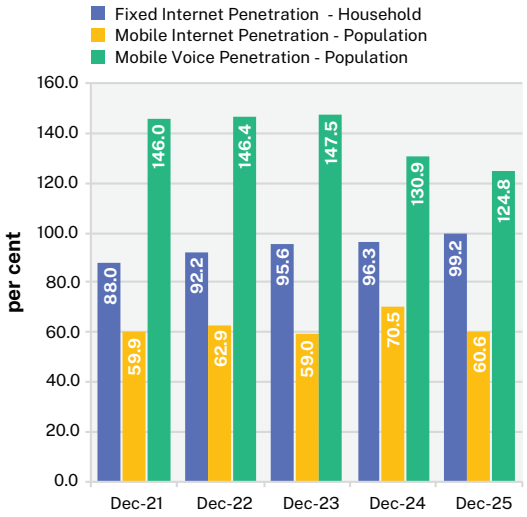
Alongside the expansion of digital financial services, fraud incidents have become increasingly prevalent in the financial sector. Suspicious transaction/activity reports to the Financial Intelligence Unit of Trinidad and Tobago (FIUTT) have returned to a pandemic-era high **(Figure 16, Panel A).** This growth has been driven largely by heightened reporting activity across the financial sector, which continues to account for the majority of submissions, with the banking sector remaining the dominant contributor. Notably, 59.0 per cent of suspicious transaction/activity reports were related to fraud[28] — which includes social media fraud and online scams — highlighting the significant exposure of financial institutions and the public to deceptive schemes. It stands as the primary predicate offense generating illicit financial flows.

Despite the increase in reported cases, the monetary value associated with these reports declined by approximately 86.0 per cent since 2024. According to the FIUTT, the reduction may reflect the impact of strengthened mitigation measures, including enhanced due diligence and risk-based monitoring within reporting institutions. Nevertheless, the total value of reported events in 2025 still amounted to $1.3 billion, of which completed transactions accounted for approximately $762.7 million, underscoring the continued scale and materiality of fraud-related risks within the financial system.

Additionally, developments in national cyber incident reporting show a partial easing in reported activity following the sharp rise in 2024 (Figure 16). The Trinidad and Tobago Cyber Security Incident Response Team (TT-CSIRT) reported a decline in 2025, with cases falling by 22.9 per cent to 91 cases. This reduction was due to fewer phishing and business email compromise attacks, though these remained the most common types of reports. In parallel, important institutional

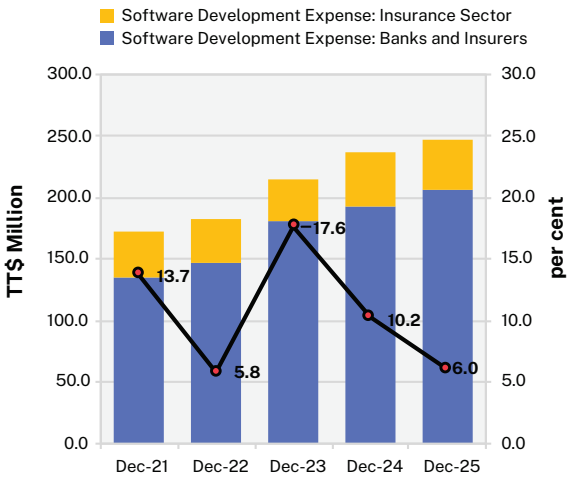
FIGURE 15
DIGITISATION AND THE FINANCIAL SECTOR

PANEL A: INTERNET AND VOICE PENETRATION RATES, DEC 2021 – DEC 2025



Source: Telecommunications Authority of Trinidad and Tobago

PANEL B: FINANCIAL SECTOR SOFTWARE DEVELOPMENT EXPENSES, DEC 2021 – DEC 2025



Source: Central Bank of Trinidad and Tobago

28 Other commonly reported fraud cases include forgery, false representation, investment scams, loan application fraud, impersonation, deception, cheque fraud, fraudulent transaction schemes and fraudulent claims and payment schemes

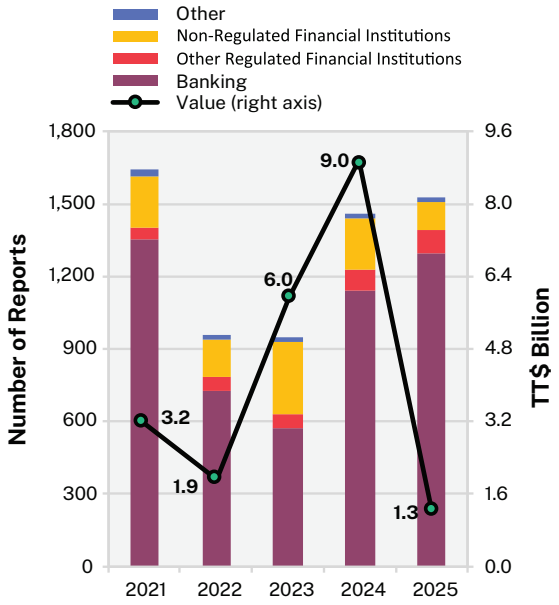
strengthening measures were implemented in early 2026. The Ministry of Homeland Security signed a Memorandum of Understanding (MoU) with the Telecommunications Authority of Trinidad and Tobago to strengthen national cybersecurity coordination by enhancing threat intelligence sharing, improving incident response across the telecommunications sector, and bolstering the protection of critical information and communications infrastructure.

In parallel with these developments, notable system-wide improvements in cyber and operational risk preparedness occurred over the period. The Central Bank made strides to strengthen the cyber and operational risk preparedness of the National Payment System, including conducting tabletop exercises and failover test of the RTGS[29] in 2026. The Central Bank also convened key stakeholders from the commercial banks, the Trinidad and Tobago Police Service, and FIUTT to advance pragmatic strategies and solutions to combat fraudulent activities in online banking and digital transactions, especially among vulnerable groups such as the elderly. Complementing these initiatives, the Central Bank issued guidance on the periodic review of customer relationships, further reinforcing supervisory expectations around ongoing due diligence and risk management in an increasingly digital financial environment. The Draft Payment Systems and Services Bill will provide the Bank with the necessary powers and supervisory tools to ensure safety and soundness of the National Payment System.

Concurrently, emerging technological developments are introducing new and potentially more complex sources of cyber risk. Recent advances in AI could significantly amplify cyber risk to financial stability by enabling cyberattacks to occur at an unprecedented speed and scale[30]. For example, Anthropic's Claude Mythos Preview demonstrated how advanced AI models could identify and exploit vulnerabilities

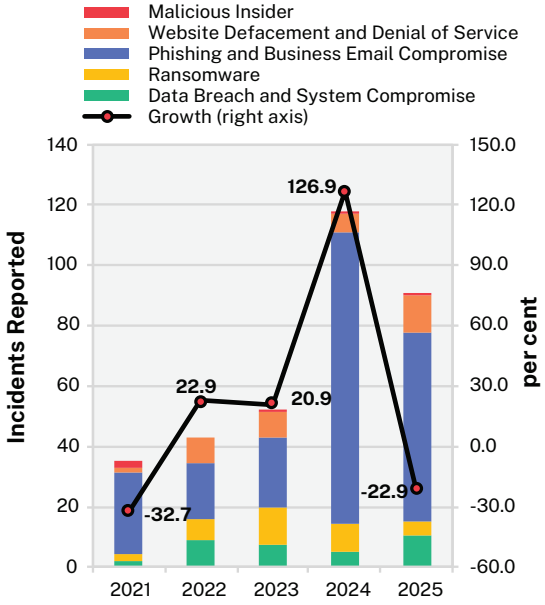
FIGURE 16
CYBER AND OPERATIONAL INCIDENT REPORTS

PANEL A: SUSPICIOUS TRANSACTION/ ACTIVITY REPORTS BY SECTOR, 2021 - 2025



Source: Financial Intelligence Unit of Trinidad and Tobago

PANEL B: CYBER INCIDENTS REPORTED BY TYPE, 2021 - 2025



Source: Trinidad and Tobago Cyber Security Incident Reporting Team

29 Central Bank of Trinidad and Tobago. "Public Consultation on the Draft Payment Systems and Services Bill and Accompanying Regulations Announced," March 18, 2026. https://www.central-bank.org.tt/public-consultation-on-the-draft-payment-systems-and-services-bill-and-accompanying-regulations-announced/

30 Tobias Adrian, Tamas Gaidosch, and Rangachary Ravikumar, "Financial Stability Risks Mount as Artificial Intelligence Fuels Cyberattacks," IMF Blog (blog), May 2026

across major systems, even when used by non-experts. In addition, OpenAI's restricted cyber version of GPT-5.5 highlights the expectation of rising cyber risk and the corresponding need for rapidly scaling defensive capabilities within secure, governed environments. In an increasingly interconnected financial system reliant on common software, cloud infrastructure, and third-party providers, AI-enabled attacks could rapidly spread across institutions and sectors, increasing the risk of operational disruption, loss of confidence, and systemic instability. Although these capabilities remain relatively contained at present, their rapid adoption suggests that cyber risk is increasingly becoming a macro-financial stability concern.

Against this backdrop, regional efforts to strengthen resilience against evolving cyber and operational risks have intensified. In October 2025, the CARICOM Cyber Security and Cybercrime Action Plan (CCSCAP) was updated, shifting from a basic cybersecurity posture to integrated cyber resilience across critical infrastructure, including financial systems, and held its first steering committee meeting in March 2026[31]. Additionally, at an institutional level, the Caribbean Association of Banks, in partnership with Mastercard, launched a regional cybersecurity initiative[32] to strengthen financial sector resilience by offering continuous cyber risk monitoring and region-specific threat intelligence. The launch took place in February 2026 and will run for a one-year period.

Given these developments, the overall cyber and operational risk facing the financial sector remains 'elevated', reflecting expanding digital adoption, persistent cross-border cyber threats, and rising financial fraud risks. These developments continue to widen the attack surface and underscore the need for urgent, coordinated resilience measures across regulators, financial institutions, and third-party providers.

Liquidity Volatility

Liquidity has become increasingly volatile, with alternating periods of decline and recovery over the last five years. Alongside this, the efficacy of conventional liquidity management tools has weakened amid limited holdings of Open Market Operation (OMO) instruments. While the recent liquidity conditions have prompted an increase in the use of interbank and repurchase markets, advances in Basel II/III strengthened intermediaries' resilience to liquidity-induced distress. Despite this measure, continued vigilance on liquidity movements is warranted in light of the Government's near-term domestic financing needs and as recent stress tests reveal that survival horizons against liquidity stresses for commercial banks have narrowed.

Excess liquidity rose by $0.3 billion (or 6.2 per cent) in 2025, to total $5.1 billion (Figure 17, Panel A). This level represents an improvement over 2024 when commercial bank excess reserves fell by 17.6 per cent ($1.0 billion) to $4.8 billion. Despite this advancement, liquidity remained highly volatile, with monthly declines occurring more often than expansions — decreases were modest (largest at 5.2 per cent) while increases were more pronounced (largest at 18.1 per cent). Additionally, the Central Bank's ability to manage excess reserves via OMOs worsened as injectable funds from Blocked Accounts[33] were fully depleted at the end of September 2025 — five years earlier, this stood at $11.5 billion.

The declining availability of injectable funds led to a net withdrawal ($0.7 billion) of liquidity via OMOs. With net maturities amounting to $2.3 billion, one year earlier, there was a risk of a funding gap. Fiscal operations, however, offset this pressure by delivering a $6.3 billion injection of liquidity — amid higher expenditure on wages

31 CARICOM. "Updated CARICOM Cyber Security and Cybercrime Action Plan (CCSCAP) Launched," November 2025. https://caricom.org/updated-caricom-cyber-security-and-cybercrime-action-plan-ccscap-launched/; CARICOM IMPACS, "First Meeting of CCSCAP Steering Committee Convened", March 2026, https://www.caricomimpacs.org/articles/first-meeting-of-ccscap-steering-committee-convened.

32 Caribbean Association of Banks. "Caribbean Association of Banks and Mastercard Launch Regional Cybersecurity Initiative to Strengthen Financial Sector Resilience" February 2026. https://cab-inc.com/caribbean-association-of-banks-and-mastercard-launch-regional-cybersecurity-initiative-to-strengthen-financial-sector-resilience/.

33 The Blocked Accounts consist of proceeds from the sales of Government securities issued solely for liquidity absorption purpose.

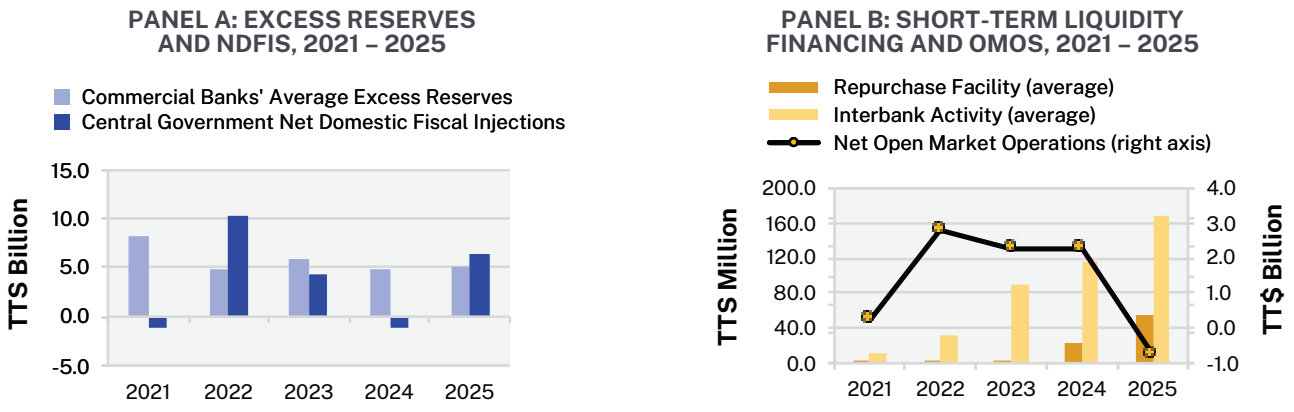
and salaries (1.5 per cent) and goods and services (8.5 per cent). While this marked a reversal of the $1.1 billion net withdrawal recorded in 2024, liquidity inflows were tempered by foreign exchange sales to authorised dealers — removed $8.6 billion from the system (5.7 per cent less than in 2024).

Heightened liquidity volatility prompted banks to rely more heavily on short-term funding options (Figure 17, Panel B). Over 2025, average interbank[34] borrowing rose by $53.9 million (46.5 per cent) to total $169.8 million. A rise in interbank activity may not indicate a financial stability issue, but could signal that some entities are experiencing persistent liquidity shortages to meet daily operations or a more uneven distribution of liquidity across financial institutions. In addition, banks increased their use of the Repurchase Facility — averaging $55.7 million compared with $23.8 million over 2024. While the repurchase rate remained at 3.50 per cent, over 2025, heightened activity over the interbank market rose (approximately 10 basis points) the weighted average rate on overnight lending to 0.6 per cent.

Stress test results confirm the tightening of liquidity (Chapter 3). When reserves were included in liquid funds, under a severe hypothetical run on deposits, the number of days until the commercial banking sector became illiquid declined from 25 days in December 2024 to 23 days in December 2025. Notably, when reserves were excluded from liquidity stress tests, the number of days until the commercial banking sector became illiquid fell from 17 days in December 2024 to 15 days in December 2025. While the survival horizon has narrowed, in October 2025, the Central Bank implemented the Liquidity Coverage Ratio (LCR) requirement for licensed commercial banks and, on a consolidated basis, certain financial institutions, and financial holding companies. In line with international best practices, this measure will provide an additional layer of resilience to liquidity stress events.

Liquidity conditions could improve over 2026. International oil prices have surged amid the rise in geopolitical risks — 52.0 per cent (from $US64.9 per barrel in 2025) over the first four months of the year. If energy revenue exceeds budgeted projections the need for fiscal withdrawals decreases; and the government would have more

FIGURE 17
LIQUIDITY TRENDS IN THE FINANCIAL SECTOR



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

34 "An informal market where banks borrow from and lend to each other" (Allen, et al. 2020)

room for interventions. While this could help ease pressures identified in stress tests, the swing in energy prices is being driven by multiple unpredictable factors. As such, there is an equal risk that windfalls may be short-lived or energy markets may over-correct when geopolitical tensions subside — the projected deficit for FY 2025/26 may worsen. Against this backdrop, the risks from liquidity volatility can be rated as **'moderate'.**

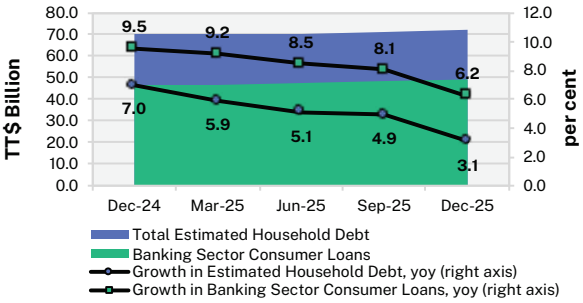
Household Sector Indebtedness

Risks associated with household sector indebtedness presented a mixed picture during 2025. Consumer debt slowed over the period, and overall asset quality remained stable, with emerging pressures observed only in selected segments of the domestic consumer loan portfolio. Labour market conditions were mixed, as employment restructuring occurred amid completed wage negotiations. At the same time, adverse spillovers from external developments could erode households' purchasing power, weaken debt-servicing capabilities, and increase credit default stress in the banking sector. Notwithstanding, breaking-point stress tests uncovered an improvement in the commercial banks' resilience to household sector stress. Risks associated with households remained **'moderate'** *in 2025.*

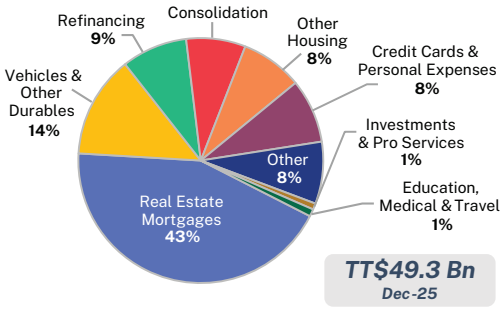
Household credit continued to expand in 2025, but at a more moderate pace relative to 2024. Total estimated household debt increased by 3.1 per cent (year-on-year) to $72.3 billion in December 2025 — compared to 7.0 per cent to $70.1 billion in December 2024 **(Figure 18, Panel A).** As a share of GDP, household debt stood at 41.5 per cent in December 2025, slightly above 40.6 per cent in December 2024. Consumer loans extended by the consolidated banking sector accounted for 68.1 per cent of total household debt and grew by 6.2 per cent over the year. Real estate mortgages, which account for approximately 43.4 per cent of banking sector consumer loans, increased by 6.3 per

FIGURE 18
HOUSEHOLD DEBT

PANEL A: ESTIMATED HOUSEHOLD DEBT, DEC 2024 – DEC 2025



PANEL B: CONSOLIDATED BANKING SECTOR CONSUMER LOANS BY PURPOSE, DEC 2025



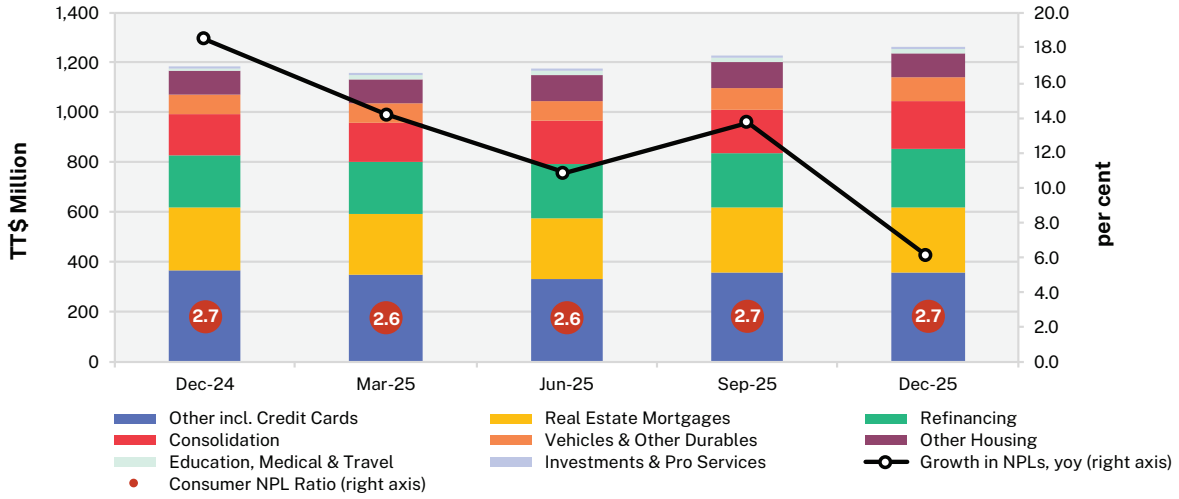
Source: Central Bank of Trinidad and Tobago

cent (or $1.3 billion to $21.4 billion) **(Figure 18, Panel B).** Despite the overall increase, growth tempered significantly across most categories of consumer lending during the year. The 'other loans', 'refinancing', 'consolidation', and 'vehicle and other durables' segments slowed sharply, possibly related to liquidity constraints which affected lending rates.

Overall asset quality remained broadly stable in 2025. The non-performing loans to gross loans ratio (NPL ratio) was unchanged at 2.7 per cent in 2025, with the nominal value of NPLs rising by $71.7 million to $1.3 billion. This represented a 6.0 per cent year-on-year increase, compared with an increase of $185.3 million or 18.5 per cent, in 2024 **(Figure 19).** These developments reflected offsetting movements in NPLs across categories, with improvements in some segments balanced by deterioration in others.

Recent labour market developments provide important context for assessing household financial conditions. While overall economic activity moderated, unemployment declined slightly in the fourth quarter of 2025, suggesting uneven sectoral impacts rather than a broad-based improvement in labour market conditions. This mixed picture is also evident in the simultaneous occurrence of completed collective bargaining agreements[35] alongside notable layoffs[36]. Nevertheless, deposits, which serve as an important indicator of household liquidity, have notched up slightly, indicating some improvement in near-term shock-absorption capacity **(Figure 20).** However, growth in aggregate deposits may still conceal heterogeneity in repayment capacity across borrowers and warrants continued monitoring for emerging signs of loan quality deterioration, which could translate into higher provisioning needs for financial institutions.

FIGURE 19
COMMERCIAL BANKING HOUSEHOLD SECTOR NPLS, DEC 2024 – DEC 2025



Source: Central Bank of Trinidad and Tobago

35 The Public Service Association of Trinidad and Tobago, "Negotiations Update for the Civil Service, Statutory Authorities subject to the Statutory Authorities Act and the THA – 23rd May 2026," psatrinbagott.org, May 2026, https://psatrinbagott.org/negotiations-update-for-the-civil-service-statutory-authorities-subject-to-the-statutory-authorities-act-and-the-tha-23rd-may-2026/ and Personnel Department. "NUGFW Accepts CPO 10% Offer in 2.6 Billion Compensation Package." www.cpo.gov.tt, March 31, 2026. https://www.cpo.gov.tt/new/web/sites/default/files/2026-04/NUGFW%20Accepts%20CPO%27s%20Offer%20%28MR%29.pdf.

36 Nutrien. "Nutrien Commences a Controlled Shut Down of Its Trinidad Nitrogen Operations". www.nutrien.com, October 2025. https://www.nutrien.com/news/press-releases/nutrien-commences-a-controlled-shut-down-of-its-trinidad-nitrogen-operations-1735

At the same time, external developments, including the ongoing war in the Middle East, continue to generate uncertainty and inflationary pressures, which may erode households' purchasing power. For instance, risks associated with disruptions to global shipping routes have already contributed to higher global oil and fuel prices[37] and increased the cost of imported goods, thereby reinforcing domestic inflationary pressures. These effects could transmit to the financial sector through the consumer loan portfolio, as higher interest rates and elevated cost-of-living pressures constrain household incomes and weaken debt-servicing capacity.

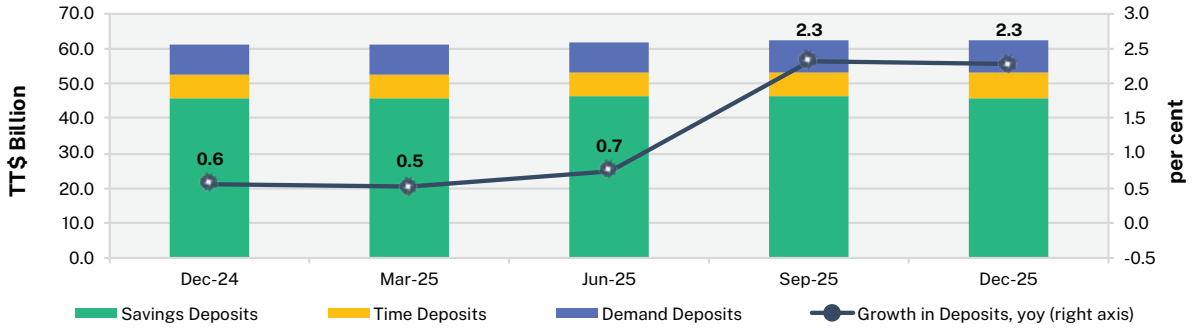
While overall debt-servicing burdens remain manageable and the breaking-point stress test suggests greater resilience to shocks across key loan segments (Figure 21), continued vigilance is warranted. Vulnerable households could become exposed to repayment stress under conditions of prolonged global uncertainty, with potential spillovers to employment, inflation, and income dynamics. Rising interest rates, which can be driven by fiscal financing pressures or monetary policy in response to inflationary shocks, add to these risks. Notably, increases in the Mortgage Market Reference Rate and in the weighted average loan rate (WALR) on TT-denominated loans over the year have already contributed to higher debt-servicing costs, raising the risk of repayment challenges among households.

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

RISK ASSESSMENT

Figure 22 summarises key stability risks in the Trinidad and Tobago financial sector. The 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 20
CONSUMER DEPOSITS BY TYPE, DEC 2024 – DEC 2025



Source: Central Bank of Trinidad and Tobago

37 BBC. "Iran War Cost Will Be Passed to Consumers, Shipping Giant Boss Tells BBC," March 11, 2026. https://www.bbc.com/news/articles/c5ykzyd0rkyo.

FIGURE 21
STRESS TESTING TO THE BREAKING POINT [38]

Real Estate Mortgages

The commercial banking sector will reach a regulatory minimum CAR of 10 per cent when

17%

of **Real Estate Mortgages** are written off.

Compare to 14% in 2024.

Motor Vehicle

The commercial banking sector will reach a regulatory minimum CAR of 10 per cent when

74%

of **Motor Vehicle Loans** are written off.

Compare to 63% in 2024.

Other Purpose

The commercial banking sector will reach a regulatory minimum CAR of 10 per cent when

55%

of **Other Purpose Loans** are written off.

Compare to 45% in 2024.

Refinancing and Consolidation

The commercial banking sector will reach a regulatory minimum CAR of 10 per cent when

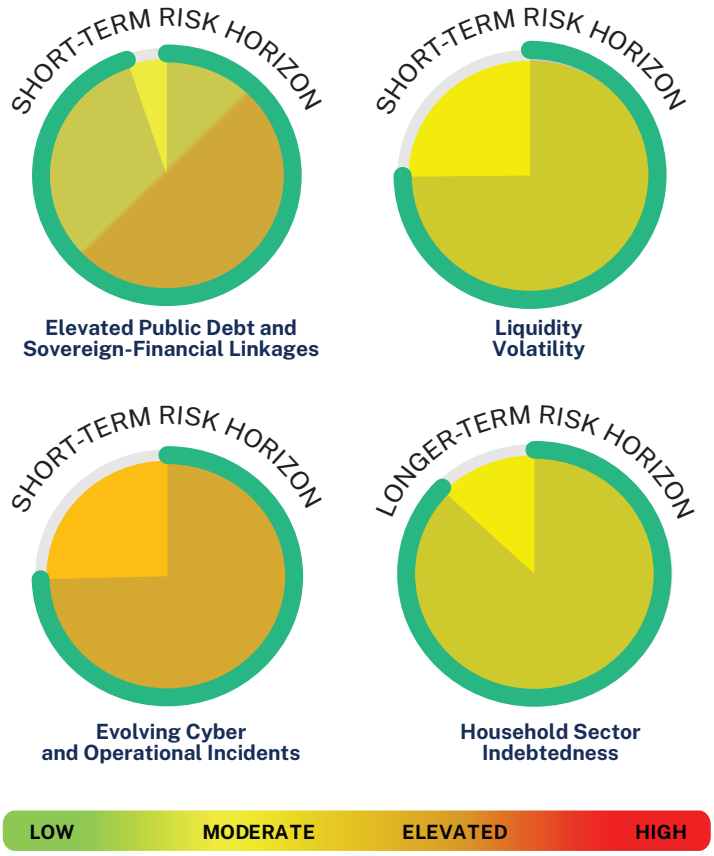
58%

of **Refinancing/Consolidated Loans** are written off.

Compare to 45% in 2024.

Source: Central Bank of Trinidad and Tobago

FIGURE 22
FINANCIAL STABILITY RISK ASSESSMENT



Source: Central Bank of Trinidad and Tobago

38 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

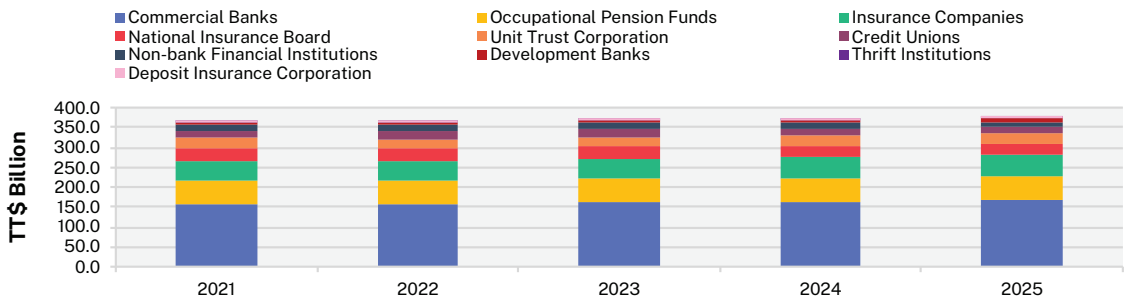
Trinidad and Tobago's financial system recorded a marginal growth in assets in 2025. Banking, insurance, and pension sectors continued to dominate, accounting for the majority of total asset holdings. Asset concentration in banking and insurance remained high, as domestic sovereign investments and loan exposures remaining significant. The banking sector maintained healthy loan growth, while exceeding regulatory liquidity coverage requirements. Banking and insurance sector capital buffers stayed resilient, while the pension and mutual fund sectors were affected by declines in equity valuations.

FINANCIAL SECTOR INTERLINKAGES

The total assets of the domestic financial sector grew marginally in 2025, and asset holding remained concetrated in key sectors. Total assets in the financial sector rose by 1.1 per cent to $378.7 billion, with banking, insurance companies, and pension funds accounting for 77.8 per cent of total assets **(Figure 23).** Combined holdings of these institutions reached 168.8 per cent of GDP, up from 167.8 per cent in 2024. Overall, financial sector assets represented 217.1 per cent of GDP in 2025, compared with 216.4 per cent the previous year, reflecting a slight increase in the sector's size relative to the economy.

Market concentration within the financial system remained high, particularly within the long-term insurance sector. In this segment, the Herfindahl–Hirschman Index (HHI), which is based on premium revenue, increased from 2,981 in December 2024 to 3,123 in December 2025 **(Figure 24, Panel A).** This rise suggests greater market dominance by a small number of firms and a further reduction in competitive pressures within the sector. In contrast, concentration in the banking and general insurance sectors stayed moderate and broadly unchanged over the review period, while pension funds continued to exhibit low concentration levels.

FIGURE 23
DOMESTIC FINANCIAL SECTOR ASSETS, 2021 - 2025



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



Asset exposures across the major industries in the financial sector remained highly concentrated in a few key asset categories. Investments accounted for the largest share at 45.8 per cent of the asset mix, followed by loans at 36.1 per cent **(Figure 24, Panel B).** While investment exposure held steady, loan exposure has increased over the past five years, accompanied by a decline in liquid fund holdings.

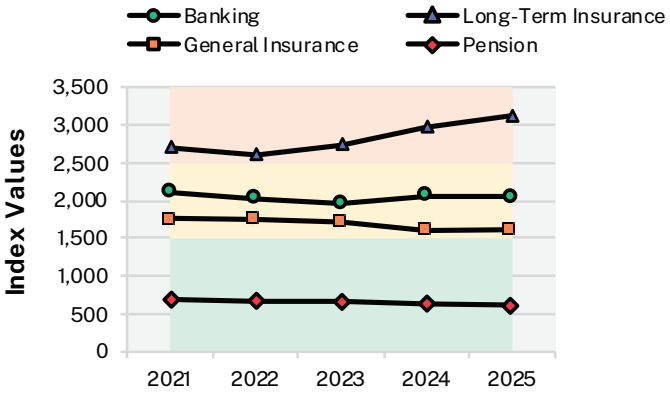
Despite declining slightly in 2025, domestic sovereign exposures continued to dominate the banking and insurance sectors. In the banking sector, 82.8 per cent of total exposures were concentrated in Trinidad and Tobago, down slightly from 83.7 per cent in 2024, with North America representing the second-largest sovereign exposure. Within the investment sub-section of the banking sector exposures, 56.8 per cent of exposures were domestic, while 33.7 per cent were linked to North America. The insurance sector showed a relatively stronger reliance on domestic assets, with 86.0 per cent of total exposures concentrated locally, compared with 86.2 per cent in 2024.

The persistently high concentration across Trinidad and Tobago's financial sector underscores the importance of proactive risk management. While banks and insurers remain well capitalised, the heightened systemic risks increase the potential for contagion, where shocks in one segment can spill over into others. Strengthening liquidity buffers, enhancing capital requirements for systemically important institutions, and maintaining vigilant oversight will be critical to preserving financial stability and limiting the amplification of macro-financial shocks.

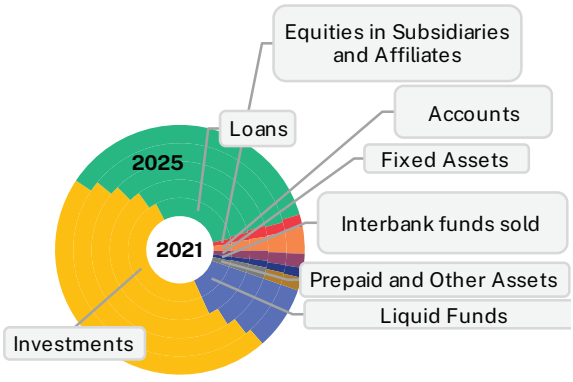
The following sections summarise the recent performance of the individual segments.

FIGURE 24
FINANCIAL SECTOR CONNECTIONS, 2021 - 2025

PANEL A: MARKET CONCENTRATION



PANEL B: FINANCIAL SECTOR ASSET PORTFOLIO MIX



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).



FINANCIAL SOUNDNESS INDICATORS

Banking Sector (Commercial Banks and Non-banks)

The banking sector remained stable and resilient in 2025, supported by generally sound financial performance and continued compliance with prudential requirements. Key financial soundness indicators (FSIs), including capital adequacy, asset quality, and profitability, were broadly satisfactory throughout the review period **(Table 1).** Nevertheless, vulnerabilities persist through sovereign debt exposures, subdued deposit growth and sustained credit expansion with increased consumer indebtedness.

Credit growth persisted in 2025, reflecting solid demand from households and businesses. Coupled with healthy loan growth, the stock of NPLs remained elevated, increasing by 9.7 per cent ($0.3 billion). Notwithstanding this, the NPL ratio remained within tolerable limits and increased marginally to 3.1 per cent at the end of December 2025 from 2.9 per cent in December 2024.

Although moderating, deposits continued to constitute the primary source of financing for asset growth. At the same time, the banking sector relied on liquid funds as well as investments to support loan growth[39]. As a result, the sector's liquid assets-to-total assets ratio has declined persistently. The notable shift in the sector's asset composition towards higher–yielding loans continues to be monitored.

Other liquidity indicators suggest ample but tightening levels of available funds in the banking system. Following the Central Bank's reduction in the primary reserve requirement for commercial banks from 14.0 per cent to 10.0 per cent in July 2024, system liquidity increased and was largely sustained into the early months of 2025, although with periods of volatility. This has since moderated with the commercial banks' excess reserves declining to a daily average of $5.3 billion in December 2025, from $6.0 billion in December 2024.

Notwithstanding this moderation, in October 2025, the LCR, a key short-term prudential liquidity ratio came into effect, with the first reports received in November 2025. As at May 2026, the LCR for all commercial banks remained above the regulatory minimum of 100.0 per cent.

Increased foreign exchange profits and interest income from loans boosted the sector's profitability. Return on assets (ROA) rose from 2.9 per cent in 2024 to 3.1 per cent in 2025. The banking system also remained adequately capitalised, with capital ratios in excess of the minimum regulatory requirements, thereby providing a sufficient buffer against potential adverse shocks.

39 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, 2021 – 2025
/Per Cent/

	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Capital Adequacy*					
Regulatory capital-to-risk-weighted assets	19.3	18.7	18.0	18.2	18.9
Common Equity Tier 1 capital to risk-weighted assets	18.9	18.4	17.6	17.0	17.8
Regulatory Tier 1 capital to risk-weighted assets	18.9	18.4	17.6	17.0	17.8
Regulatory Tier 1 capital to total assets	13.4	13.4	13.6	13.6	14.2
Net open position in foreign exchange-to-capital	23.7	33.2	27.4	29.7	20.4
Leverage ratio**	NA	NA	NA	13.5	14.2
Geographic Distribution of Total Loans					
Domestic Economy	93.8	92.6	93.0	94.3	94.0
Advanced Economies	0.6	1.0	1.4	1.2	1.6
Emerging Markets and Developing Economies	5.6	6.4	5.6	4.5	4.3
Latin America and the Caribbean	5.6	6.4	5.6	4.5	4.3
Foreign currency loans-to-total loans	15.5	16.1	16.4	16.3	16.4
Real Estate Market					
Residential real estate loans to total gross loans	21.0	20.7	19.8	19.9	20.0
Commercial real estate loans to total gross loans	10.9	10.3	10.3	10.3	9.9
Asset Quality					
Non-performing loans-to-gross loans	3.3	3.1	2.8	2.9	3.1
Non-performing loans (net of provisions)-to-capital	3.8	4.0	3.6	4.7	4.9
Provisions to non-performing loans	67.6	65.5	67.3	59.3	59.4
Earnings and Profitability					
Return on assets	2.2	2.6	2.8	2.9	3.1
Return on equity	10.9	12.4	13.7	13.4	14.2
Interest margin to gross income	59.2	57.5	61.0	64.3	61.2
Trading income to total income	10.2	10.0	7.7	8.5	11.6
Non-interest expenses to gross income	57.0	54.5	52.0	54.1	52.7
Personnel expenses to non-interest expenses	42.0	39.5	38.6	39.2	38.4
Liquidity					
Liquid assets to total assets	20.0	19.8	16.3	14.5	12.6
Liquid assets to total short-term liabilities	25.2	25.1	21.0	18.2	16.0
Customer deposits to total (non-interbank) loans	138.2	130.7	120.5	114.0	110.7
Foreign currency liabilities to total liabilities	25.1	26.0	25.1	24.9	24.4

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 capital adequacy ratios 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

** The Leverage Ratio is a non-risk based capital adequacy measure which came into effect on January 1, 2024. It is meant to complement the risk-based capital adequacy requirements by safeguarding against unsustainable levels of leverage in the banking sector. For further information on the calculation of the Leverage Ratio, please view: https://www.central-bank.org.tt/cbtt_storage/pdf/leverage-ratio-guideline-october2023-20231025_0.pdf

Long-Term Insurance Industry

The capital ratios in the long-term insurance industry stood at satisfactory levels over the five years ended 2025 (Table 2). In 2023, a transaction involving the sale of a significant investment temporarily boosted sector's capital and liquidity ratios. With respect to capital adequacy, as at December 2025, the long-term sector's average regulatory capital ratio (RCR) stood at 340 per cent, indicating that the sector remains well capitalised.

Return on equity increased over the period 2024-2025, rising from 8.3 per cent to 13.7 per cent, owing to additional extraordinary income generated by a larger insurer.

TABLE 2
LONG-TERM INSURANCE INDUSTRY:
FINANCIAL SOUNDNESS INDICATORS, 2021 – 2025
/Per Cent/

	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Capital Adequacy					
Capital-to-total assets	17.7	18.7	22.2	19.7	20.9
Capital-to-technical reserves	25.4	27.4	33.5	28.5	30.3
Regulatory Capital Ratio	312.0	317.0	369.0	334.0	340.0
Asset Quality					
(Real estate + unquoted equities + debtors)-to-total assets	8.1	8.0	7.7	9.6	9.8
Earnings and Profitability					
Expense ratio = expense (incl. commissions)-to-gross premium	30.1	28.0	31.6	29.5	29.9
Investment yield = investment income-to-investment assets	5.3	5.3	5.1	5.5	5.2
Return on equity = pre-tax profits-to-shareholders' funds	18.2	18.5	6.2	8.3	13.7
Liquidity					
Liquid assets-to-current liabilities	26.1	25.3	27.4	20.8	20.5

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.
The Insurance Act (2018) and associated regulations came into effect on January 1, 2021 there regulatory capital ratios for the year 2020 are not available.



General Insurance Industry

The general insurance sector's FSIs were at satisfactory levels throughout the five years ended 2025, notwithstanding some variances (Table 3). In 2023, the increase in investment income and return on equity was primarily due to dividend income received from investments in subsidiaries by one insurer. Additionally, the ratio of net technical reserves to the three-year average net claims incurred has been declining over the last five years as net policy reserves decreased due to a tightening of excess reserves by some insurers as well as increased reinsurance recoverables. The overall net loss ratio (all lines of business) improved from 51.5 per cent to 48.5 per cent over the last year (December 2024 – December 2025).

TABLE 3
GENERAL INSURANCE INDUSTRY:
FINANCIAL SOUNDNESS INDICATORS, 2021-2025
/Per Cent/

	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Asset Quality					
(Real estate + unquoted equities + accounts receivables)-to-total assets	16.4	18.2	19.8	20.5	19.9
Debtors-to-(gross premiums + reinsurance recoveries)	13.5	15.6	17.9	19.2	18.2
Reinsurance and Actuarial Issues					
Risk retention ratio = net premiums written-to-total gross premiums	39.7	39.1	34.5	35.4	35.6
Net technical reserves-to-average of net claims paid in the last three years	131.0	116.8	100.6	95.5	91.4
Earnings and Profitability					
Combined Ratio	107.3	113.8	116.7	108.4	106.0
Expense ratio = expense (incl. commissions)-to-net premiums	61.0	60.3	59.7	56.9	57.5
Loss ratio = net claims-to-net earned premiums	46.3	53.5	57.0	51.5	48.5
Investment income-to-net premium	7.6	6.5	21.0	6.8	7.4
Return on equity = pre-tax profits-to-shareholders' funds	11.4	5.3	16.3	11.1	12.0
Return on assets	5.4	2.5	7.9	5.3	6.1
Liquidity					
Liquid assets-to-current liabilities	56.5	54.8	46.3	50.6	53.4
Capital Adequacy Ratios					
Regulatory Capital Ratios	321.0	276.0	326.0	371.0	363.0

Source: Central Bank of Trinidad and Tobago
Note: The Insurance Act (2018) and associated regulations came into effect on January 1, 2021 therefore regulatory capital ratios for the year 2020 are not available.

BANKING SECTOR (COMMERCIAL BANKS AND NON-BANKS) PERFORMANCE

Assets

While overall asset growth stayed modest, banks actively shifted their portfolios towards less liquid, higher-yielding loans. Total assets grew by 1.3 per cent ($2.4 billion) from $180.3 billion in December 2024 to $182.7 billion in December 2025 **(Figure 25)**. The sector's loan portfolio, the primary asset class contributing to overall asset growth, expanded by 5.2 per cent year-on-year, alongside declines in investments and liquid funds, by 5.7 per cent and 9.6 per cent, respectively.

Consequently, the conversion of liquid funds to loans contributed to a decline in the liquid assets-to-total assets ratio from 14.5 per cent in 2024 to 12.6 per cent in 2025, and a decline in the ratio of liquid assets-to-short-term liabilities from 18.2 per cent to 16.0 per cent over the same period.

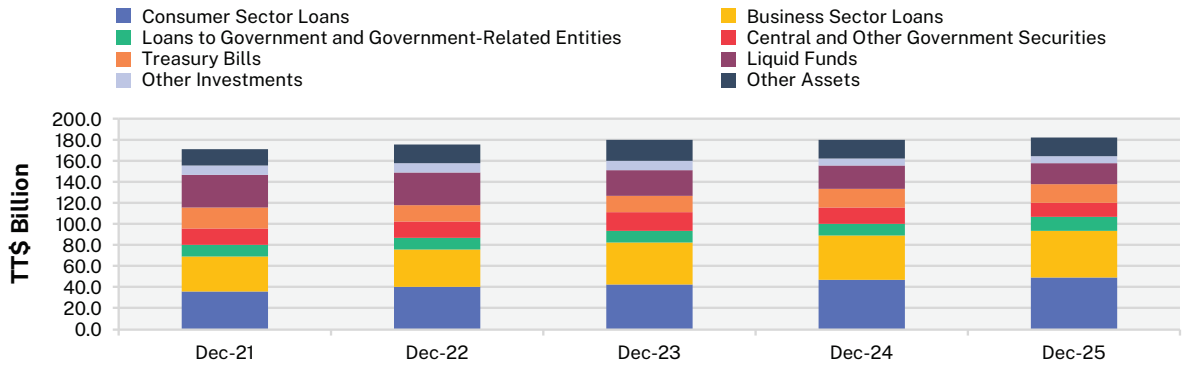
Solid credit demand, particularly from consumers and businesses, resulted in gross loans increasing to $106.0 billion at the end of December 2025, compared to $100.7 billion the prior year. Reflecting the loan growth, the loan portfolio rose to 58.0 per cent of total assets at the end of December 2025, up from 55.9 per cent one year prior.

In contrast, the investment portfolio contracted primarily due to the steep decline in investment in time deposits and government and state-owned securities, while increased Treasury bill holdings offset decline. At the end of 2025, the investment portfolio accounted for 20.5 per cent of total assets, down from 22.0 per cent in December 2024.

Consumer Sector Loans

Consumer lending, although decelerated during the year, experienced healthy growth across most of its primary subcategories (Figure 26 and Table 4). Consumer loans grew by 6.2 per cent to $49.3 billion at the end of December 2025, reflecting sustained household demand.

FIGURE 25
ASSET COMPOSITION, 2021 – 2025



Source: Central Bank of Trinidad and Tobago



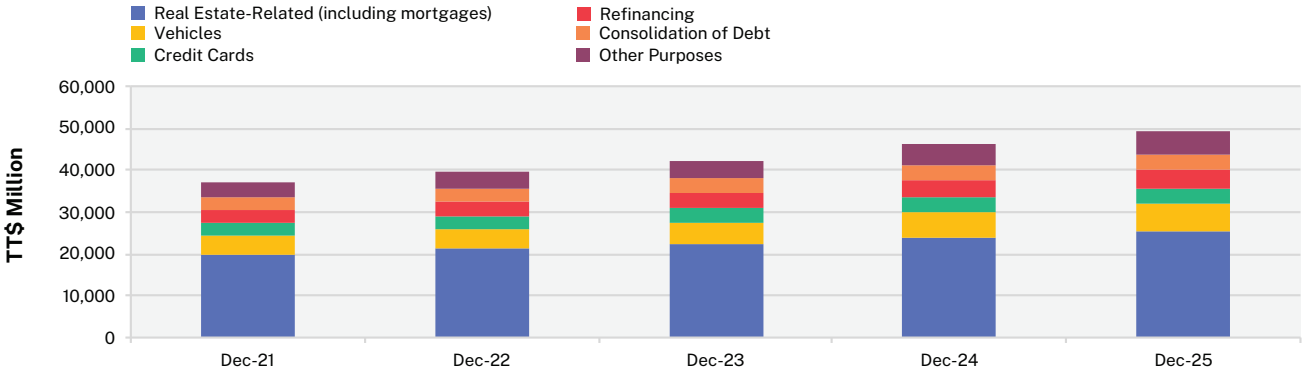
Consumer loans, as per cent of the sector's total gross loans, stood at 46.5 per cent in 2025 compared to 46.1 per cent in 2024.

Real Estate-Related loans, including Residential Mortgages, expanded by 5.9 per cent, and Motor Vehicle loans increased by 10.2 per cent in 2025. Meanwhile, Other Purpose loans grew by 8.1 per cent, a marked decline from the 16.4 per cent growth recorded one year prior.

Credit Card balances at commercial banks increased by 3.9 per cent, though significantly slower than the 11.2 per cent growth recorded at the end of 2024. Additionally, lending for the consolidation of Debt and Refinancing increased by 5.8 per cent and 2.2 per cent, respectively, albeit slower than in previous periods. Notably, credit cards, debt consolidation, and refinancing together accounted for 24.3 per cent of total consumer loans at the end of December 2025.

FIGURE 26

CONSUMER LOANS BY PURPOSE, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

TABLE 4

GROWTH IN CONSUMER LOANS BY PURPOSE[40], 2021 – 2025

/Year-on-Year Per Cent Change/

CATEGORIES	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Real Estate-Related (including mortgages)	2.3	6.6	6.6	6.8	5.9
Vehicles	-9.7	-2.9	11.5	15.2	10.2
Credit Cards	-7.6	12.3	1.5	11.2	3.9
Refinancing	17.8	13.5	4.9	7.5	2.2
Consolidation of Debt	-3.2	6.7	7.4	11.2	5.8
Other Purposes	-2.4	2.5	12.5	16.4	8.1
TOTAL GROWTH IN CONSUMER LOANS	**0.0**	**6.1**	**7.2**	**9.5**	**6.2**

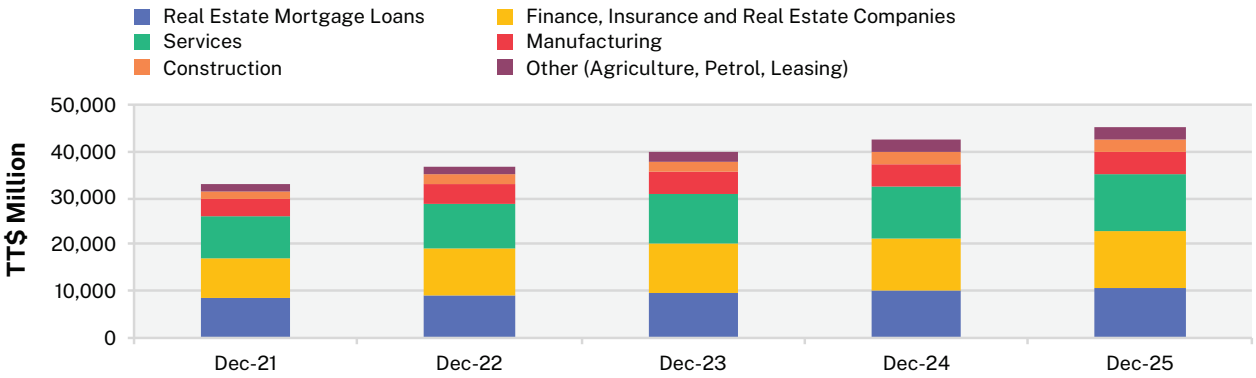
Source: Central Bank of Trinidad and Tobago

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

Business Sector Loans

Business sector lending maintained an upward trajectory over 2025, particularly on account of lending to the Finance, Insurance and Real Estate sector (Figure 27). Business lending grew by 6.6 per cent, to $45.4 billion at the end of December 2025. Business loans to the Finance, Insurance and Real Estate sector led the overall growth, increasing by 15.2 per cent to $12.4 billion. Other areas of loan growth included financing to the Services sector, namely Distribution (including restaurants and bars) and Hotel and Guest Houses sub-sectors. Business loans for construction expanded by 4.4 per cent, down from 19.7 per cent growth one year earlier, while growth in loans for Real Estate Mortgages also slowed, to 2.2 per cent from 5.6 per cent.

FIGURE 27
BUSINESS LOANS BY ACTIVITY, 2021 – 2025



Source: Central Bank of Trinidad and Tobago



Asset Quality

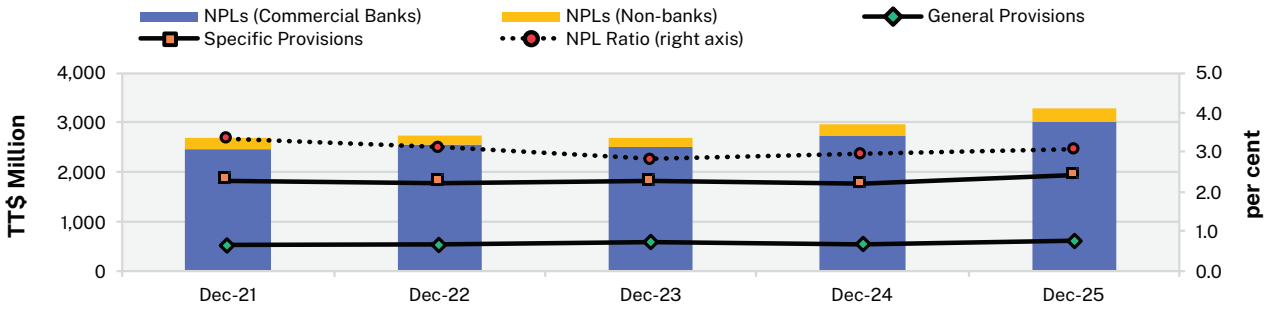
Although the banking sector's NPL ratio showed a stable overall picture, other underlying indicators provided a more nuanced assessment. The banking sector's NPL ratio increased to 3.1 per cent at the end of December 2025, up from the 2.9 per cent recorded in December 2024. The NPL ratio rose modestly, reflecting an increase in the stock of NPLs at commercial banks. Continued loan growth tempered the increase in the ratio.

Commercial bank NPLs grew by 11.0 per cent year-on-year, to $3.0 billion, while non-bank NPLs declined by 5.4 per cent ($13.3 million) **(Figure 28 and Table 5).** Growth in consumer NPLs at the commercial banks (6.0 per cent) in 2025 primarily reflected increased loan delinquencies for the purposes of refinancing and debt consolidation[41]. Notably, Refinancing and Consolidation of Debt loans accounted for approximately one-tenth of total growth in the consumer loan portfolio at commercial banks in 2025, but almost 80.0 per cent of the growth in consumer NPLs. The Central Bank continues to monitor the uptick in the non-performing consumer loans.

The stock of business NPLs at commercial banks amounted to $1.8 billion at end-December 2025, a 15.0 per cent increase over 2024. Business NPLs accounted for 58.6 per cent of total commercial bank NPLs at the end of December 2025, up from 56.6 per cent in December 2024. Business NPLs were concentrated in delinquent Real Estate Mortgage Loans, coupled with Other Business Services loans.

In line with the increasing overall stock of NPLs, the ratio of specific loan loss provisions to NPLs increased minimally from 59.3 per cent at the end of December 2024 to 59.4 per cent at the end of December 2025. Total (specific and general) loan loss provisions to NPLs also increased by approximately 10 basis points, from 78.1 per cent to 78.2 per cent over the same period.

FIGURE 28
BANKING SECTOR NPLs, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

41 Only commercial banks' NPLs are disaggregated by sector. See **Figure 29** for commercial bank sectoral NPLs to gross loans.

Sovereign Exposure

The banking sector's overall exposure to sovereign assets declined. Total sovereign exposure relative to total banking sector assets fell from 24.5 per cent in 2024 to 23.8 per cent by the end of 2025. The decline in sovereign exposure was led by reduced holdings of non-resident government securities, which fell by 13.5 per cent ($1.9 billion) with a partial offset from an 8.7 per cent ($1.6 billion) increase in holdings of GoRTT securities. By the end of 2025, GoRTT securities accounted for 53.8 per cent of the sector's investment portfolio, up from 46.7 per cent in 2024. This expansion reflected a 51.2 per cent ($2.8 billion) increase in local Treasury bill holdings, which offset a decline in investments in other GoRTT securities of 8.9 per cent ($1.2 billion).

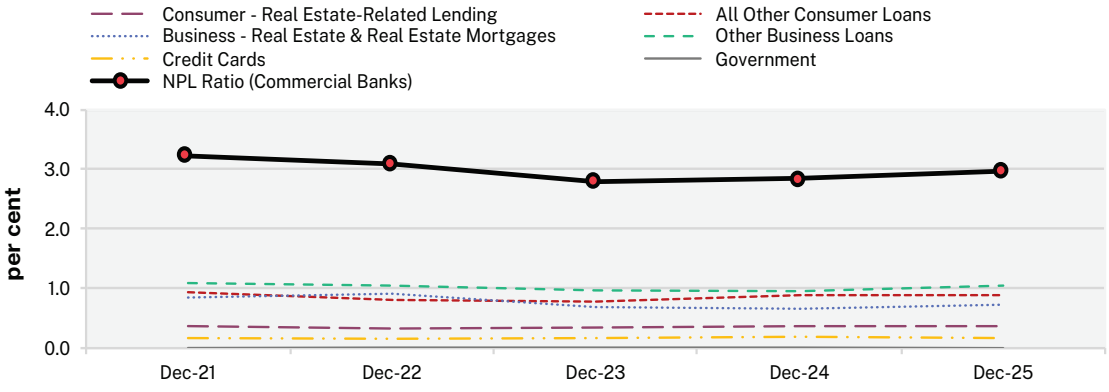
Domestic sovereign loan balances contracted by 3.8 per cent, mainly owing to a decrease in loans to State-owned financial institutions and Other Government Bodies. Consequently, domestic sovereign loans as a share of banking sector loans declined from 10.5 per cent in 2024 to 9.6 per cent at the end of December 2025.

TABLE 5
NPLs BY SECTOR, 2024 – 2025
/TT$ Thousand/

	Dec-24	Dec-25	Change	Change (per cent)	NPL Ratio (per cent)	
					Dec-24	Dec-25
Consumer NPLs	1,187,789	1,259,533	71,744	6.0	2.7	2.7
Business NPLs	1,548,616	1,780,357	231,741	15.0	3.9	4.1
Government NPLs	1,365	0	-1,365	-100.0	0.0	0.0
NPLs – Commercial Banks	2,737,781	3,039,894	302,113	11.0	2.8	3.0
NPLs – Non-banks	247,995	234,646	-13,349	-5.4	4.9	4.7
Total NPLs – SYSTEM	**2,985,776**	**3,274,540**	**288,764**	**9.7**	**2.9**	**3.1**
Loan Loss Provisions (Specific and General)	2,330,613	2,559,110	228,497	9.8		-

Source: Central Bank of Trinidad and Tobago

FIGURE 29
COMMERCIAL BANKS' SECTORAL NPLs TO GROSS LOANS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

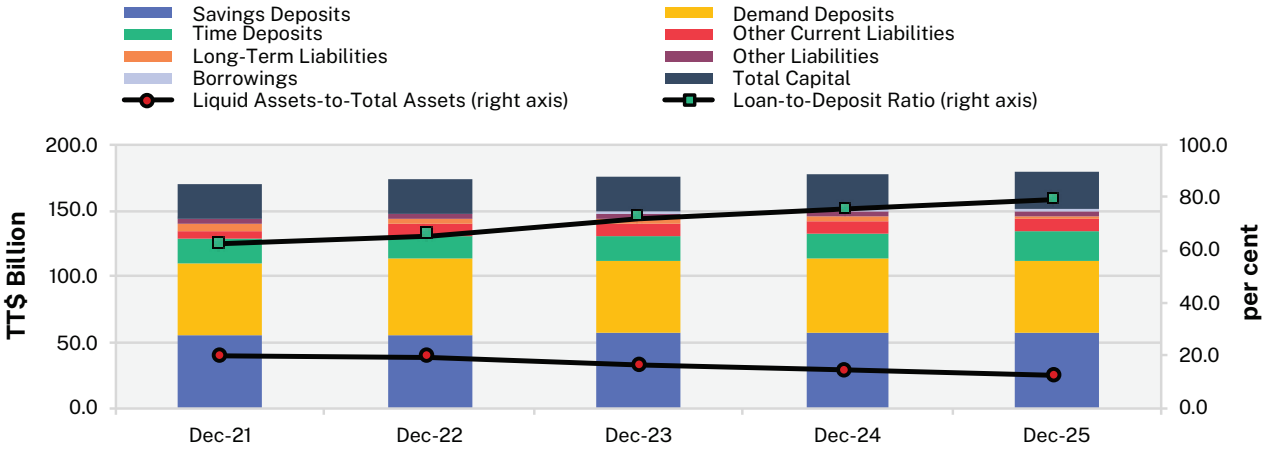
Liability Profile and Funding

Deposits grew moderately while continuing to serve as the primary funding source for banking sector assets. Total deposits expanded by 0.4 per cent over the year and accounted for 88.4 per cent of total liabilities at the end of December 2025, slightly higher than the 88.3 per cent recorded at the end of 2024.

In 2025, time deposits and saving deposits grew, but demand deposits declined significantly. Time deposits rose by 10.4 per cent and savings deposits increased at a slower pace of 1.7 per cent. Meanwhile, demand deposits fell by 4.4 per cent **(Figure 30)**. On a sectoral basis, deposits across all sectors increased, with the private business sector contributing most to the overall growth in total deposits during the year.

Although deposit growth moderated, banks reallocated a greater portion of liquid funds to higher-yielding loans. As a result, the loan-to-deposit ratio rose further from 75.7 per cent to 79.3 per cent in 2025, marking a continuation of the upward trend in this ratio that began in December 2021 **(Figure 30).**

FIGURE 30
DEPOSITS, OTHER LIABILITIES AND CAPITAL, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

Earnings and Profitability

The banking sector's profitability improved due to significant gains in operating income, particularly foreign exchange profits (Figures 31 and 32). Pre-tax profits totalled $5.6 billion in 2025, representing an increase of 8.3 per cent from the previous year. Total operating income improved by 6.6 per cent ($0.8 billion) but increased at a slightly slower pace than the 6.7 per cent ($0.5 billion) uptick in total operating expenses.

Total interest income increased by 2.6 per cent, buoyed by income earned from loans; however, the momentum in loan growth has slowed. Following stronger growth rates of 12.8 per cent and 8.0 per cent (year-on-year) in 2023 and 2024, respectively, growth in interest income on loans slowed to 4.2 per cent for the year ended 2025. In contrast, interest income from investments recorded a year-on-year decline of $37.4 million (2.3 per cent), reaching $1.6 billion at the end of 2025. Interest expenses increased by 6.9 per cent, reflecting a 34.0 per cent rise in interest paid on time deposits coupled with the increase in deposit interest rates. Nonetheless, the growth in interest income slightly outpaced the rise in interest expenses, resulting in a stronger net interest margin. As a result, the sector's net interest income improved by 2.0 per cent to $7.7 billion at the end of the period.

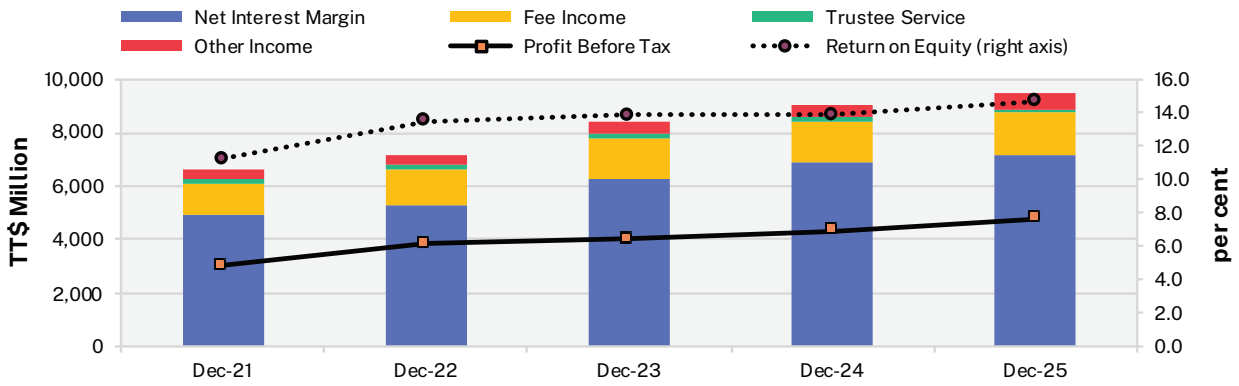
There was a negligible increase in the sector's fee income (1.7 per cent), primarily driven by the 10.6 per cent rise in non-banks' fee income. Fee income in the commercial banks declined marginally by 0.4 per cent, largely due to the decline in fee income from loans.

The increase in other income was largely due to the 48.0 per cent rise in foreign exchange profits, concentrated in one commercial bank (Figure 31). This was further supported by the 23.0 per cent rise in dividends from the subsidiaries and affiliates of commercial banks.

Total non-interest expenses increased from $6.6 billion to $7.0 billion over the year. This increase was mainly due to an uptick in loan loss provisions and other operating expenses (including higher reward redemptions, legal fees, management fees, and fees to Visa and MasterCard).

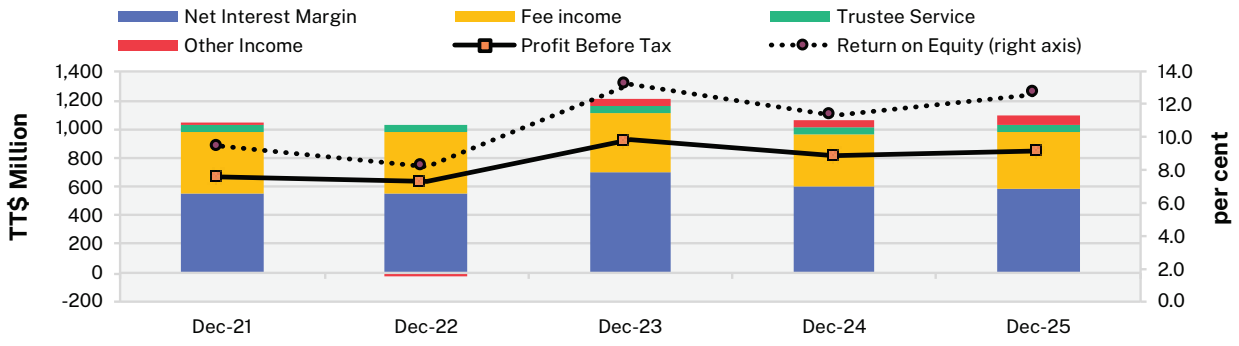
The sector's profitability, as measured by the ROA, improved from 2.9 per cent in 2024 to 3.1 per cent in 2025. Similarly, return on equity (ROE) registered an increase from 13.4 per cent to 14.2 per cent.

FIGURE 31
COMMERCIAL BANKS' CONTRIBUTION TO PROFIT BY SOURCE, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

FIGURE 32
NON-BANKS' CONTRIBUTION TO PROFIT BY SOURCE, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

Capital Adequacy

The banking sector's average total CAR remained strong in 2025, reflecting resilience supported by a high Tier 1 ratio and Common Equity Tier 1 (CET1) capital base. The sector's average CAR rose from 18.2 per cent in December 2024 to 18.9 per cent in December 2025 **(Table 6).** Moreover, all licensed banks and non-bank financial institutions maintained capital levels above the regulatory minimum, inclusive of capital buffers. Further, 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 5.1 per cent ($1.3 billion), driven by higher audited retained earnings. Meanwhile, risk-weighted assets (RWAs) increased by 1.2 per cent ($1.7 billion). The increase in total RWAs was mainly due to the rise in credit exposures. Credit RWAs grew by $4.4 billion (4.1 per cent) owing to greater exposure to corporate and securities firms (long-and short-term) and residential mortgages, but was partly offset by a decline in credit exposures to public sector entities. Additionally, Operational RWAs increased, albeit by a lesser extent, by $1.0 billion (5.9 per cent), mainly driven by increased gross income across several business lines, particularly in trading and sales and retail banking. In contrast, Market RWAs reduced by 23.8 per cent ($3.7 billion) over the year because of a 28.7 per cent ($3.1 billion) fall in foreign exchange risk, and, to a lesser extent, lower interest rate risk exposure, which declined by 13.1 per cent ($0.6 billion).

Stress Testing the Commercial Banking Sector

Stress testing results at the end of December 2025 showed that the commercial banking sector was generally resilient to various shocks, owing to robust capital buffers and adequate provisioning levels (Table 7). The CAR and the adjusted CAR using provisioning guidelines for non-performing loans stood at 17.7 per cent and 17.0 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 (72.6 per cent in December 2025).

The downward interest rate shock produced adequate results; however, the upward interest rate shock of 500 basis points had the largest impact on the adjusted CAR. The ratio declined by 8.3 percentage points, resulting in a post-shock CAR of 8.7 per cent, below the minimum capital requirement of 10.0 per cent. The decline was largely due to mismatches between the stock of assets and liabilities due to mature or be repriced, particularly in the medium- to long-term time bands[42]. 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 a capital level 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,

42 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.



producing a post-shock CAR of 19.3 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 11.8 per cent.

The results of the liquidity stress tests continued to deteriorate. The number of days until the commercial banking sector became illiquid under a liquidity shock declined slightly between December 2024 and December 2025 from 25 days to 23 days. In a more severe shock, which excludes reserves from liquid funds, the sector's resilience fell from 17 days to 15 days over the same period.

Stress testing exercises and financial crisis simulation exercises are two crucial tools used by regulators to build crisis preparedness. During early 2026, the Central Bank carried out its inaugural financial crisis simulation exercise. Details of this exercise are provided in **Box 2.**

TABLE 6
CAPITAL RATIOS AND RISK-WEIGHTED ASSETS (RWA) AS AT DECEMBER 2025
/Per Cent/

Capital Ratio	Minimum Requirement	Banking Sector Ratio
Regulatory capital-to-risk-weighted assets	10.0	18.9
Regulatory Tier 1 capital-to-risk-weighted assets	6.0	17.8
Common Equity Tier 1 capital-to-risk-weighted assets	4.5	17.8
Risk-Weighted Assets (RWA)	**as a per cent of RWA**	**TT$ Billion**
Total RWA	100.0	142.6
RWA Credit Risk	77.9	113.2
RWA Operational Risk	11.7	17.4
RWA Market Risk	10.4	11.9

Source: Central Bank of Trinidad and Tobago

TABLE 7
COMMERCIAL BANKING SECTOR STRESS TEST RESULTS, DECEMBER 2024 – DECEMBER 2025
/Per Cent/

		Dec 24	Jun 25	Dec 25	
Pre-Shock CAR		16.9	16.9	17.7	
Pre-Shock CAR Adjusted for Provisions		16.2	16.3	17.0	
SINGLE FACTOR TESTS					
				Post-Shock CAR	Change from Pre-Shock Adjusted CAR
Interest Rate Risk	Upward shock of 500 bps	5.5	8.2	8.7	-8.3
	Downward shock of 100 bps	18.1	17.8	18.5	1.5
Foreign Exchange Risk	TT Dollar depreciates 40 per cent	17.9	18.5	19.3	2.3
Credit Risk	General increase in non-performingloans	11.2	11.4	11.8	-5.1
DAYS UNTIL ILLIQUID					
Liquidity Risk (excluding reserves)	Bank Run	25	24	23	
Liquidity Risk (excluding reserves)	Bank Run	17	17	15	

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. A second liquidity test is conducted which 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). The upward shock to interest rates has been reduced to 500 basis points, compared to 700 basis points. Moreover, a 6 per cent provisioning rate is now applied to current loans and loans past due 1 to 3 months, compared to 1 per cent previously. The property price test has been removed but can be carried out on an ad-hoc basis. This exercise is conducted semi-annually as opposed to quarterly.

INSURANCE SECTOR PERFORMANCE

Long-Term Insurance Industry

Assets

Total assets in the long-term sector grew slightly, accompanied by a modest decline in asset concentration in 2025 (Figure 33). Total assets amounted to $46.4 billion as at December 2025, increasing by 1.8 per cent from $45.6 billion as at December 2024. The sector recorded an annual average growth rate of 1.8 per cent over the period December 2021–December 2025. As at December 2025, three of the largest insurers together held 69 per cent of the sector's assets.

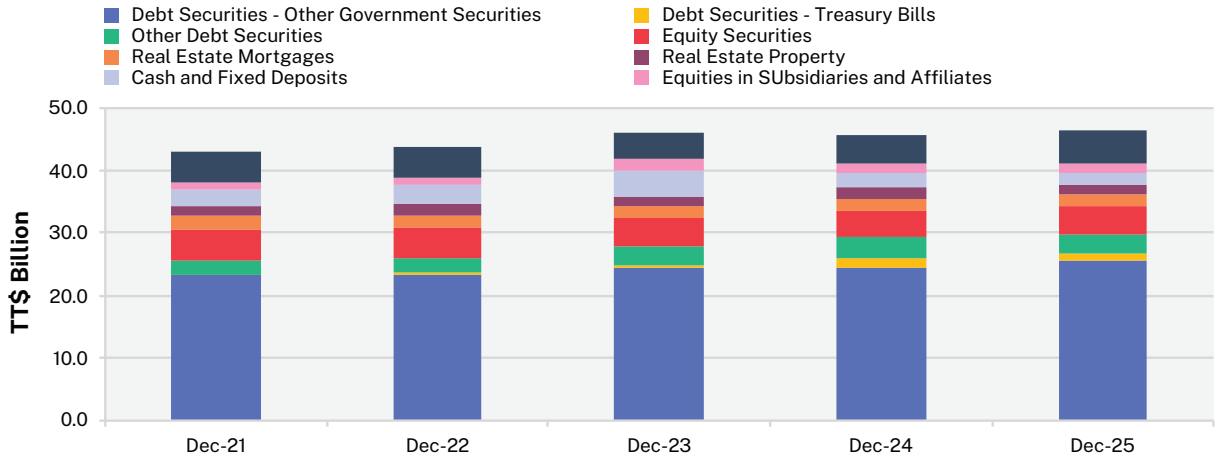
Over the past five years, the long-term sector's asset composition has changed little, with debt securities continuing as the dominant asset class. As of December 2025, debt securities comprised 64.5 per cent of the sector's total asset base. Long-term debt securities remain the preferred asset class as their longer duration supports effective asset–liability matching. Additionally, alternative longer-term investment instruments remain in limited supply. Approximately 89.9 per cent of the sector's long-term debt securities were government securities as of December 2025, due to their low-risk nature.

Lines of Business

Although the long-term sector's gross premium income slipped slightly in 2025, it remained generally stable in recent years (Figure 34). For the year ended December 31, 2025, the long-term sector's annualised gross premium income was $5.2 billion, representing a 1.3 per cent decline from $5.3 billion in December 2024. Premium income averaged $5.3 billion annually over the five years to December 2025. The main exception was a spike in December 2022 ($5.7 billion) following the acquisition of a large pension plan by one insurer. Unit-Linked products, Ordinary Life, Health, and Individual Annuities, continued to be the primary contributors to gross premium income, accounting for 26.8 per cent, 22.0 per cent, 21.0 per cent and 15.9 per cent of total premium income, respectively.

FIGURE 33

ASSET MIX – LONG-TERM INSURANCE INDUSTRY, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

Reported Profits

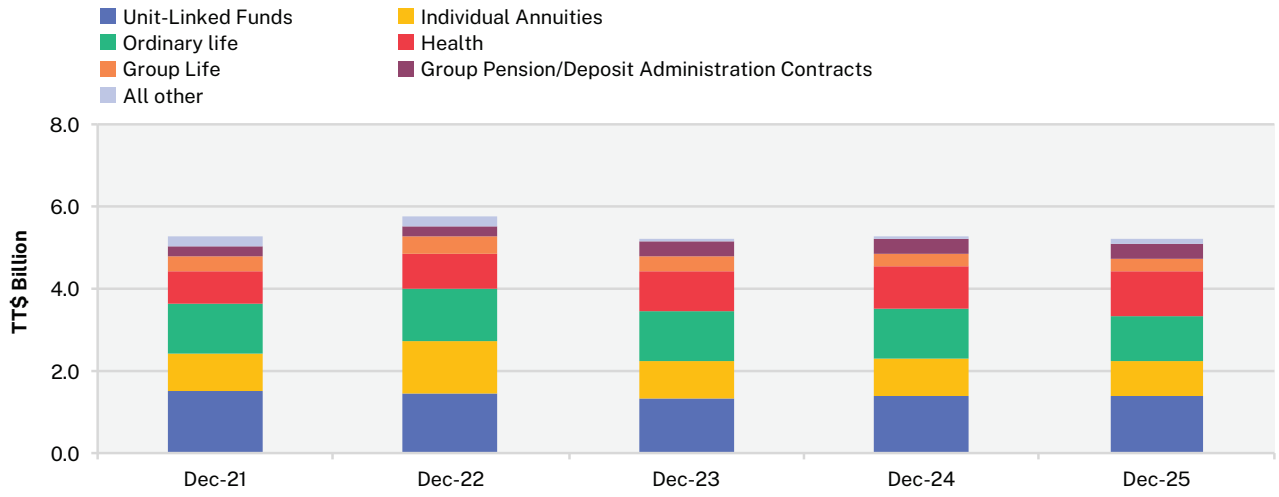
The long-term sector's profits rose drastically in 2025, largely attributed to a one-off transaction by a large insurer, whose extraordinary income rose significantly (Figure 35). Annualised profits before taxes increased by 75.8 per cent from $688.9 million in December 2024 to $1.2 billion in December 2025. Elevated profit levels were also observed in 2021 and 2022. The increase in 2021 was largely driven by net realised gains, while in 2022, premium income stemming from the acquisition of a large pension plan by one insurer supported the higher profitability.

Expenses

Total expenses declined marginally over the last year **(Figure 36)**. Expenses fell by just 0.2 per cent, from $1.6 billion in December 2024 to $1.5 billion in December 2025. Expense levels have been relatively stable over the last five years apart from a small spike in 2023, which was likely attributed to increased expenses associated with transitioning to the International Financial Reporting Standard on insurance contracts (IFRS 17).

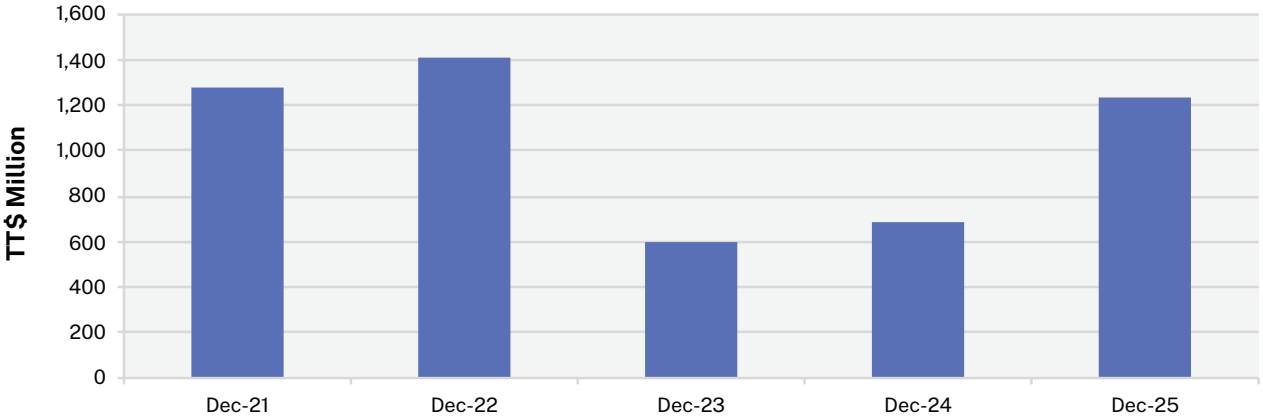
FIGURE 34

ANNUALISED GROSS PREMIUM INCOME – LONG-TERM INSURERS, 2021 – 2025



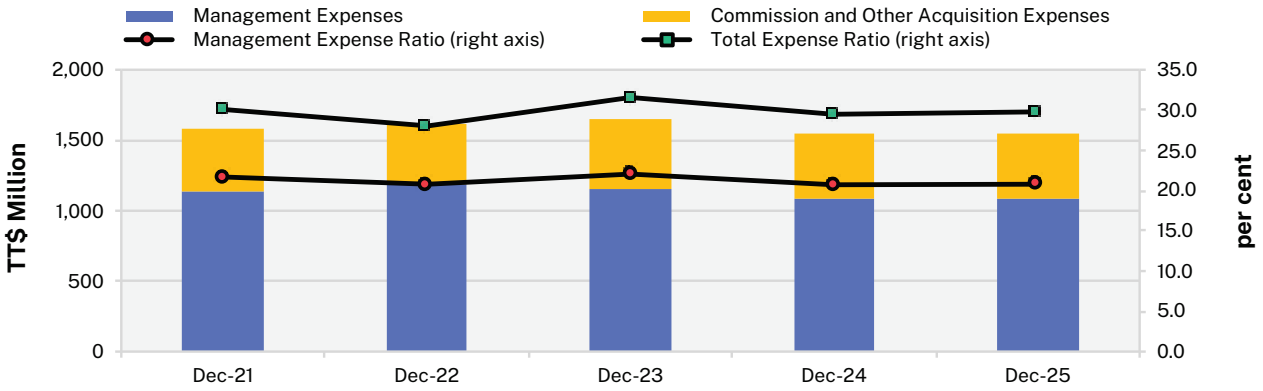
Source: Central Bank of Trinidad and Tobago

FIGURE 35
ANNUALISED PROFITS BEFORE TAXES – LONG-TERM INSURERS, 2021– 2025



Source: Central Bank of Trinidad and Tobago

FIGURE 36
ANNUALISED EXPENSES AND EXPENSE RATIO – LONG-TERM INSURERS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

General Insurance Industry

Assets

The general insurance sector's asset holdings experienced steady growth over the last five years (Figure 37). Assets in the general insurance sector amounted to $8.1 billion in December 2025, rising from $6.4 billion in December 2021. An average annual growth rate of 5.3 per cent was recorded over the period December 2021 to December 2025, as the general sector has been experiencing continuous asset growth for the last five years.

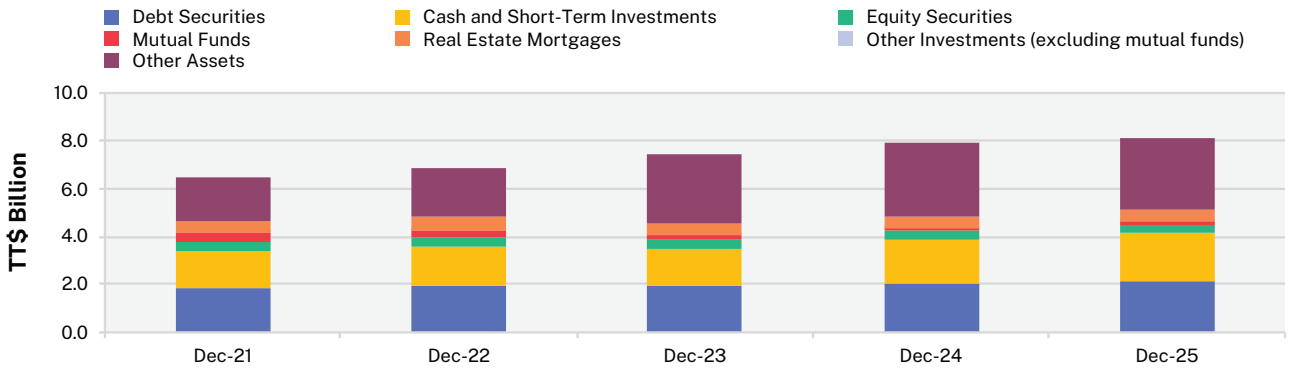
The sector's asset composition in 2025 was broadly similar to that of the prior year. The short-term nature of general insurance liabilities encourages insurers to allocate larger proportions of their portfolio to cash and short-term investments. Similar to 2024, major asset concentrations were observed in government bonds (23.4 per cent), cash (16.4 per cent), and accounts receivable (17.0 per cent) in 2025.

Lines of Business

Gross premium income in the general insurance sector also experienced healthy growth in 2025, reflecting positive performance across its main business lines. In the general insurance sector, annualised premium income growth remained positive, increasing from $5.3 billion in December 2024 to $5.4 billion in December 2025. Gross premium income grew at an average annual growth rate of 6.0 per cent over the period December 2021 to December 2025. The primary lines of business were property and motor, accounting for 54.3 per cent and 29.6 per cent of total premium income, respectively. Motor and property achieved average growth rates of 3.8 per cent and 8.3 per cent, respectively, over the five-year period. This growth in property premiums was driven by the increased demand for coverage.

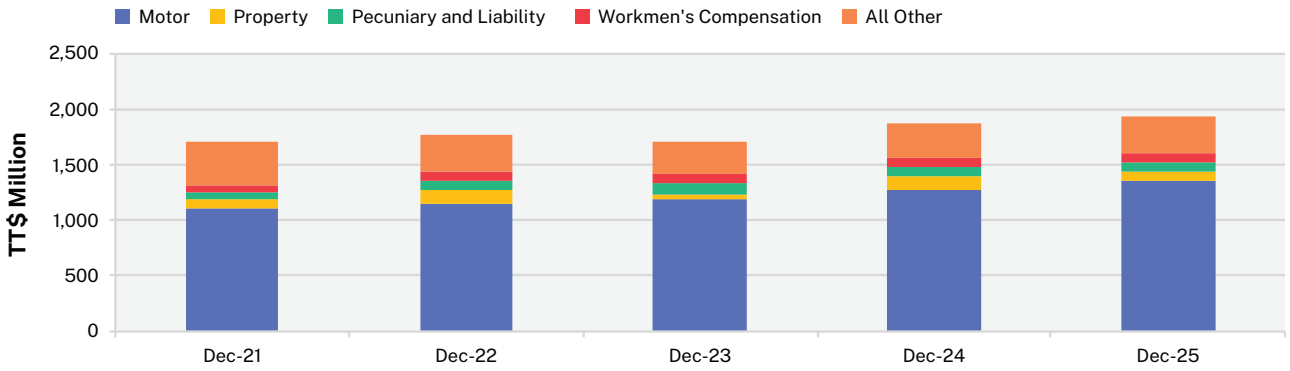
In terms of net premiums, motor insurance represented the largest portion (69.9 per cent) of total net premiums, whereas property accounted for just 4.6 per cent **(Figure 38).** This disparity reflects the higher level of property business ceded to reinsurers whereas the insurer retains the majority of motor vehicle premiums.

FIGURE 37
ASSET MIX – GENERAL INSURANCE INDUSTRY, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

FIGURE 38
NET RETAINED ANNUAL PREMIUM INCOME – GENERAL INSURERS, 2021 – 2025

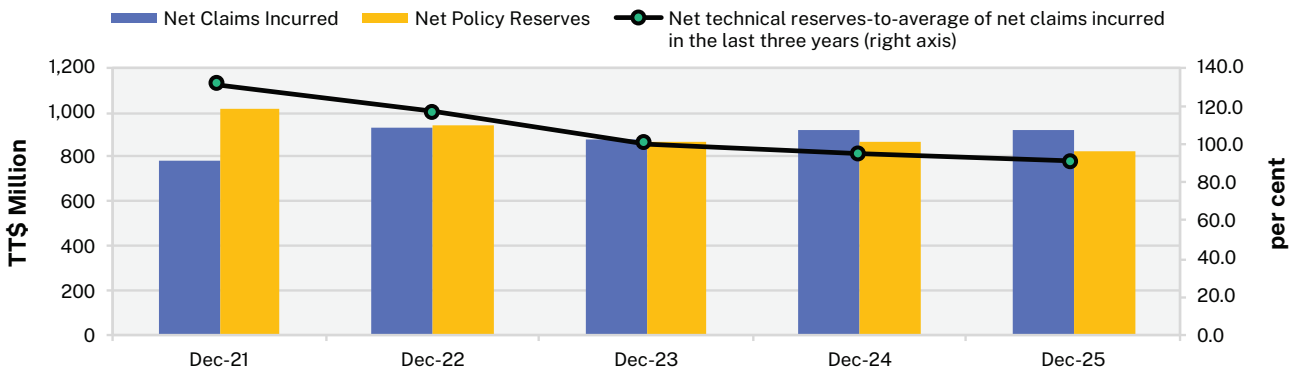


Source: Central Bank of Trinidad and Tobago

Claims Adequacy

Over the last year, net claims incurred increased marginally by 0.7 per cent from $921.0 million in December 2024 to $927.9 million in December 2025. The ratio of net technical reserves as a per cent of the three-year average net claims incurred fell from 116.8 per cent (December 2022) to 91.4 per cent (December 2025) as net policy reserves decreased due to a tightening of excess reserves by some insurers and increased reinsurance recoverables over the period **(Figure 39).**

FIGURE 39
NET TECHNICAL RESERVES[43] / THREE-YEAR AVERAGE NET CLAIMS INCURRED – GENERAL INSURERS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

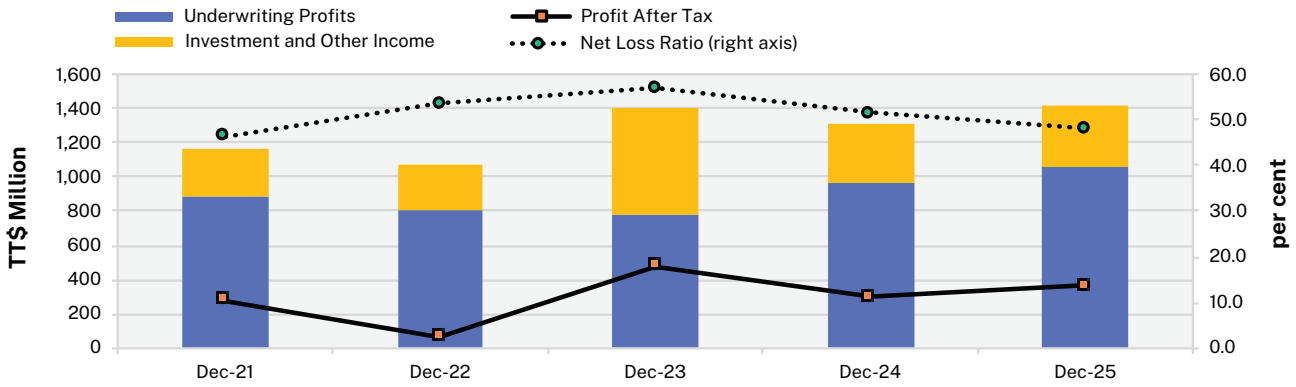
43 Technical Reserves = Claims Reserves + any Other Transfers from Funds.

Earnings and Profitability

Profits before taxes increased by 11.9 per cent from $404.6 million in December 2024 to $452.7 million in December 2025. Underwriting profits also rose by 5.9 per cent from $960.6 million in December 2024 to $1.017.9 million in December 2025 **(Figure 40).** The adjustment to the reserves resulted in a decline in the overall net loss ratio (all lines of business) from 51.5 per cent in December 2024 to 48.5 per cent in December 2025. The release of the reserves contributed to the profit growth.

FIGURE 40

CONTRIBUTION TO PROFIT AND EXPENSES (ANNUALISED) – GENERAL INSURERS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

PRIVATE OCCUPATIONAL PENSION PLANS SECTOR

Assets

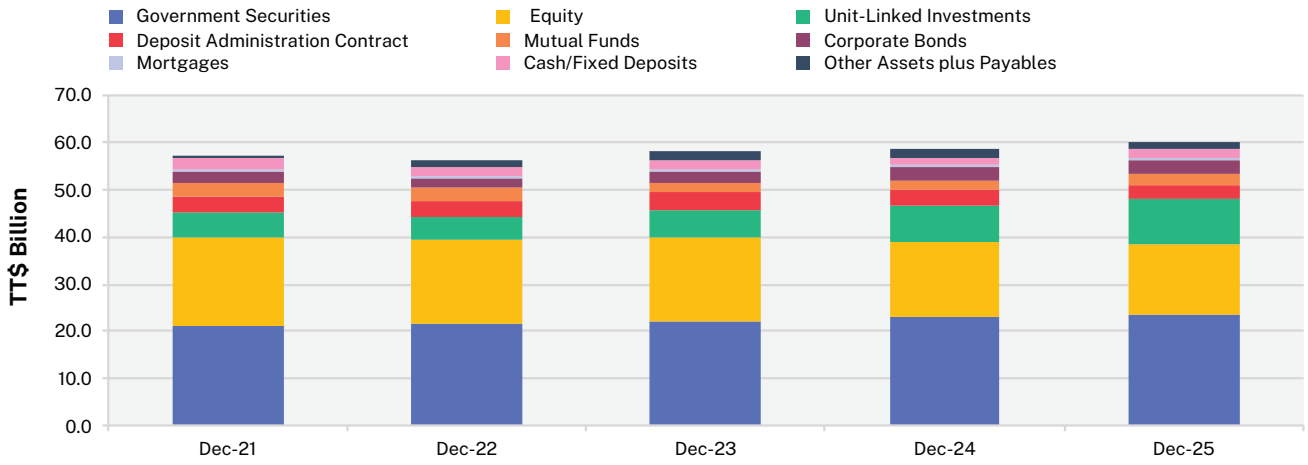
Constrained asset value appreciation, particularly in domestic equity holdings, and a lower contributions-to-benefits ratio resulting from an ageing membership profile continued to influence the pension sector. At the end of 2025, total pension sector assets stood at approximately $59.6 billion (Figure 41). Over the five-year period from 2021 to 2025, total pension fund assets increased by 2.5 per cent or approximately 0.5 per cent per annum.

As at December 31, 2025, GoRTT securities accounted for approximately 40.0 per cent of total assets and equities represented approximately 25.0 per cent of portfolio holdings. This asset mix reflects the long-term nature of pension liabilities, with fixed-income instruments supporting income stability and capital preservation, while equities are intended to generate real returns over the long -term.

Holdings of GoRTT securities increased steadily from $21.2 billion in 2021 to $23.6 billion in 2025. The Central Bank's yield curve at December 2025 was marginally higher than one year earlier across all maturities, suggesting limited bond price appreciation. Accordingly, the expansion in GoRTT holdings was driven mainly by new purchases rather than valuation gains, reinforcing the income-generating but low growth characteristics of this asset class.

In contrast, equity investments declined materially over the period, falling from approximately $18.51 billion in 2021 to $14.94 billion in 2025. This contraction was largely attributable to sustained weakness in the domestic equity market. The declines in the All T&T Index (13.2 per cent year-on-year) and the Composite Index (11.8 per cent) in 2025 were reflected primarily as unrealised valuation losses in pension portfolios. Additionally, while the US equity markets performed strongly over the period, the gains earned on US-dollar-denominated assets were insufficient to offset domestic equity losses.

FIGURE 41
PENSION PLAN ASSET COMPOSITION, 2021 – 2025



Source: Central Bank of Trinidad and Tobago



Investment linked and non segregated managed funds, which mainly hold foreign equities, grew significantly, rising from $5.38 billion in 2021 to $9.29 billion in 2025. This expansion was driven mainly by reinvestment of earnings rather than new cash injections from the pension plans. These holdings provide improved diversification and greater liquidity relative to domestic investments.

Income and Payouts

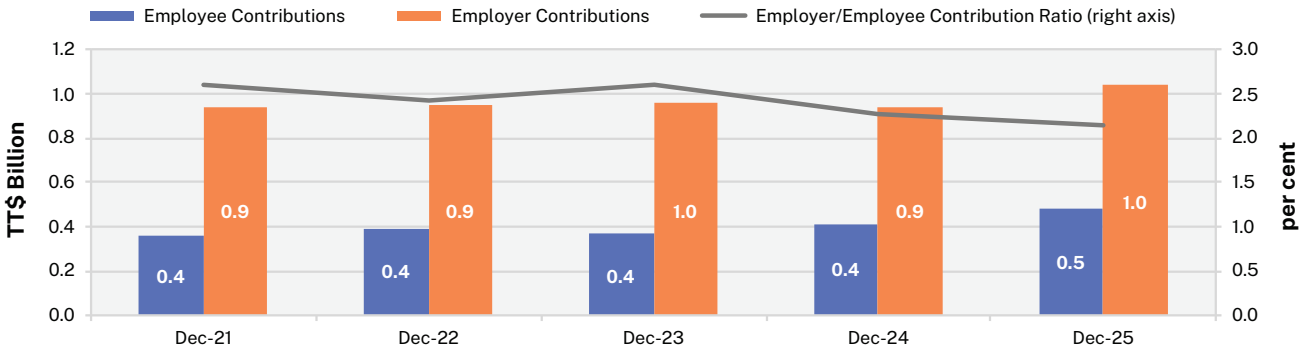
Interest and dividend income increased steadily over the review period. This growth from $1.84 billion in 2021 to $2.12 billion in 2025 was underpinned by higher interest income and reflected increased allocations to fixed income securities and the generally higher interest rate environment relative to earlier years.

Contribution income remained broadly stable, averaging approximately $1.37 billion annually from 2021 to 2025 (Figure 42). Employer contributions increased moderately by 10.3 per cent while employee contributions rose more sharply by 33.8 per cent between 2021 and 2025. As a result, the employer to employee contribution ratio declined, indicating a gradual shift in funding dynamics.

On the payout side, benefit payments continued to rise, driven by a growing retiree population and increasing longevity. Pension payments accounted for 75.7 per cent of total benefit outflows in 2025 **(Figure 43).**

FIGURE 42

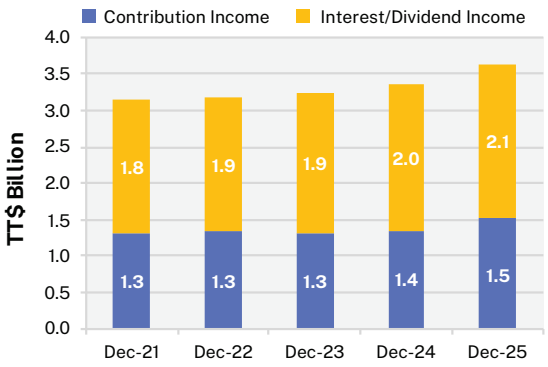
EMPLOYEE AND EMPLOYER CONTRIBUTION RATIOS, 2021 – 2025



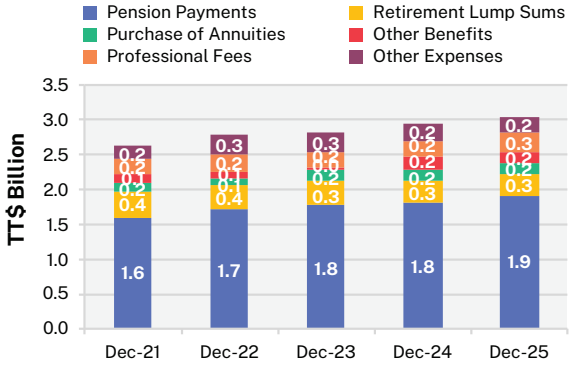
Source: Central Bank of Trinidad and Tobago

FIGURE 43
PENSION SECTOR INCOME AND PAYOUTS, 2021– 2025

PANEL A: INCOME



PANEL B: EXPENSES



Source: Central Bank of Trinidad and Tobago

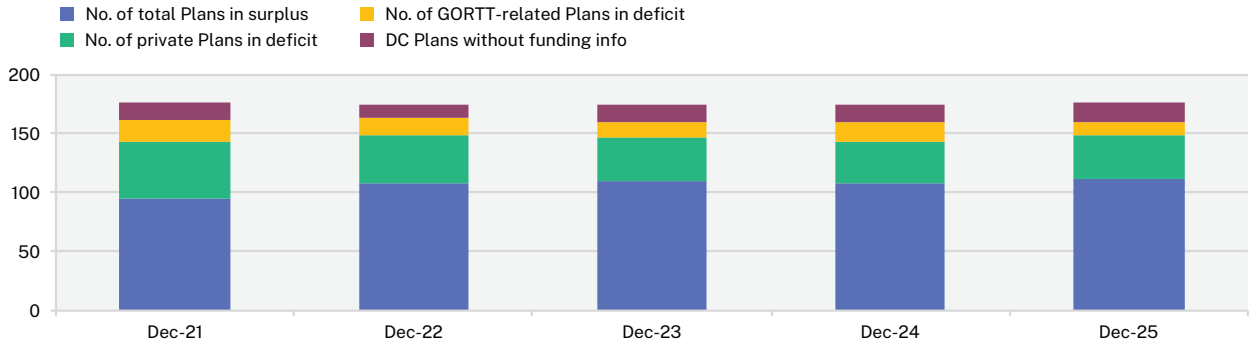
Funding

The overall funding position of private occupational pension plans improved over the five-year period ended December 31, 2025 (Figure 44). The number of plans in surplus increased from 96 in 2021 to 112 in 2025, while the number of private employer plans in deficit declined from 47 to 36. The aggregate deficit among these private employer plans fell from approximately $673 million to $424 million. In contrast, while the number of GoRTT sponsored plans in deficit decreased from 18 to 12, the aggregate deficit of these plans increased from $1.4 billion in 2021 to $1.47 billion in 2025, indicating that funding pressures have become more concentrated within a small number of large plans.

Aggregate surpluses across plans with positive funding positions increased from $3.92 billion to $5.91 billion over the period. While stronger funding positions provide greater flexibility, including the potential for contribution adjustments or benefit enhancements, the sustainability of these surpluses remains sensitive to investment performance, demographic trends, and future economic conditions.



FIGURE 44
FUNDING STATUS OF ACTIVE PENSION PLANS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

Pension Sector Trends

The private occupational pensions sector continues to exhibit overall resilience, but remains exposed to several interrelated risks:

Funding
As at December 31, 2025, fewer pension plans reported deficit positions than in the prior four years, reflecting sustained sponsor actions such as:

a. sponsor contribution being at a greater rate that benefits accrued;
b. benefit redesign such as closing plans to new members and future pension accrual;
c. structural shifts towards defined contribution pension arrangements.

These measures have supported more stable funding outcomes. However, funding levels continue to depend heavily on investment performance and membership demographics.

Investment
Pension plans portfolios remain constrained by limited domestic investment opportunities. Asset allocations have been broadly unchanged over the past five years, reflecting a high degree of concentration, with GoRTT securities accounting for approximately 40 per cent of total assets and total equities comprising 25 per cent.

The market value of local equity holdings declined by approximately 19 per cent, from $18.51 billion in December 2022 to $14.89 billion by December 2025. Against this backdrop, pension plans face heightened exposure to valuation uncertainty.

Liquidity
Liquidity in the pension sector was supported by a 28.5 per cent increase in cash and fixed deposits from 2024 to 2025. This provided readily available funds to meet short term obligations. Liquidity was enhanced further by a 20.9 per cent increase in investment linked and non segregated managed funds, largely backed by foreign assets that are more easily liquidated than domestic investments. The result was an improved income to expense ratio from 1.15 in 2023 to 1.20 in 2025, indicating stronger cash flow generation and adequate liquidity buffers.



Governance

The management of pension plans, by Trustees and Management Committees, remains broadly adequate and stable[44]. Most pension plans have updated governing documents and operational practices to reflect regulatory expectations.

As at December 2025, 90 per cent of pension plans submitted annual financial statements and 86 per cent submitted actuarial valuation reports in accordance with regulatory requirements. While these indicators point to generally adequate governance practices, continued supervisory monitoring is necessary to address some statutory submission delays and promote consistent governance standards across the sector in accordance with the Central Bank's Pension Plan Governance Guideline.

Plan Sponsors

Pension plans are supporting a growing retiree base, with the ratio of pensioners to active contributors increasing from 46.8 per cent in 2021 to 65.6 per cent by December 2025. The sponsor to employee contribution ratio declined from 2.60 times to 2.14 times over the same period, suggesting a gradual easing of sponsor funding relative to employee contributions. The increase in National Insurance Scheme contributions from January 2026 and January 2027, announced in FY2026 Budget, is expected to increase sponsor costs and may lead to further restructuring of pension benefits, reductions in employer contributions, or the closure of pension plans.

44 A trustee is an individual or company appointed to carry out the purposes of a trust in accordance with the provisions of the trust instrument and general principles of trust law. Meanwhile, a Management Committee is a committee comprised of representatives from the plan sponsor and the membership with responsibility for overseeing the operations of the pension plan and informing, advising and/or instructing the corporate trustees on matters within the committee's purview.



DOMESTIC CAPITAL MARKETS DEVELOPMENTS

The primary debt market recorded increased issuance activity in 2025. Provisional information suggests that the market issued debt at a total face value of $12.0 billion reflecting a total of 11 issues in 2025, compared to $10.2 billion, reflecting 16 issues in 2024 **(Figure 45).** The Central Government was the only issuer in the market in 2025. The Government accessed financing mainly for budgetary support and the repayment of maturing securities. In 2024, the Government along with three state enterprises, financed $8.3 billion and $1.9 billion respectively.

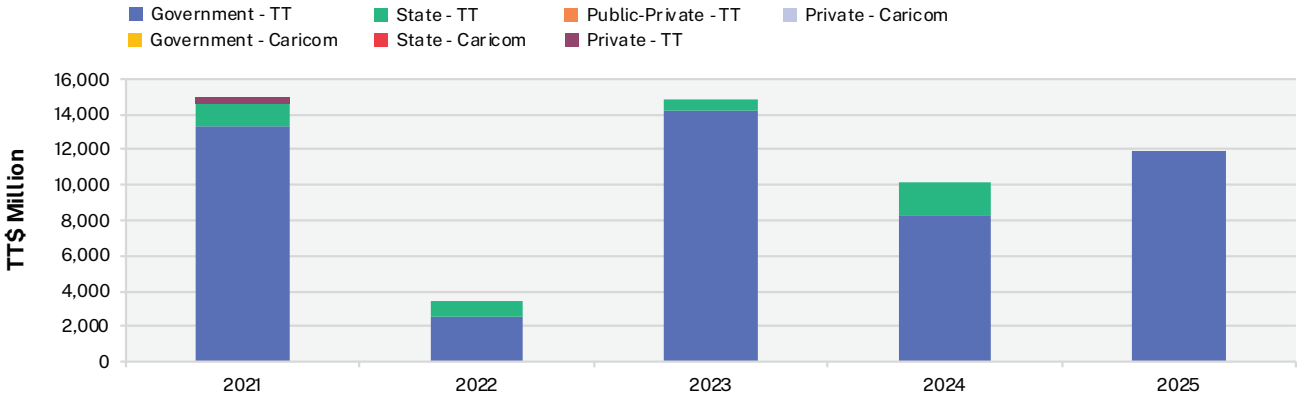
Data from the Trinidad and Tobago Stock Exchange (TTSE) show a moderation in the volume but an increase in the value of trades on the secondary Government bond market during 2025. In 2025, the market recorded 419 trades, compared to 428 trades in 2024 **(Figure 46).** However, the total face value exchanged over 2025 was recorded at $262.6 million, compared to $96.9 million in 2024. The lower trading volume was due to a moderation in investors trading their holdings of the Government Series II bond[45]. Meanwhile, trading activity on the secondary corporate bond market grew in 2025. The market registered 173 trades at a face value of $83.6 million compared to 112 trades with a face value of $8.0 million in 2024.

The Central Government yield curve shifted upward over the year ended 2025, with rates increasing across most tenors, except for the 6-month maturity. Relatively tighter liquidity conditions during the year contributed to the increase in short-term yields. The 3-month rate advanced by 59 basis points to 2.90 per cent while the 6-month rate fell by six basis points to 2.67 per cent at the end of December 2025. The 1-year rate increased by 66 basis points to 4.60 per cent while the 2-year rate jumped by 35 basis points to 4.65 per cent. The benchmark 10-year rate also gained 36 basis points to 5.91 per cent, while the 15-year rate rose by 28 basis points to 6.50 per cent.

Sudden upward movement in rates could negatively influence asset valuations in investors' (such as commercial banks, insurance companies, pension and mutual funds) bond portfolios. Risk management and portfolio rebalancing by investors could place further downward pressure on asset valuations given the heavy asset concentration and relatively infrequent secondary market activity.

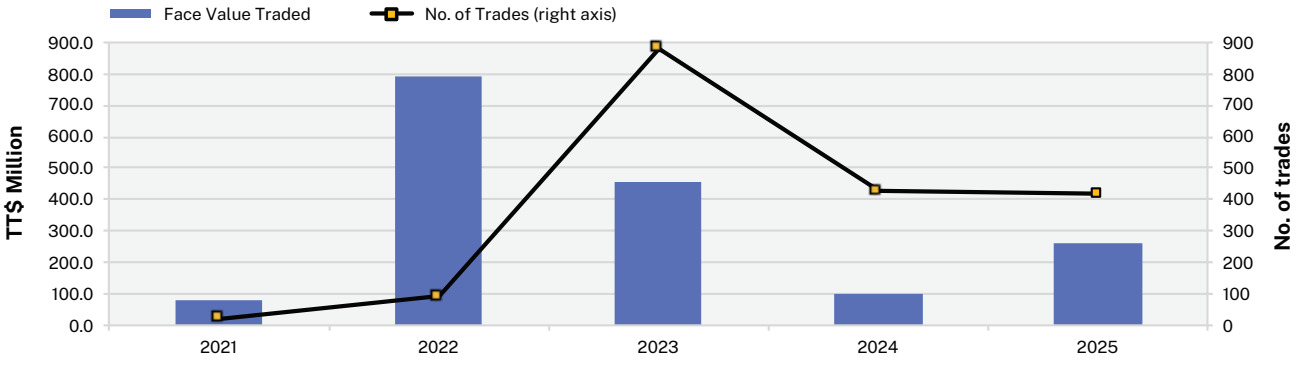
45 In January 2023, a $702.9 million Series II 2037 Government bond was listed on the Trinidad and Tobago Stock Exchange secondary Government Bond Market. This bond was previously issued in 2012 and formed part of the CLICO Investment Fund (CIF) distribution of assets. During 2025, the secondary Government Bond Market recorded 403 trades (face value of $14.7 million) compared to 417 trades (face value of $14.7 million) of this Series II 2037 bond.

FIGURE 45
PRIMARY DEBT MARKET ACTIVITY, 2021 – 2025



Source: Ministry of Finance and market participants

FIGURE 46
SECONDARY GOVERNMENT DEBT MARKET ACTIVITY, 2021 – 2025

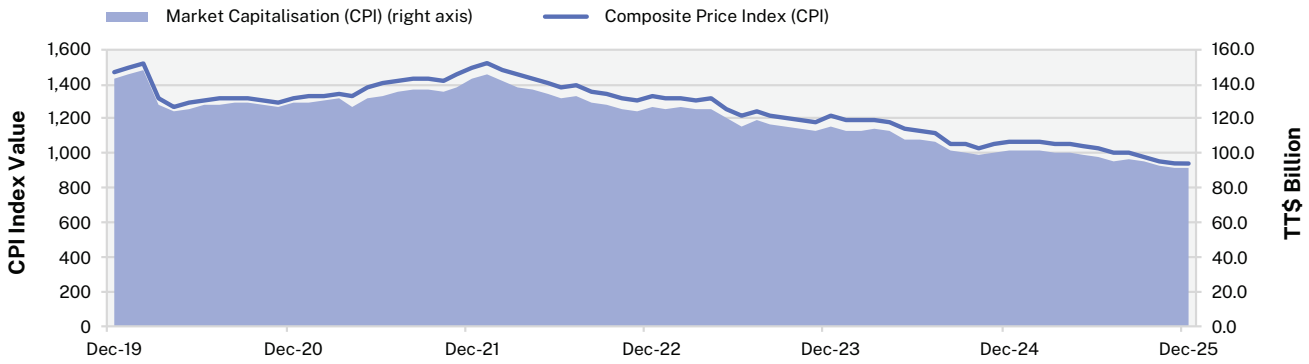


Source: Trinidad and Tobago Stock Exchange



The local equity market recorded a fourth consecutive year of decline in 2025, possibly reflecting weak investor appetite for domestic equities and preference for alternative investment opportunities. The market slid by 10.2 per cent by the end of 2025, closing the year at a market capitalisation of $91.9 billion. Similarly, the market fell by 11.6 per cent in 2024, to reach a market capitalisation of $102.3 billion **(Figure 47).** In 2024, the market observed 88.1 million shares being exchanged at a value of $840.8 million, corresponding to a turnover ratio of 0.80. Over 2025, 129.5 million shares, valued at $994.1 million, were exchanged on the market, equating a turnover ratio of 1.0 per cent.

FIGURE 47
EQUITY PRICES AND MARKET CAPITALISATION, 2021 – 2025



Source: Trinidad and Tobago Stock Exchange

The average daily return on the CPI and the corresponding normal distribution (delta-normal) VaR are displayed in the VaR results (Figure 48). Crucially, periods of significant market drops correspond with periods of significant VaR increases. In particular, the 2005 and 2006 regulatory market shock, the 2008 and 2009 Great Financial Crisis, and the 2020 COVID-19 pandemic shock caused significant drops in the CPI, which were mirrored in noticeably greater gains in the VaR. But after a significant improvement in market circumstances in 2021, inflationary pressures and unfavourable market sentiment caused the market to decline again in 2022 and 2023, respectively. After peaking in 2024, the VaR eased in 2025 but remained above 2021 levels, suggesting that downside risks continued, although the potential for large losses moderated. Nonetheless, the increased market uncertainty given rising geopolitical tensions pose risks that maybe unaccounted for in the VaR model.

Mutual Fund Industry

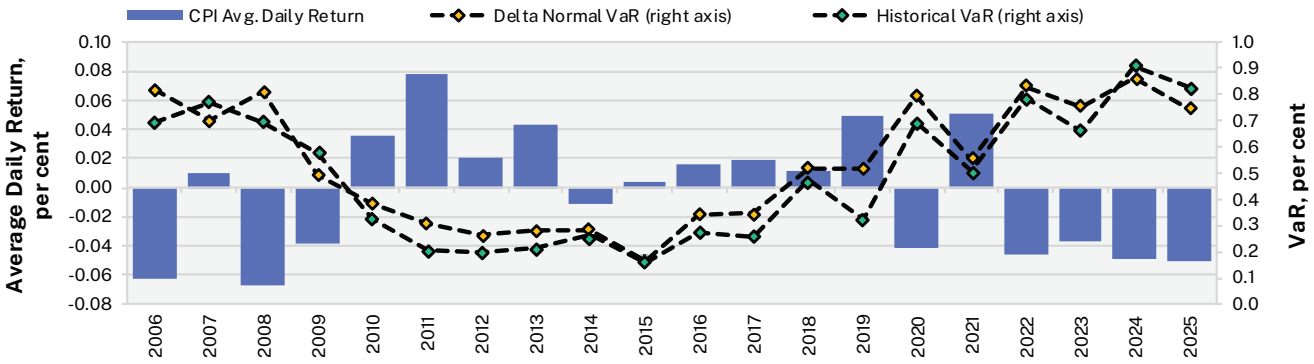
Mutual fund under management (FUM)[47] edged up in 2025, supported by growth in fixed NAV funds. The overall industry increased by 4.4 per cent to $54.9 billion compared to $52.5 billion in 2024 **(Figure 49).** Money market funds gained by 8.9 per cent to $17.2 billion. Income funds rose by 3.0 per cent to $29.3 billion, 'Other'[48] funds gained by 1.3 per cent to $451.8 million and Equity funds recorded a 0.3 per cent increase to $7.9 billion over 2025. Fixed NAV funds, increased by 6.1 per cent to $42.6 billion, supported the industry. Conversely, floating NAV funds slipped by 1.3 per cent to $12.2 billion over the period. Over the year, the movement towards fixed NAV funds may have reflected greater investor preference for capital stability in light of uncertain global economic conditions.

Collective Investment Scheme (CIS) data published by the Trinidad and Tobago Securities and Exchange Commission (TTSEC)[49] suggests that at the end of 2025, the total value of Assets Under Management (AUM) for all registered funds recorded a 2.2 per cent increase to $65.3 billion.

Mutual funds could continue to be influenced by adverse domestic and external factors, prompting fund managers to adjust portfolio exposures to mitigate financial risks. Waning investor confidence or adverse economic conditions could lead to periods of heavy net redemptions and liquidity pressures, potentially prompting asset sales with spillover effects across the financial sector.

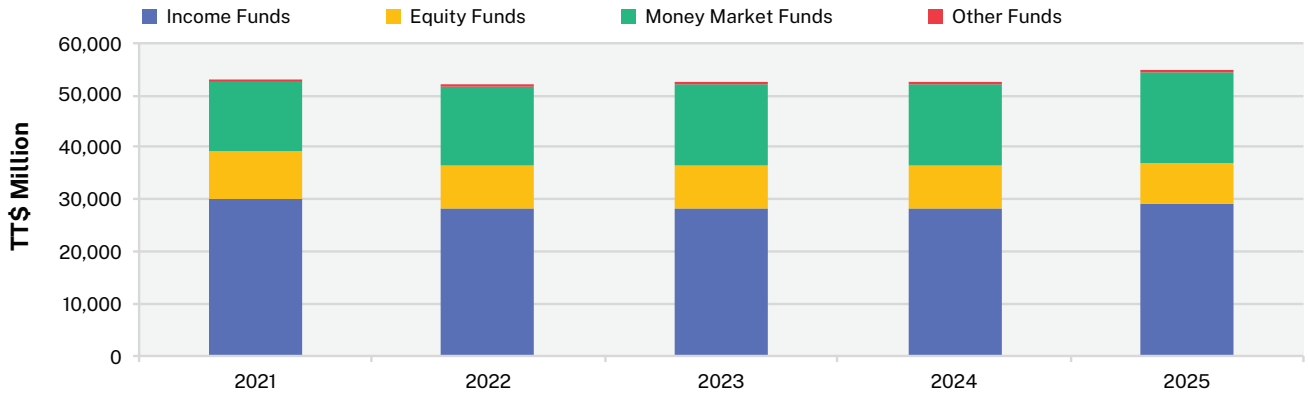
47 Aggregate funds under management refer to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Royal Bank of Trinidad and Tobago, Republic Bank Limited and First Citizens Bank Limited.
48 Other funds represent high-yield funds and special purpose funds
49 CIS data from the TTSEC represents 81 registered funds from 16 issuers at the end of 2025.

FIGURE 48
CPI RETURNS ANNUAL, DELTA-NORMAL VAR AND HISTORICAL VAR, 2026 – 2025



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

FIGURE 49
VALUE OF FUNDS UNDER MANAGEMENT (FUND TYPE), 2021 – 2025



Sources: Trinidad and Tobago Securities and Exchange Commission and Central Bank of Trinidad and Tobago

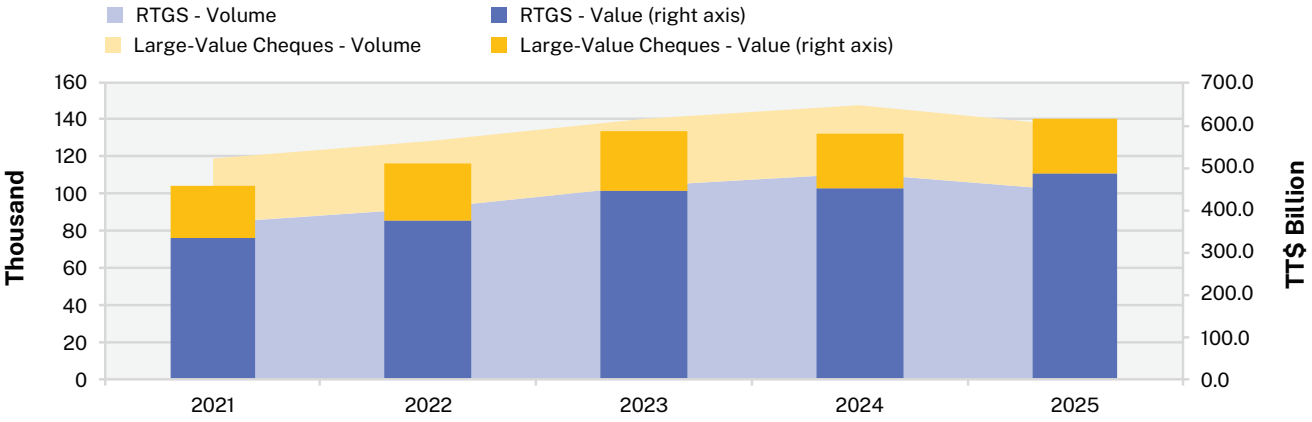
PAYMENTS SYSTEM (LOCAL CURRENCY PAYMENTS)

Mainstream payment activity decelerated in 2025. Subdued economic activity likely translated into lower retail and corporate spending, contributing to slower retail payments activity and the mixed performance in wholesale payments activity[50]. Despite an increase in the total value of RTGS transactions, the number of such transactions declined. The RTGS processes interbank electronic transfers and is used primarily for large-value ($500,000 and over) and time-critical payments, including government payments, clearing house transactions, reserve requirement adjustments and other administrative transactions. Additionally, the volume and value of large-value and cheque-based transactions decreased in 2025 impacted also by the gradual transition away from traditional paper-based payment instruments.

In contrast, in 2025, electronic retail payments[51] continued their upward trajectory, with an uptick in transaction volumes and values, although at a slower pace than in 2024. Consumers continued to use debit and credit cards for in-store and online purchases, reflecting the ongoing shift towards digital payment methods. Similarly, payments and credit transfers conducted via the Automated Clearing House (ACH) rose over the period.

Payment innovation remained active despite changes in payment activity. The payments landscape continued to evolve with the introduction of new technologies and market participants, expanding the range of payment options available to consumers and businesses. Notably, in 2025, two EMIs achieved full registration, while one Payment Service Provider (PSP) was registered under a new name, further contributing to the diversification of the payments ecosystem.

FIGURE 50
SHARE OF WHOLESALE PAYMENTS – VOLUMES AND VALUES, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

50 https://www.central-bank.org.tt/core-functions/annual-economic-survey/
51 Debit card, Credit card and Automated clearing House transactions

Wholesale (Large-Value) Payments – Transaction Volume and Value

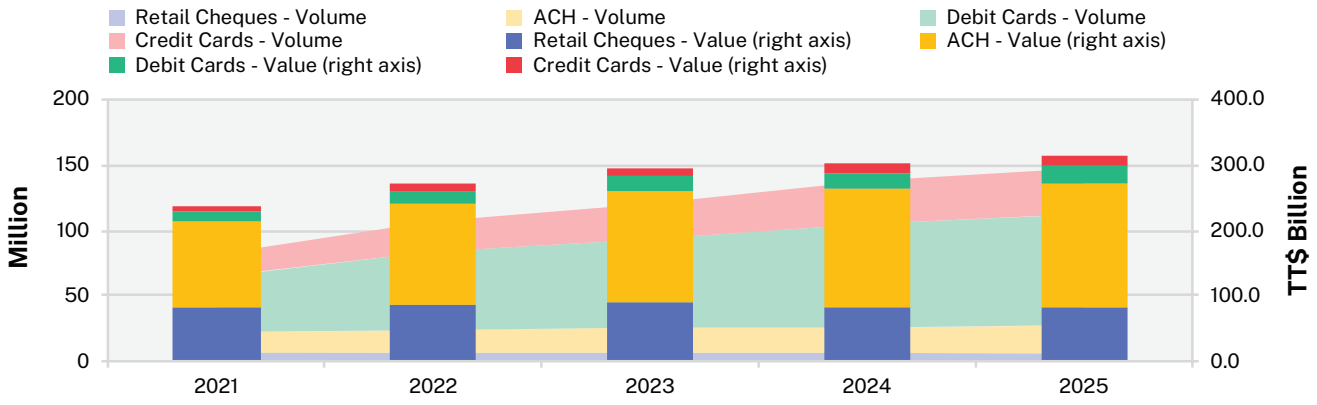
When compared to 2024, the value of payments processed over the RTGS rose by 7.4 per cent in 2025, while the volume declined by 7.8 per cent. Despite the fall in volumes, RTGS payments continued to account for over 70 per cent of the volume and value of all large-value payments.

Cheque payments accounted for less than 26 per cent of the total volume and value of large-value payments. In 2025, the volume and value of large-value cheque payments continued its downtrend, declining by 5.5 per cent and 0.2 per cent, respectively **(Figure 50).**

Retail Payments – Transaction Volume and Value

The volume and value of all retail payments[52] declined by 7.4 per cent and 3.5 per cent, respectively, in 2025. Transactions processed through the ACH totalled 21.6 million and were valued at $191.1 billion, representing an increase of 5.8 per cent and 5.1 per cent, respectively, when compared to 2024. The adoption of online and mobile banking payment channels for routine payments, such as bill payments and interbank transfers, has increased ACH payments. Comparatively, the volume and value of retail cheque payment trended downward in 2025, falling by 6.4 and 1.2 per cent to 5.6 million and $81.9 billion, respectively (Figure 51). Of note, the rate of decline in the value of cheques lessened in 2025 when compared to 2024.

FIGURE 51
SHARE OF RETAIL PAYMENTS – VOLUMES AND VALUES, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

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

In 2025, Point of Sale (POS) payments experienced a notable uptick, driven in part by an increase in the issuance of EMV (Europay, Mastercard, and Visa) cards by commercial banks and their widespread use by consumers. Debit card payments experienced notable growth in nominal terms, increasing by 9.3 per cent in volume to reach 85.1 million transactions and by 5.2 per cent in value to $24.1 billion. Similarly, credit card payments showed solid gains, rising by 6.6 per cent in volume to 35.3 million transactions and by 7.6 per cent in value to $16.7 billion, reflecting continued expansion in card-based payment activity. However, the pace of growth was notably lower than in 2024.

Nevertheless, debit and credit cards remained the dominant instruments for retail transactions at POS terminals, accounting for 57.7 per cent and 23.9 per cent of total retail payment volumes, respectively. By comparison, ACH and cheque transactions represented significantly smaller shares, in terms of volumes only, at 14.6 per cent and 3.8 per cent, respectively.

In value terms, albeit at a slower pace, ACH payments continued to grow, surpassing retail cheque payments for the sixth consecutive year (2020–2025), as cheque usage continued its downward trend. This development marks a significant shift in the retail payments landscape, with ACH transactions and cheque payments accounting for 60.9 per cent and 26.1 per cent of total retail payment value, respectively — compared to 45.9 per cent and 43.6 per cent in 2020. Meanwhile, debit card transactions contributed 7.7 per cent of total retail payment value, followed by credit card payments at 5.3 per cent.

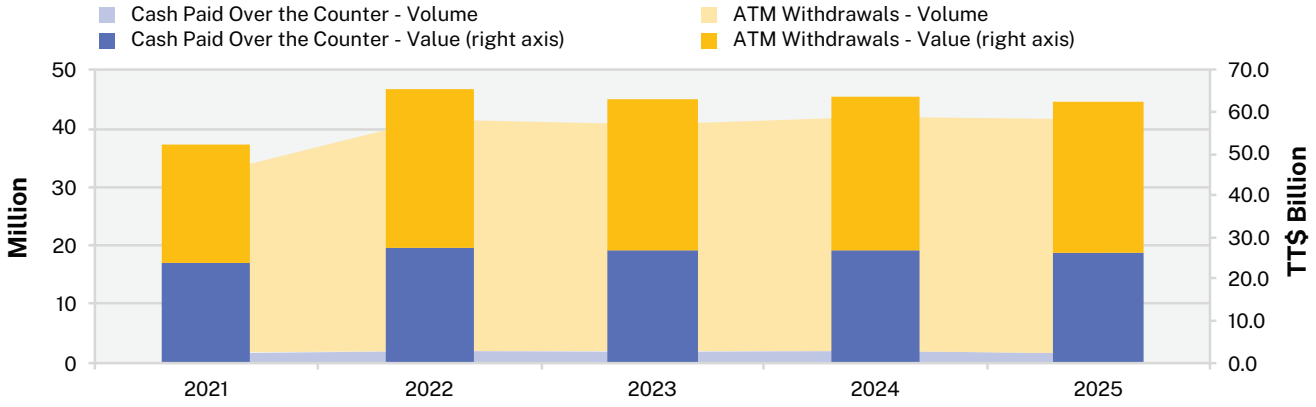
Payments Infrastructure

At the end of 2025, 495 Automated Teller Machines (ATMs) were reported in operation across Trinidad and Tobago, a slight decline of 4 machines from the previous year. In contrast, the number of POS terminals reported increased to 30,403 in 2025, up from 28,385 in 2024, reflecting continued expansion of the electronic payment acceptance infrastructure. The promotion of online banking channels as an alternative to in-person services continue to aim to reduce over-the-counter (OTC) transactions and improve operational efficiency.

In parallel, commercial banks upgraded their payment infrastructure, including POS terminals and ATMs, to support EMV chip card technology. These co-branded VISA/LINX EMV debit chip cards facilitate domestic payments and support contactless 'Tap and Go' functionality. This feature enables cardholders to make quick and convenient payments within established transaction limits. Of note, 'Tap and Go' functionality on POS machines was rolled out on a phased basis, starting in 2021; however, 100 per cent of POS terminals were enabled for 'Tap and Go' transactions by December 2025.



FIGURE 52
CASH WITHDRAWALS – VOLUMES AND VALUES, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

Cash Withdrawals

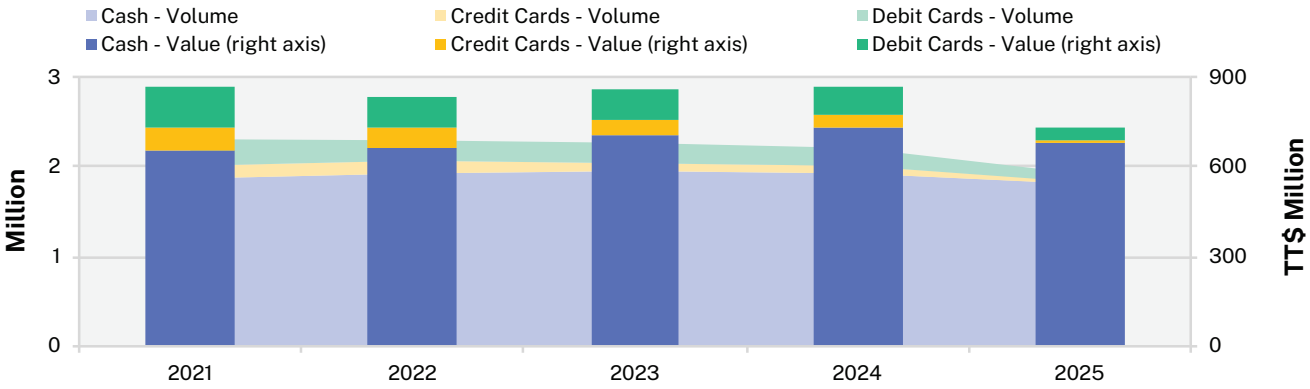
Cash in active circulation increased from $7.5 billion in 2024 to $7.7 billion in 2025, representing an increase of 2.8 per cent. When taken as a proportion of GDP, cash in circulation remained relatively constant at 4.3 per cent in 2025.

The number of cash withdrawals at ATMs accounted for 95.6 per cent of the total number of withdrawals and 57.6 per cent of the value of withdrawals when compared to OTC transactions. In 2025, overall ATM withdrawals declined slightly by 1.0 per cent to $39.6 billion. Meanwhile, the volume and value of OTC cash withdrawals declined by 3.1 per cent to 1.8 million and 1.9 per cent to $26.3 billion in 2025 **(Figure 52).**

Payment Service Providers

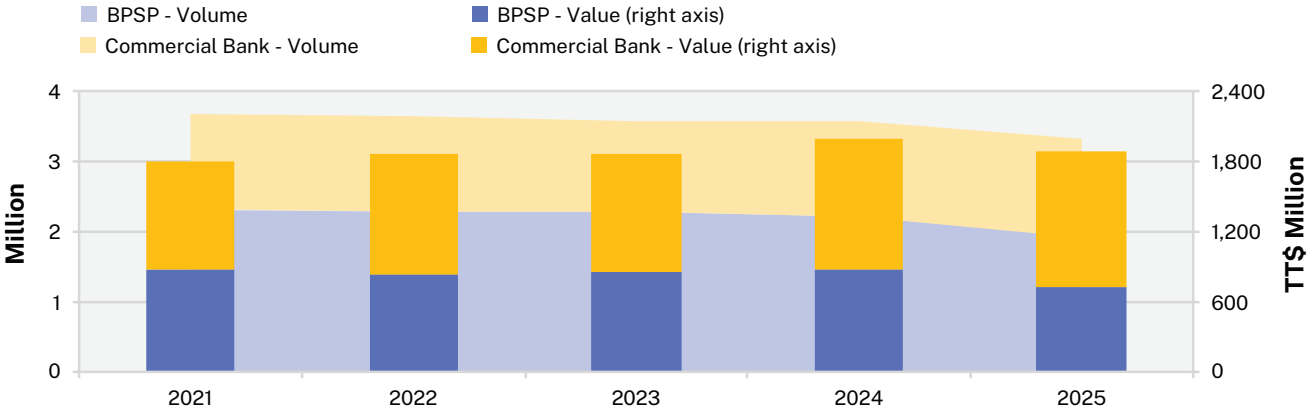
In support of fintech sector development, the Central Bank continued to engage with registered Payment Service Providers (PSPs) that provide payment services on behalf of third parties, including bill payments and electronic money[52] (e-money) services. As at 2025, the Central Bank currently supervises nine PSPs, of which five are EMIs. These PSPs are subject to ongoing monitoring to ensure compliance with the Central Bank's legislative framework and the effective identification, management and mitigation of associated risks. Consistent with the Central Bank's overall approach to supervision, the supervisory framework for PSPs was enhanced through the implementation of a risk-based supervision framework.

FIGURE 53
TRENDS IN DOMESTIC RETAIL PAYMENTS – BILL PAYMENTS, 2021 – 2025



Source: Central Bank of Trinidad and Tobago

FIGURE 54
TRENDS IN DOMESTIC RETAIL PAYMENTS – BILL PAYMENTS AS PAYMENTS SERVICE PROVIDERS AND COMMERCIAL BANKS, 2021-2025



Source: Central Bank of Trinidad and Tobago



Bill Payments Services

In 2025, 1.9 million bill payment transactions valued at $0.7 billion were processed by PSPs compared with 2.2 million transactions valued at $0.87 billion in 2024. Cash remained the most popular means of making bill payments at PSPs, accounting for over 94.6 per cent of the volume and 92.9 per cent of the value of total payments; the accepted means of payment for a large PSP (Figure 53). Meanwhile, the volume and value of payments made using debit cards and credit cards reduced significantly in 2025 when compared to the previous year by 57.2 per cent and 73.7 per cent, respectively. This is due in part to the exit of one payment service provider from the market in March 2025.

Conversely, the volume and value of bill payments processed by commercial banks increased by 2.9 per cent and 1.3 per cent, respectively, albeit at a slower pace. This increase may be attributed to consumers migrating to paying bills via commercial banks' websites and apps. As with previous years, commercial banks processed bill payments of larger values (Figure 54).

E-Money Issuers

EMIs, which operate as a subset of the PSP sector, provide platforms that allow its users to make digital payments via money stored on a wallet, prepaid card, or e-money account.

The volume and value of EMI transactions stood at 0.04 million and $0.02 billion, respectively. Though the EMI market continued to show growth in 2025, EMI transactions remain lower than the volume and value of other PSP transactions.

BOX 2
ENHANCING FINANCIAL CRISIS MANAGEMENT CAPABILITIES THROUGH SIMULATION EXERCISES

Since the 2008 Global Financial Crisis, financial authorities have become increasingly interested in strengthening their internal capacity and operations to resolve troubled financial institutions efficiently (speed and cost) while mitigating the risks to financial stability, taxpayers, and of economic growth. One approach increasingly being adopted by authorities to build capacity is financial crisis simulation.

On April 8, 2026, the Central Bank of Trinidad and Tobago (Central Bank), the Trinidad and Tobago Securities and Exchange Commission, and the Trinidad and Tobago Deposit Insurance Corporation conducted their first joint tabletop financial crisis simulation exercise. The objective was to assess institutional readiness, efficacy of resolution tools and instruments, decision-making processes, inter-agency coordination, and crisis communications under stressed conditions. The exercise forms part of the Central Bank's broader efforts to strengthen stability by enhancing its crisis preparedness. Participants in the exercise were the key decision-making officials of the various authorities who are also members of the Financial Stability Committee (FSC).

The scenario focused on the failure of a fictitious D-SIB with subsidiaries in brokerage, mutual funds, and asset management businesses. This D-SIB faced a stressed liquidity situation stemming from deposit withdrawals, deteriorating capital buffers, investment fund redemption, and market speculation of government intervention. The scenario escalated through a series of supervisory stages from invocation of Section 44D of the Central Bank Act Chap 79:02, which was resolved with a bridge bank.

The scenario focused on four main decision points as follows:

Figure 1: Scenario Decision Points

Invocation of resolution powers	Fiscal authority briefing	Media leak	Bridge bank resolution announcement
A severe liquidity shock triggered by accelerated withdrawals and funding stress. Participants were asked to discuss non-viability assessment, governance escalation, and resolution authority actions, resulting in the decision to initiate the bridge bank proceedings.	This decision point presented participants with a situation where the fiscal authority requested urgent clarification on fiscal exposure, contagion risks, and the legal basis for resolution actions. Participants addressed coordination, funding implications, and communication to facilitate the briefing.	The exercise included a media leak that the “Government will initiate a takeover of the financial entity", which tested authorities in the areas of crisis communication, coordination, message discipline, and market confidence management.	Participants deliberated on the public announcement and implementation of the bridge bank, including depositor communication, staff transition, operational continuity, and market stabilisation measures.

Source: Central Bank of Trinidad and Tobago

The exercise was suitable for several reasons. First, it will promote future activities among the authorities that will strengthen preparedness before a crisis occurs. Second, its cross-institutional nature reflects the reality that financial crisis management often involves multiple agencies. Third, the scope and objective also reflect another reality: clear communication, information sharing, and coordinated decision-making are critical to preserving confidence during a crisis.

The recent exercise will be useful when undertaking next steps in the following areas:

Governance and decision-making framework: It involves updating the financial crisis governance framework and, where necessary, streamline sequencing and escalation protocols, and spokesperson authority to ensure decisive actions. This update will also clarify institutional roles and responsibilities to improve decision-making in a D-SIB crisis.

Information-sharing arrangements: This aspect involves formalising inter-agency information-sharing arrangements among the relevant authorities, including clarifying the role, mandate, and legislative standing of the FSC. It also includes ensuring clear statutory authority on communication channels and the type of information that can be shared during a crisis. Formalisation could take the form of legislative amendments or Memoranda of Understanding. Further, the arrangements will include safeguards to protect officials from personal and civil liability who act in good faith and within the scope of their mandate. Cross-border information sharing will also be considered in informal arrangements.

Intervention operations: This area involves executing resolution plans and formalising intervention activities using formal operational protocols to sequence takeovers and intervention, such as informing relevant stakeholders, maintaining critical services (e.g., ATM operations), or assuming control of assets and records of the financial institution. This area also covers the treatment of subsidiaries affected by the resolution and option-specific resolution arrangements based on institutional structure or business model. This work will also facilitate the development of operational resolution plans or a crisis management playbook.

Crisis communication framework: Inter-agency coordination and dissemination of public notifications and disclosures could reduce market destabilisation or reputational risk for authorities if misinformation or conflicting information occurs during a crisis. Future activities in this area include strengthening the crisis communication framework. The development of pre-approved templates and protocols, coordinated public messaging approaches, procedures for addressing social media misinformation, and measures to monitor and assess social media sentiments will also be considered in the framework.

Resolution Funding: Resolution funding can affect resolution execution. A working group will be established between policy authorities to define resolution funding arrangements and ownership principles. The arrangements will include specifying the scope, triggers, limits, and conditions for fiscal backstops, including the information and communication requirements to support timely funding access and clear ownership.

Simulation exercise scheduling: Future simulation exercises will test a range of plausible events and risks facing financial institutions. For instance, the exercises will include greater realism and events such as cyber incidents to test decision-making and operational readiness. The Central Bank will establish a structured training programme for officials to reinforce statutory powers and coordination requirements.

The recent exercise reflects the Central Bank's and the other authorities' ongoing efforts to respond to future crises through improved coordination and preparedness.


+ 11.38
+ 7.12
+ 7.00
+ 6.92
+ 6.01
+ 5.56
+ 2.43
+ 1.54
+ 1.75

CHAPTER 4

Safeguarding the Financial System

SAFEGUARDING THE FINANCIAL SYSTEM

In 2025, the Central Bank made meaningful progress in implementing measures to strengthen resilience and confidence in the domestic financial system. Key initiatives included the publication of a guideline for reviewing customer relationships and the implementation of the Liquidity Coverage Ratio for commercial banks and qualifying NBFIs. A risk-based supervisory framework was approved in June 2025. The Central Bank also began a consolidated on-site examination, focusing on enterprise risk management, information technology governance and cybersecurity, and anti-money laundering (AML) and countering the financing of terrorism (CFT). Notably, Trinidad and Tobago was removed from the European Union's (EU) list of non-cooperative jurisdictions for tax purposes

STATUS OF IMPLEMENTATION OF NEW SUPERVISORY STANDARDS

Basel II/III Measures

The LCR is a short-term liquidity measure that aims to ensure that banking institutions have sufficient high-quality liquid assets (HQLA) to meet expected net cash outflows for the next thirty (30) days. The LCR came into effect on October 1, 2025, via publication of Notice in the Gazette on August 15, 2025 by the Minister of Finance (MOF). As such, commercial banks and non-banks that are parent companies are now required to submit LCR data on a monthly basis (quarterly for consolidated submissions).

The Pillar 3 Disclosure Requirements under the Basel II/III Framework require financial institutions to disclose key information on capital, liquidity, risk exposures, risk management systems, and controls. Pillar 3 was implemented effective July 1, 2026, following the publication of a Notice in the Gazette by the Minister of Finance on June 29, 2026, and the subsequent issuance by the Central Bank of the Pillar 3 Market Disclosures Guideline.

Consolidated Supervision Framework

The Central Bank is in the process of updating its consolidated supervision framework, which is due to be finalised in 2026. The current framework focuses on bank-led groups. In this regard, the revised framework will incorporate updated guidance on consolidated supervision for mixed financial conglomerates comprising banks, insurers and securities firms.

International Financial Reporting Standard 17 (IFRS 17)

International Financial Reporting Standard 17 became effective for all reporting periods ending after January 1, 2023. It fundamentally changed the valuation and reporting methodology for insurance business, particularly long-term insurance contracts. All insurers have now submitted audited annual financial statements and statutory accounts in accordance with IFRS 17 for three financial year-ends (2023, 2024 and 2025). The supervisory team has been reviewing these submissions and improving the quality of our analysis and understanding of key performance indicators through continuous training and knowledge sharing.

The Central Bank has continued to work towards full implementation of IFRS 17 in the insurance sector. Technical assistance has been sought to calibrate the capital adequacy framework for IFRS 17 based on insurers' submissions. Additionally, quarterly regulatory returns in compliance with IFRS 17 have been drafted and the instructions manual updated. These items are expected to be disseminated to the insurance sector in 2026.



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 Central Bank of significant cyber incidents. In addition to the Guideline, the Central Bank established a cross-departmental team to develop a Cybersecurity Risk-Based Supervision Framework and Risk-Based Manual of Policies and Procedures for Cybersecurity Supervision. The draft Framework was completed at the end of FY2025, and the draft Manual was completed in March 2026. Further to this, all examiners are being trained in cyber risk.

Thematic Liquidity and Market Risk On-site Examinations

The Central Bank completed its thematic Liquidity and Market Risk on-site examinations (Thematic Reviews) of selected banking institutions during 2025. A report on these thematic examinations which distils common issues and recommendations for treating with same will be issued in 2026.

Credit Risk Survey and Thematic Credit Risk On-site Examination

A credit risk survey was was conducted over the period September to November 2025. The survey — administered to eight banks and 11 non-bank financial institutions — assessed trends in NPLs, governance arrangements, expected credit loss (ECL) practices, and recovery processes. The findings reflect information from institutions, pending verification from the Central Bank. The results will inform supervisory risk assessments and help identify institutions requiring further supervisory review.

Four institutions were identified for targeted on-site examinations — to validate survey results. The examinations will take the form of thematic reviews aimed at assessing the adequacy of credit governance arrangements, ECL practices, and NPL management frameworks, with the scope aligned to the key risk areas identified in the survey. These on-site reviews commenced in June 2026.

Consolidated On-site Examination

The Central Bank is currently conducting a consolidated on-site examination of a financial group. The examination is focused on three key areas of risk — enterprise risk management, information technology governance and cybersecurity, and AM/CFT/counter-proliferation financing (CPF) — and will span four subsidiaries in the group, including three regional subsidiaries. The examination is expected to conclude by the end of March 2027.

OTHER SUPERVISORY INITIATIVES/DEVELOPMENTS

Risk-Based Supervision

The Risk-Based Supervision Framework was approved on June 2, 2025, and became effective on October 1, 2025. It is currently in the implementation phase, with a focus on embedding the Framework within supervisory processes.

Supervisory Updates (Insurance Sector)

1. The Guideline on the Approval for Insurers to Engage in Real Estate Investments was issued via circular letter dated April 24, 2026.
2. Guidelines in progress: Own Risk and Solvency Assessment (ORSA) and the Management of Liquidity Risk for Insurers are in the final stages of completion.
3. Restructuring activities: for two major financial groups are ongoing. The restructuring of two major financial groups remained a key focus area throughout the review period. Insurers that are members of a mixed conglomerate, comprising two or more financial entities, are required to restructure to form a financial group to facilitate consolidated supervision. The IA 2018 also requires the 'ring-fencing' of the financial entities in the group from the non-financial entities.
4. Thematic Review of Universal Life Policies and Investment-Linked Policies: The Central Bank, via circular letter dated June 18, 2025, initiated a thematic review of Universal Life and Investment Linked policies. This review seeks to assess current practices, identify areas for improvement, promote sound market conduct, and support the fair treatment of policyholders throughout the product lifecycle. Preliminary observations and proposed recommendations, based on insurers' submissions, have been drafted and is currently under review.

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

Caribbean Financial Action Task Force (CFATF) 5th Round Mutual Evaluation

Sustained focus on strengthening Trinidad and Tobago's AML/CFT/CPF framework continued in 2025, underpinned by the completion of several National Risk Assessments and significant legislative reforms ahead of the CFATF 5th Round Mutual Evaluation (MEV) of the country's AML/CFT/CPF regime. The CFATF MEV of Trinidad and Tobago formally commenced in March 2025 and concluded in March 2026 with the on-site visit by the assessors. Trinidad and Tobago met all deadlines for submission of information for: (i) the desk-based review of the country's technical compliance with the Financial Action Task Force's (FATF) Standards; and (ii) evidence of effective implementation of the national AML/CFT/CPF framework. Following the on-site visit, and as part of the mutual evaluation process, the authorities will receive draft reports for review and comment, including verification of factual accuracy, prior to finalisation of the report. It is expected that Trinidad and Tobago's mutual evaluation report will be discussed for formal adoption at the CFATF's plenary meetings in November 2026.

National Risk Assessments

The country, through the National AML/CFT/CPF Committee (NAMLC), completed its third National Money Laundering/Terrorist Financing Risk Assessment (NRA) alongside assessments of: (i) legal persons and legal arrangements; (ii) non-Profit Organisations; (iii) proliferation Financing (PF); and (iv) virtual Assets/Virtual



Assets Service Providers (VA/VASP). The Central Bank coordinated the assessments of its regulated sectors and collaborated with other stakeholders to conduct the PF and VA/VASP risk assessments. The outcomes of the NRAs informed the National AML/CFT/CPF Policy and Strategy (2026–2029), which is the strategic roadmap for the coordination of the country's action plan to address the NRA findings. An NRA workshop was held on January 26, 2026, to share the NRA findings and recommended actions with public and private-sector stakeholder.

Legislative Reform

Significant legislative reform was undertaken to strengthen and better align the domestic AML/CFT/CPF framework with the FATF Standards. This included *inter alia* the introduction of administrative monetary penalties for AML/CFT/CPF breaches and an interim framework for regulating VA/VASPs, as well as enhancements to the CPF framework.

The Central Bank commenced sensitisation sessions with its stakeholders, including the private sector, to disseminate the NRA sectoral findings and clarify expectations regarding the actions required to address identified risks and the ongoing legislative reforms.

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

In 2025, Trinidad and Tobago made significant progress towards removal from the EU's list of non-cooperative jurisdictions for tax purposes. Following substantial legislative and operational reforms to strengthen tax transparency and beneficial ownership reporting, the country achieved a "Largely Compliant" rating in the Global Forum's Second Peer Review. As a result, Trinidad and Tobago was officially removed from the EU list on February 17, 2026.

Trinidad and Tobago remains on the EU list of High-Risk Third Countries (EU AML List), pending, *inter alia*, a reassessment of compliance with FATF Recommendation 35 (Sanctions) in its 5th Round MEV.

Regulatory Guidance

In April 2025, the Central Bank published its Guidance for Conducting Periodic Reviews of Customer Relationships. The guidance sets out the Central Bank's expectations regarding the conduct of ongoing due diligence and periodic reviews of customer relationships.

PAYMENT SYSTEM REGULATORY DEVELOPMENTS

The Central Bank continued its efforts towards implementing a modern, comprehensive and risk-based legislative framework aimed at strengthening the legal foundation for the National Payments System, taking into account emerging business models, and evolving risks within the payments landscape. The draft Payment Systems and Services Bill and three accompanying Regulations: (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 were completed in 2024 **(Box 3).**

During 2025, the Bill and accompanying Regulations were finalised, and the Central Bank engaged with the Ministry of Finance to advance these instruments toward public consultation. The Bill and accompanying Regulations were subsequently published on the Central Bank's website for public consultation and stakeholder feedback on March 16, 2026. In-person consultation meetings were held with stakeholders on May 8, 2026 and May 20, 2026

(in Trinidad), and May 26, 2026 (in Tobago). The consultation period and deadline for feedback on the Bill and accompanying Regulations was June 20, 2026.

The Central Bank will continue to engage stakeholders and incorporate feedback, as appropriate, to support the development of a robust and modern regulatory framework for the payments system.

Fast Payments

The Central Bank is collaborating with stakeholders to implement a Fast Payments System (FPS) modelled on India's Unified Payments Interface (UPI). In September 2024, Trinidad and Tobago signed an agreement with NPCI International Payments Limited (NIPL) of India to support the development of a domestic retail fast payments system. While the initial project timeline envisaged a nine-month pilot, delays in the commencement of the initiative temporarily paused planning activities.

During 2025, the Central Bank engaged with relevant government ministries to advance the development of a comprehensive implementation plan. In the first half of 2026, work commenced to progress the implementation of a UPI-like payments ecosystem, focused on enabling seamless person-to-person (P2P) and person-to-merchant (P2M) transactions.

The National Payments and Innovation Company of Trinidad and Tobago (NPCITT) has been designated as the centralised entity responsible for all Government payments implementation and is expected to facilitate the implementation of the UPI-like FPS, and to ensure operational readiness across the domestic payments landscape.

Cross-Border: The CARICOM Payment and Settlement System (CAPSS)

In the first half of 2025, the central banks of The Bahamas, Barbados, Suriname, and Trinidad and Tobago, in collaboration with Afreximbank's Pan-African Payment and Settlement System (PAPSS) and Montran Corporation, successfully tested CAPSS. The pilot demonstrated CAPSS's ability to facilitate instant cross-border payments without the need for intermediaries. By reducing inefficiencies and complexities that traditionally hinder intra-regional trade, the system is poised to strengthen cross-border payments and bolster economic growth across the Caribbean.

Following the successful completion of these tests in 2025, the Central Bank initiated the implementation phase of CAPSS. This includes the establishment of specialised technical committees tasked with advancing the system's development, integration, and operational readiness within the domestic and regional financial landscape.

Overall, the pace of developments in 2025 underscores the importance of strengthening the resilience of the payments system amid increasing digitalisation, innovation, and cross-border integration. Ongoing reforms to the legal and regulatory framework, together with advances in domestic and regional payment infrastructure, are critical to mitigating emerging operational, liquidity, and settlement risks, while safeguarding user funds. These initiatives are expected to enhance the robustness of the National Payments System and support financial stability in an evolving risk environment.



BOX 3
UPDATE ON PAYMENTS SYSTEM AND SERVICES BILL

The Central Bank of Trinidad and Tobago (the Central Bank) has proposed the Draft Payment Systems and Services Bill (the Bill) to modernise and strengthen the legal and regulatory framework governing payment systems. The Bill introduces a unified, comprehensive framework to replace fragmented and outdated legislation. It is supported by three key regulations and addresses licensing, e-money, and safeguarding of user funds. This will strengthen financial stability, in Trinidad and Tobago, by addressing risks in the rapidly evolving payments landscape. The three accompanying regulations are:

(1) Licensing, Supervision and Oversight Regulations;

(2) Electronic-Money (E-Money) Regulations; and

(3) Safeguarding User Funds Regulations.

The initiative aims to enhance the safety, efficiency, and resilience of the national payments system while providing greater legal certainty and consumer protection. It also introduces a risk-based, modular regulatory approach that aligns oversight requirements with the size, complexity, and risk profile of payment service providers.

Key provisions of the Bill include: (i) the mandatory licensing of payment service providers and system operators; (ii) strengthened regulatory and enforcement powers for the Central Bank; and (iii) formal mechanisms to support innovation and the Regulatory Sandbox. The framework also broadens regulatory coverage to include a wide range of payment services such as e-money issuance, e-wallets, remittances, and electronic funds transfer processing.

The Bill will apply to payment service providers, payment system operators, and related entities, including participants, agents, and outsourced service providers operating in or targeting Trinidad and Tobago.

Expected outcomes that positively impact financial stability include:

(1) Reducing systemic and operational risks – lowering the probability of contagion and systemic disruptions from weak or unregulated providers;

(2) Enhancing regulatory oversight and enforcement – greater ability to prevent instability before it escalates into a crisis;

(3) Strengthening consumer protection and trust – ensures that customer funds are protected even if a provider becomes insolvent;

(4) Balancing innovation with risk management – minimises disruptions to payments, which are essential for economic activity and financial system functioning.

In summary, the framework not only modernises the payments ecosystem but also ensures that its growth occurs in a controlled, resilient, and stability-enhancing manner, which is essential for the broader financial system. Overall, the Bill represents a significant regulatory advancement designed to support a modern, inclusive, and digitally driven payments ecosystem.

The Draft Bill and three accompanying regulations were published for public consultation on March 16, 2026. Stakeholder feedback was invited through June 20, 2026 and will be supported by engagement sessions across Trinidad and Tobago.


+ 11.38
+ 7.12
+ 7.00
+ 6.92
+ 6.01
+ 5.56
+ 2.43
+ 1.54
+ 1.75

APPENDICES

APPENDIX A
DOMESTIC FINANCIAL STABILITY MONITOR HEAT MAP, 2021 – 2025

SUMMARY HEAT MAP	December 2021	December 2022	December 2023	December 2024	December 2025
Aggregate Indicators[1]					
Financial Markets					
Banks					
Other Financial Institutions[2]					
Non-financial Sectors					
Household					
Corporate					
Sovereign					
OVERALL RISK SUMMARY					

Legend	
Low	
Moderate	
Elevated	
High	
Very High	

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 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.

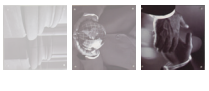
APPENDIX B

BANKING SECTOR LOANS BY SECTOR, 2020 – 2025

	TT$ Millions (Absolute Values)						TT$ Millions (Change)					Percentage Change (per cent)					Share (per cent)				
PUBLIC SECTOR LOANS	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-20 Dec-21**	**Dec-21 Dec-22**	**Dec-22 Dec-23**	**Dec-23 Dec-24**	**Dec-24 Dec-25**	**Dec-20 Dec-21**	**Dec-21 Dec-22**	**Dec-22 Dec-23**	**Dec-23 Dec-24**	**Dec-24 Dec-25**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**
Petroleum	2,534.3	2,427.1	2,375.9	2,520.1	2,428.4	2,902.3	(107.3)	(51.2)	144.2	(91.6)	473.9	(4.2)	(2.1)	6.1	(3.6)	19.5	24.8	24.1	20.7	20.6	25.6
Construction	1,226.4	1,135.5	1,548.5	3,000.3	4,011.8	2,919.7	(91.0)	413.1	1,451.7	1,011.5	(1,092.1)	(7.4)	36.4	93.7	33.7	(27.2)	11.6	15.7	24.7	34.1	25.8
Transport, Storage and Communication	525.6	412.4	718.0	498.6	389.9	445.0	(113.3)	305.6	(219.4)	(108.7)	55.1	(21.5)	74.1	(30.6)	(21.8)	14.1	4.2	7.3	4.1	3.3	3.9
Finance, Insurance and Real Estate	4,007.5	4,330.8	3,823.8	4,717.3	3,569.2	3,249.4	323.2	(507.0)	893.6	(1,148.1)	(319.8)	8.1	(11.7)	23.4	(24.3)	(9.0)	44.2	38.8	38.8	30.3	28.7
Electricity and Water	1,030.5	651.3	682.8	754.3	735.7	990.5	(379.2)	31.5	71.5	(18.6)	254.9	(36.8)	4.8	10.5	(2.5)	34.6	6.6	6.9	6.2	6.3	8.8
Other	719.8	844.2	714.1	660.1	632.7	808.7	124.4	(130.1)	(54.0)	(27.4)	176.0	17.3	(15.4)	(7.6)	(4.2)	27.8	8.6	7.2	5.4	5.4	7.1
TOTAL	**10,044.2**	**9,801.2**	**9,863.0**	**12,150.7**	**11,767.7**	**11,315.6**	**(243.1)**	**61.9**	**2,287.7**	**(382.9)**	**(452.1)**	**(2.4)**	**0.6**	**23.2**	**(3.2)**	**(3.8)**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
BUSINESS LOANS	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-20 Dec-21**	**Dec-21 Dec-22**	**Dec-22 Dec-23**	**Dec-23 Dec-24**	**Dec-24 Dec-25**	**Dec-20 Dec-21**	**Dec-21 Dec-22**	**Dec-22 Dec-23**	**Dec-23 Dec-24**	**Dec-24 Dec-25**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**
Real Estate Mortgage Loans	8,347.8	8,810.2	8,960.3	9,815.1	10,365.8	10,595.1	462.4	150.1	854.8	550.7	229.3	5.5	1.7	9.5	5.6	2.2	26.7	24.4	24.5	24.4	23.4
Finance, Insurance and Real Estate Companies	8,358.2	8,228.9	10,223.9	10,217.3	10,767.7	12,408.2	(129.2)	1,995.0	(6.7)	550.4	1,640.5	(1.5)	24.2	(0.1)	5.4	15.2	24.9	27.8	25.5	25.3	27.4
Services	8,464.5	8,919.9	9,747.1	10,623.2	11,420.2	11,909.3	455.4	827.1	876.1	797.0	489.2	5.4	9.3	9.0	7.5	4.3	27.0	26.5	26.6	26.8	26.3
Manufacturing	3,949.0	3,829.6	4,251.5	4,893.5	4,905.7	5,070.1	(119.4)	421.9	642.0	12.2	164.4	(3.0)	11.0	15.1	0.2	3.4	11.6	11.6	12.2	11.5	11.2
Construction	1,684.5	1,840.4	2,170.8	2,196.6	2,629.6	2,745.5	156.0	330.4	25.7	433.1	115.9	9.3	18.0	1.2	19.7	4.4	5.6	5.9	5.5	6.2	6.1
Other (Agriculture, Petroleum, Leasing)	1,168.8	1,391.9	1,427.6	2,264.1	2,461.8	2,634.0	223.1	35.7	836.5	197.7	172.2	19.1	2.6	58.6	8.7	7.0	4.2	3.9	5.7	5.8	5.8
TOTAL	**31,972.6**	**33,021.0**	**36,781.2**	**40,009.7**	**42,550.8**	**45,362.3**	**1,048.4**	**3,760.2**	**3,228.5**	**2,541.1**	**2,811.5**	**3.3**	**11.4**	**8.8**	**6.4**	**6.6**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
CONSUMER LOANS BY PURPOSE	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**	**Dec-20 Dec-21**	**Dec-21 Dec-22**	**Dec-22 Dec-23**	**Dec-23 Dec-24**	**Dec-24 Dec-25**	**Dec-20 Dec-21**	**Dec-21 Dec-22**	**Dec-22 Dec-23**	**Dec-23 Dec-24**	**Dec-24 Dec-25**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25**
Real Estate including Mortgages	19,336.4	19,779.6	21,084.5	22,471.7	23,995.4	25,423.0	443.2	1,305.0	1,387.1	1,523.7	1,427.6	2.3	6.6	6.6	6.8	5.9	53.1	53.4	53.0	51.7	51.6
Vehicles	5,187.9	4,683.7	4,548.8	5,072.1	5,845.4	6,444.6	(504.2)	(134.9)	523.3	773.4	599.1	(9.7)	(2.9)	11.5	15.2	10.2	12.6	11.5	12.0	12.6	13.1
Credit Cards	3,143.2	2,903.6	3,260.4	3,309.1	3,679.9	3,823.2	(239.6)	356.8	48.7	370.8	143.3	(7.6)	12.3	1.5	11.2	3.9	7.8	8.3	7.8	7.9	7.8
Refinancing	2,776.2	3,270.5	3,712.8	3,896.0	4,188.7	4,279.9	494.3	442.2	183.3	292.7	91.2	17.8	13.5	4.9	7.5	2.2	8.8	9.4	9.2	9.0	8.7
Consolidation of Debt	2,961.6	2,865.9	3,057.5	3,283.9	3,652.7	3,866.1	(95.7)	191.6	226.4	368.8	213.4	(3.2)	6.7	7.4	11.2	5.8	7.7	7.7	7.8	7.9	7.8
Other Purposes	3,850.2	3,758.0	3,852.3	4,333.0	5,044.1	5,454.4	(92.2)	94.3	480.7	711.1	410.3	(2.4)	2.5	12.5	16.4	8.1	10.1	9.7	10.2	10.9	11.1
TOTAL	**37,255.5**	**37,261.2**	**39,516.3**	**42,365.8**	**46,406.2**	**49,291.2**	**5.7**	**2,255.1**	**2,849.5**	**4,040.4**	**2,885.0**	**0.0**	**6.1**	**7.2**	**9.5**	**6.2**	**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.



CENTRAL BANK OF TRINIDAD AND TOBAGO

FINANCIAL STABILITY REPORT 2025

Central Bank of Trinidad and Tobago
P.O. Box 1250
Port of Spain
Republic of Trinidad and Tobago
www.central-bank.org.tt

© Copyright 2025 Central Bank of Trinidad and Tobago