BANCO CENTRAL
DEL URUGUAY

UNIT OF FINANCIAL INFORMATION AND ANALYSIS

Report on Activities

2020

EXECUTIVE SUMMARY

Banks

The evolution of world Gross Domestic Product (GDP) in 2020 was strongly guided by the Covid-19 pandemic. The Uruguayan economy in particular, registered an average annual GDP drop of 5.9% in real terms in 2020, mainly caused by the decrease in consumption and exports.

The actions taken by the Ministry of Economy and Finance, and the Central Bank of Uruguay, managed to avoid a credit crunch and maintain liquidity. In this framework, the solvency of financial institutions located in Uruguay remains stable, with the average admitted capital of banks being approximately double the required regulatory minimum, which includes requirements for credit, market, operational, and systemic risks.

In order to analyze the status of the banking system, the Superintendency of Financial Services performs stress tests that have satisfactory results from the impact of predetermined adverse scenarios. In terms of system average, regulatory capital of banks would be above the regulatory minimum if there is a severe stress scenario, while in a less severe scenario the impact would be of low significance.

Total assets of the banking system as of December 2020 amounted to USD 41,115 million, of which 33% was credit to the resident private non-financial sector. Liabilities were USD 36,580 million, of which 86% was of non-financial private sector deposits, and 90% of these were residents.

In 2020, loans extended to the private non-financial resident sector in national currency increased $ 36,388 million (13.4%), and foreign currency loans dropped by USD 137 million (1.8%). The stock of credit is almost equal among domestic and foreign currency. The increase in stock in real terms was 2.7%, while if calculated without taking into account the different exchange rates (UI, UR and USD), the new loans amounted to $ 13,100 million equivalent to USD 316 million.

Debt in Uruguayan families increased 31.1% last year with regards to annual income when bank debt is recorded (including mortgage) and debt with credit management companies. The increase in 2020 is basically explained by the evolution of household income.

Delinquency remained stable throughout the year at 2.7%, in line with the measures adopted by the Superintendency of Financial Services that allowed debt restructuring. Delinquency of consumer loans was 2.7% and 2.9% for companies as of December 31, 2020, while mortgage loan delinquency was stood at 1.3%.

Deposits of the private non-financial sector in local currency increased by $ 50,626 million (19.6% nominal, and 9.3% real). Foreign currency deposits in 2020 rose by USD 2,719 million (12.2%) of which USD 2,437million (12.7%) belong to residents and USD 282 million (9.3%) to non-residents. Total deposits then had an equivalent variation in pesos of 162,900 million (+ 14.6% in real terms) equivalent to USD 3,908 million.

In a framework of exchange rate stability after the first quarter, and actions to promote liquidity in national currency, the dollarization of resident deposits remained unchanged in 2020 despite the

uncertainty caused by the pandemic.
Regarding the maturity profile of deposits (considering liquid deposits to demand and savings accounts), stability was observed in local currency (70.5%) and an increase in foreign currency, with an increase of almost three percentage points standing at 92.6%, which would be influenced by the need for liquid funds to face the additional uncertainty caused by the pandemic.
As of December 2020, the result of the fiscal year in pesos was $ 37,402 million, increasing 3.2% in real terms, influenced by the rise in the exchange rate. Return on assets (ROA) stood at 2.2% and 20.7% return on equity (ROE).

Pension Savings

In the pension savings system, total accumulated funds reached $ 679.704 million in 2020, recording a real growth of 10.1% compared to 2019. This increase is approximately 70% due to the profitability of the investment portfolio and the remaining due to collection of contributions and pensions. At the end of 2020, the mandatory individual retirement scheme had a total of 1,468,580 affiliates.
Analyzing the distribution by currency of the total pension savings funds, a decrease in the participation of instruments in foreign currency is observed, which went from 30.3% to 22.2% in the sub-fund accumulation and from 14.4% to 9.7% in the sub-fund withdrawal at the end of 2020.
As of December 2020, the weighted average administration fee rate of the sub-fund accumulation and the sub-fund withdrawal per process month was 5.4% and 5.3% respectively, lower than December 2019 (6.3% and 6.1%). The annual real gross profitability in U.R. for 2020 was 5.2% for the system average (5.3% for the sub-fund accumulation and 4.5% for the sub-fund withdrawal).

Stock Market

The volume traded in the stock market in 2020 reached USD 39.034 million which represented a 9.9% drop compared to 2019. The primary market fell 8.4% in issued securities, a variation that was mainly due to the decrease in the issuance of certificates of deposits by private banks. Transactions in local instruments and global bonds of Uruguay in the secondary market also show a decrease of 7.5%, with a general drop in transactions, while those of foreign sovereign securities fell almost 90%, from 8.7% to 1.2% of the total.
New issuance included: negotiable bonds of private companies USD 14 million, and financial trusts USD 236 million, of which USD 146.5 million were share certificates and the remaining USD 89.5 million were debt securities. From the total number of trusts issued, USD 93 million were effectively integrated, which together with the deferred integration of trusts issued in previous years ended up providing funding in the amount of USD 345 million. The stock market thus decreased its provision of funds to economic agents by approximately 6% compared to 2019.

Insurance

Insurance companies' sales increased 2.2% in real terms over the previous year, reaching $ 61.449 million, which is 2.7% of GDP. This is mostly from life insurance premiums issued by the State Insurance Bank (33% of total market premiums) which records a real increase of 8.2% in 2020. Without considering this, real increase is zero (variation of -0.1%). Second in sales is vehicle insurance (21% market share) and a real growth of 2.8% in 2020.
There was a significant drop in premiums for work-related accidents (15%) which is closely related to the decline in work activities caused by the pandemic.
In general, the market tended to be increasingly competitive in all other areas, although this trend slowed down in 2020.