CENTRAL BANK OF TRINIDAD & TOBAGO

Financial Stability Report 2025

HIGHLIGHTS

IN SUMMARY

- **Global financial conditions remained broadly accommodative in 2025.**

  Global financial conditions remained broadly accommodative in 2025, supported by stable growth and moderating inflation, which enabled cautious monetary easing. However, the onset of the Middle East war in February 2026 threatens to reignite inflationary pressures, disrupt current monetary policy trajectories, and increase the risk of tighter financial market conditions in 2026.

- **Global financial sector remains resilient.**

  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. Notwithstanding, financial stability risks persisted at elevated levels as the ongoing geopolitical tensions, which represent a significant shock, could exacerbate existing vulnerabilities (such as sovereign debt and fiscal sustainability concerns, asset repricing, and financial interconnectedness) while also creating new risks, thereby increasing overall financial stability concerns.

- **Domestic economic conditions weakened.**

  Real Gross Domestic Product (GDP) moderated in 2025. Energy sector activity improved over the period but non-energy sector activity experienced slower growth. Although inflation remained contained at historically low levels, debt and external positions deteriorated.

- **Domestic financial sector remains resilient.**

  The domestic financial sector expanded modestly in 2025. Despite vulnerabilities, key financial soundness indicators (FSIs) including capital adequacy, asset quality and profitability, remained broadly satisfactory throughout the review period.

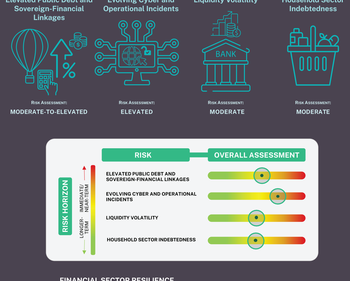
- **Existing vulnerabilities continued to shape the domestic financial risk landscape.**

  Domestic financial stability risks were moderate to elevated in 2025 as underlying vulnerabilities continued to shape the risk landscape. These included elevated levels of debt and strong sovereign-financial linkages, liquidity volatility, evolving cyber and operational incidents, and household sector indebtedness.

- **The Central Bank continues to promote financial stability through various initiatives.**

  During 2025, the banking sector's Financial Institutions (Liquidity) Regulations for implementing the Liquidity Coverage Ratio (LCR) and Liquidity Monitoring Tools came into effect. A draft guideline on liquidity risk management for Insurers and a complementary liquidity risk return were issued to the industry. The Guideline on Approval for Insurers to Engage in Real Estate Investments was also finalised during the year.

GLOBAL FINANCIAL STABILITY RISKS



DOMESTIC MACRO-FINANCIAL CONDITIONS



Real Gross Domestic Product declined by 0.5 per cent (year-on-year) in 2025 compared to 2.6 per cent one year prior.

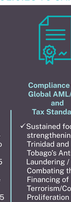
Sovereign Debt continued to trend upward, reaching 84.4 per cent of GDP at the end of 2025, compared to 81.2 per cent at the end of 2024.

Non-Performing Loan ratios remained unchanged for the Household sector but rose for the Corporate sector over 2025.

DOMESTIC FINANCIAL STABILITY RISKS

Financial stability risks in Trinidad and Tobago were 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 monetary policy easing. Results from the macroprudential early warning indicators point to growing pressures, including a slowdown in domestic economic activity, moderating private sector credit growth, emerging liquidity concerns, rising but contained inflation, and weakening resilience to external shocks.











FINANCIAL SECTOR RESILIENCE

Financial system assets expanded modestly in 2025, with the banking, insurance, and pension sectors accounting for the majority of total system assets. Asset concentration remained elevated, increasing the potential for systemic contagion. In particular, domestic sovereign exposures, through investments and loans, continued to comprise a significant share of overall asset portfolios.



Banking Sector

The banking sector remained stable and resilient in 2025, evidenced by improved capital adequacy and profitability indicators; however, asset quality deteriorated marginally. Notwithstanding, the sector exceeded the recently introduced regulatory liquidity coverage requirements and maintained moderate loan growth.



Insurance Sector

The long-term and general insurance industries remained well capitalised and profitable, with satisfactory levels of liquidity as at December 2025.



Pension Sector

The pension sector continued to be affected by subdued asset value appreciation, while pension plan portfolios remained constrained by limited domestic opportunities. Although fewer pension plans reported deficit positions in 2025, compared to the previous four years, funding levels are highly dependent on investment performance and members' demographics.



Payments System

Despite the slower pace of growth compared to 2024, electronic payments continued to expand in 2025 reflective of the ongoing shift toward digital payment methods. In support of fintech sector development, the Central Bank continued to engage with registered Payment Service Providers. As at 2025, nine PSPs were supervised by the Central Bank, five of which were electronic money issuers.

POLICIES TO SAFEGUARD FINANCIAL STABILITY

Implementation of New Supervisory Standards

- ✓The Liquidity Coverage Ratio (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).
- ✓ A draft Guideline on the Net Stable Funding Ratio (NSFR) is currently under review by the Central Bank.
- ✓ The draft Pillar 3 Guideline and Reporting Template were submitted to the MOF in December 2025 for approval and promulgation following industry consultations.

Compliance with Global AML/CFT and Tax Standards

- ✓Sustained focus on strengthening Trinidad and Tobago's Anti-Money Laundering / Combating the Financing of Terrorism/Counter Proliferation Financing (AML/CFT/CPF) framework continued in 2025 ahead of the CFATF Fifth Round Mutual Evaluation (which concluded in March 2026).
- ✓Completed its third National Money Laundering/Terrorist Financing Risk Assessment (NRA), together with assessments of legal persons and legal arrangements, non-profit organisations, Proliferation Financing (PF) and Virtual Assets/Virtual Assets Service Providers (VA/VASP).
- ✓Introduced administrative monetary penalties for AML/CFT/CPF breaches and an interim framework for regulating VA/VASPs, as well as enhancements to the Counter-Proliferation Financing framework.
- ✓Trinidad and Tobago was officially removed from the European Union's (EU) list of non-cooperative jurisdictions for tax purposes in February 2026 following substantial legislative and operational reforms.

Strengthening Risk-Based Supervision and Analytical Capability

- ✓ The Risk-Based Supervision Framework was approved on June 2, 2025, and became effective on October 1, 2025.
- ✓ The Cybersecurity Risk-Based Supervision Framework was completed at the end of FY 2025 and the draft Risk-Based Manual of Policies and Procedures for Cybersecurity Supervision was completed in March 2026.
- ✓On-site examinations: i) the Bank is finalising its Thematic Liquidity and Market Risk onsite examinations, ii) a credit survey was issued to banks and non-banks in September 2025; targeted onsite examinations scheduled to commence in June 2026, iii) the Bank is currently conducting an onsite examination of a financial group; targeted completion is scheduled for end-March 2027.

Review of Payments Systems Developments

- ✓The Payments Systems and Services Bill and accompanying Regulations were finalised during 2025 with public consultation and stakeholder feedback in 2026.
- ✓The Central Bank engaged with relevant government ministries to advance the development of a comprehensive Fast Payments System implementation plan.
- ✓Successfully tested the CARICOM Payment and Settlement System (CAPSS) to process instant cross-border payments without intermediaries.