

# Monthly Market Report

The National Commission for Strategy and Prognosis revised down the economic growth forecast for 2021, to 4.3% (from 4.5% according to the autumn forecast of NCSP).

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- The private pension system remained one of the segments that was least affected in the context of the uncertainty generated by the COVID-19 pandemic, given its specific characterized by long-term saving and investment.
- The market capitalization increased by approximately 36% at the end of December compared to the minimum value recorded during 2020 (114 billion lei in March 2020).
- The dimension of the non-banking financial sector recorded a slight increase in the third quarter of 2020 (13%) compared to the previous quarter (12.57%).

## World Macroeconomic Outlook

According to data published by Eurostat, in the third quarter of 2020, the **euro area economy** returned to a growth rate of 12.5% (seasonally adjusted series), and the **GDP of the European Union** increased by 11.5% compared to the previous quarter. According to Eurostat, these were the most significant increases observed since 1995, since the introduction of the data series. These developments indicate a recovery compared to the second quarter of 2020, when GDP fell by 11.7% in the euro area and by 11.3 % in the EU. Romania's GDP increased by 5.8% in the third quarter of 2020 compared to the previous quarter, but compared to the same quarter of the previous year, it decreased by 5.7%.

The National Commission for Strategy and Prognosis revised down the economic growth forecast for 2021, to 4.3% (from 4.5% according to the autumn forecast of NCSP). According to the NCSP forecast, industry will have a positive contribution to GDP this year, with an estimated growth of 5.7%, agriculture (14.8%), construction (5.9%) and services (3.0%). For the next year, NCSP estimates a recovery of the Romanian economy, with an advance of 4.7%.

According to the IMF (World Economic Outlook, October 2020), Romania's economy is expected to contract by -4.8% in 2020 (an upward revision since the previous forecast: -5.0%) and will increase by 4.6% in 2021. The unemployment rate is projected at 7.9%, 4 pp higher than in 2019, while in 2021 it is expected to decrease to 6%.

### GDP development in 2019-2020

Country	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020	Q2 2020	Q3 2020	European Commission		IMF	
									2020f	2021f	2020f	2021f
Euro area	1.5	1.3	1.4	1.0	1.3	-3.2	-14.7	-4.3	-7.8	4.2	-8.3	5.2
Germany	1.1	0.1	0.8	0.4	0.6	-2.1	-11.2	-4.0	-5.6	3.5	-6.0	4.2
Spain	2.2	2.1	1.8	1.7	2.0	-4.2	-21.6	-9.0	-12.4	5.4	-12.8	7.2
France	1.8	1.8	1.6	0.8	1.5	-5.7	-18.9	-3.9	-9.4	5.8	-9.8	6.0
Italy	0.3	0.4	0.5	0.1	0.3	-5.6	-18.0	-5.0	-9.9	4.1	-10.6	5.2
Bulgaria	4.2	3.8	3.3	3.1	3.7	2.3	-8.6	-5.2	-5.1	2.6	-4.0	4.1
Croatia	4.0	2.5	2.7	2.5	2.9	0.3	-15.5	-10.0	-9.6	5.7	-9.0	6.0
Hungary	5.1	4.7	4.4	4.0	4.6	2.0	-13.5	-4.6	-6.4	4.0	-6.1	3.9
Poland	5.3	4.7	4.4	3.9	4.5	1.9	-8.0	-1.8	-3.6	3.3	-3.6	4.6
<b>Romania</b>	<b>5.4</b>	<b>3.6</b>	<b>3.4</b>	<b>4.4</b>	<b>4.2</b>	<b>2.6</b>	<b>-10.2</b>	<b>-5.7</b>	<b>-5.2</b>	<b>3.3</b>	<b>-4.8</b>	<b>4.6</b>

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Autumn 2020 Economic Forecast, World Economic Outlook – October 2020, IMF

**The annual rate of CPI inflation stood at 2.06% in December 2020 in Romania, a lower value compared to the previous month (+2.14%).** Food goods recorded the highest annual rate in December (+3.24%), followed by services (+2.69%) and non-food goods (+1.01%). Calculated on the basis of the Harmonized Index of Consumer Prices (HICP), the annual rate was 1.8% in December 2020, a slight increase compared to the previous month (1.7%).

**In Romania, the industrial production** decreased in November 2020 compared to November 2019 by 3.4% as gross series and increased by 0.4% as seasonally adjusted series. The most affected industrial sector was the extractive industry (-10.1% gross series), followed by the manufacturing industry (-4.1%), while the production and supply of electricity and heat, gas, hot water and air conditioning increased by 4.4%.

**The volume of construction sector in Romania** increased in November 2020 by 7.8% as gross series, respectively by 14.6% as seasonally adjusted series, compared to the similar period of the previous year. The most significant increases were registered in the case of the volume of capital repair works (+23.6%), followed by new construction works (+7.5%) and maintenance and current repairs (+2.4%). By construction objects, the volume of residential buildings increased by +21.5% and engineering construction works by +9.6%, while non-residential buildings decreased by 1.7%.

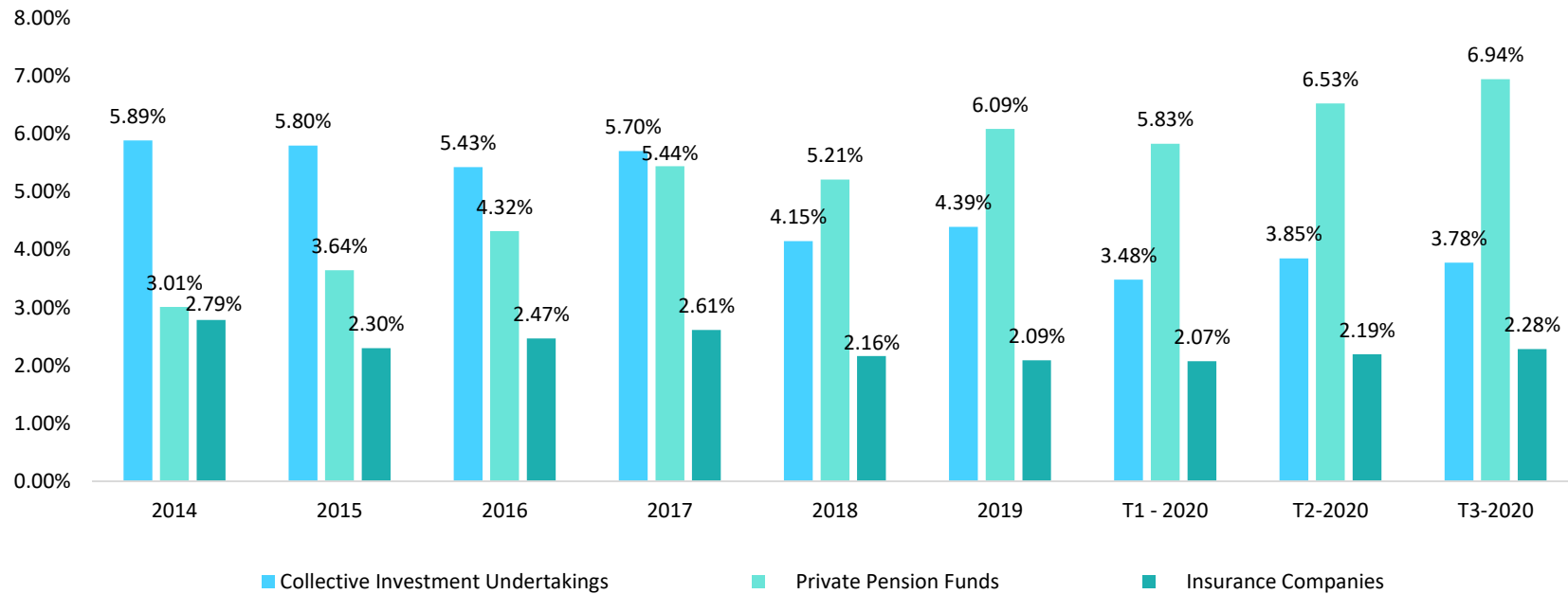
**Turnover from market services provided mainly to enterprises** increased in November 2020 compared to the same period of the previous year by 7.6% as gross series and by 9.2% as seasonally adjusted series. The activities of information services and information technology recorded the highest increase (+20.4%), followed by the activities in film production, video, television programs, broadcasting and transmission of programs (+13.3%), the transport activities (+7.4%) and other services provided mainly to enterprises (+6.8%), while communications activities decreased by 3.2%.

## The size of the banking vs. non-banking financial sector

The assets of the Romanian banking and non-banking financial markets (% of GDP)

	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3-2020
<b>Banking financial system (% GDP)</b>	<b>60.53%</b>	<b>58.59%</b>	<b>56.18%</b>	<b>60.24%</b>	<b>51.09%</b>	<b>50.34%</b>	<b>52.04%</b>	<b>53.37%</b>	<b>55.20%</b>
<b>Non-banking financial system (% GDP)</b>	<b>11.69%</b>	<b>11.74%</b>	<b>12.21%</b>	<b>13.75%</b>	<b>11.53%</b>	<b>12.57%</b>	<b>11.39%</b>	<b>12.57%</b>	<b>13.00%</b>
Collective Investment Undertakings	5.89%	5.80%	5.43%	5.70%	4.15%	4.39%	3.48%	3.85%	3.78%
Private Pension Funds	3.01%	3.64%	4.32%	5.44%	5.21%	6.09%	5.83%	6.53%	6.94%
Insurance Companies	2.79%	2.30%	2.47%	2.61%	2.16%	2.09%	2.07%	2.19%	2.28%

Evolution of nonbanking system's assets (% of GDP)



Source: NBR, NIS, FSA

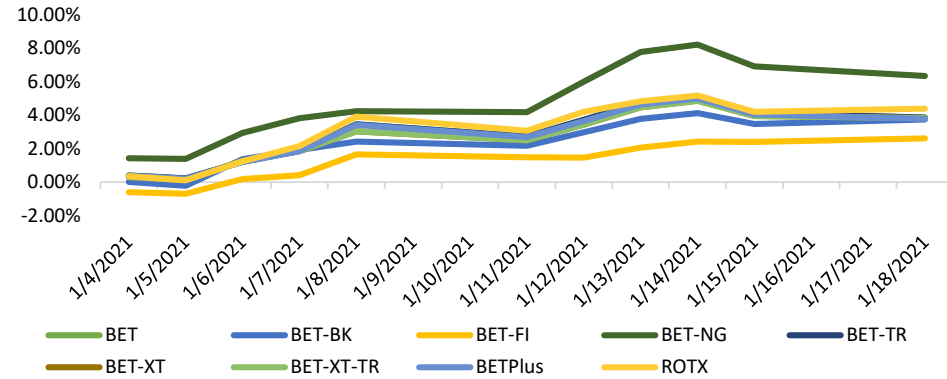
## Current trends and headlights on Romanian markets

### Romanian stock indices evolution in 2021 (30.12.2020 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
1/18/2021	3.86%	3.74%	2.61%	6.35%	3.86%

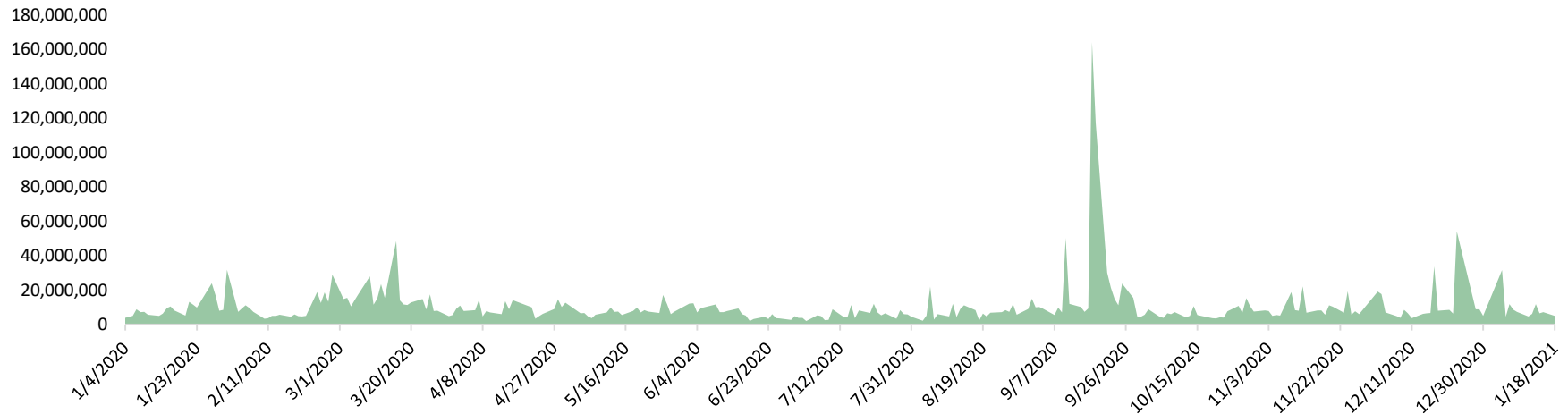
Date	BET-XT	BET-XT-TR	BETPlus	ROTX
1/18/2021	3.83%	3.83%	3.79%	4.39%

### Evolution of local stock indices



Source: BSE; FSA calculations

### Equities traded value on BSE (EUR)



Evolution of government debt (% of GDP)

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Italy	134.4	136.0	137.5	136.8	134.7	137.6	149.3	154.2
France	98.1	99.3	99.2	100.1	98.1	101.3	114	116.5
Spain	97.4	98.4	98.4	97.5	95.5	99.0	110.2	114.1
Euro zone	85.8	86.3	86.2	85.8	84.0	86.2	95	97.3
EU	79.5	79.9	79.7	79.2	77.6	79.4	87.7	89.8
Hungary	69.1	68.4	67.2	67.2	65.5	65.9	70.5	74.3
Germany	61.8	61.6	61.1	61.0	59.6	61	67.4	70
Poland	48.8	48.9	47.7	47	45.7	47.6	54.8	56.7
Romania	<b>34.7</b>	<b>33.8</b>	<b>33.9</b>	<b>35.2</b>	<b>35.3</b>	<b>37.4</b>	<b>40.8</b>	<b>43.1</b>
Bulgaria	22.3	20.9	20.3	20.5	20.2	20.1	21.3	25.3

Source: Eurostat

The government debt-to-GDP ratio in the euro area increased from 95% to 97.3% in the third quarter of 2020. There is significant heterogeneity in debt level, the share of public debt in GDP ranging from 18.5% (Estonia) to 199.9% (Greece).

Romania is among the EU member states with a low level of indebtedness (43.1%), below the indebtedness of the EU member states of 89.8% of GDP.

According to the NBR, the direct investments of non-residents in Romania (FDI) recorded a value of EUR 1.9 billion in January-November 2020 (compared with EUR 4.7 billion in the same period of the previous year).

On the other hand, the current account of the balance of payments registered a deficit of EUR 9.8 billion, compared to EUR 9.7 billion in January-November 2019.

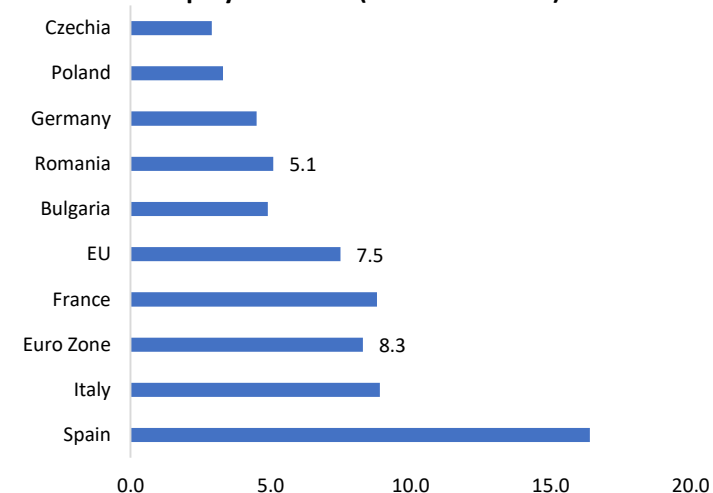
The evolution of the current account was accompanied by an increase in total external debt by EUR 10.19 billion in January - November 2020 to EUR 120 billion.

The seasonally adjusted unemployment rate in the euro area was 8.3%, while the EU unemployment rate was 7.5% in November 2020, both decreasing by 0.1 pp compared with October 2020, according to the latest figures published by Eurostat.

The seasonally adjusted unemployment rate in Romania was 5.1% in November 2020, amid the effects of the crisis generated by COVID-19.

The unemployment rate of men (5.3%) is higher than the unemployment rate of women (4.8%).

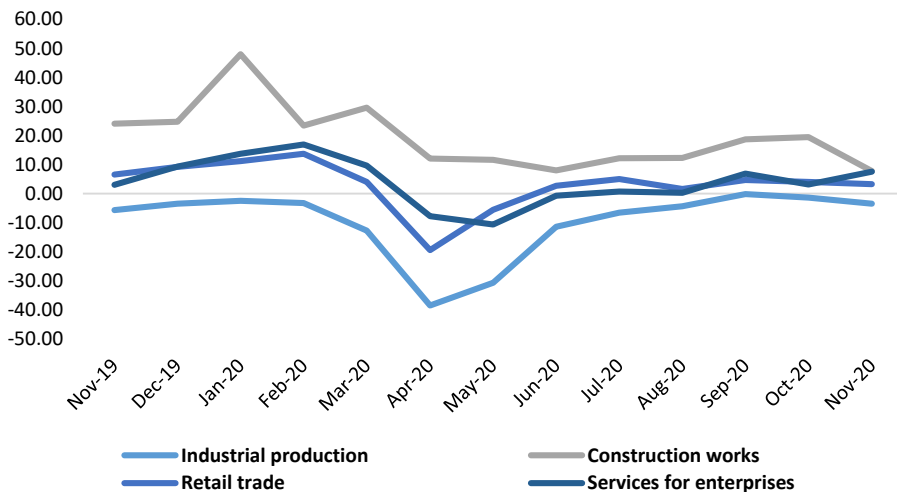
Unemployment rate (November 2020)



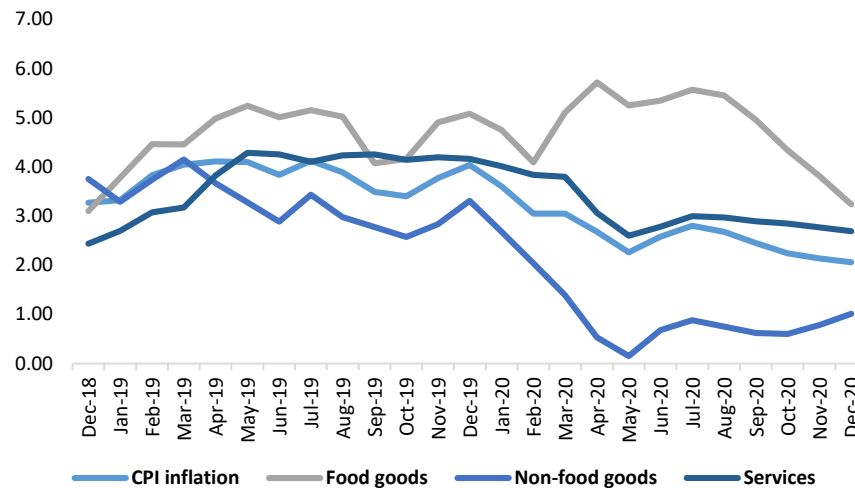
Source: Eurostat

# Macroeconomic background in Romania: development of the real sector, inflation and labor market

**Main sector indicators (annual rate of change, %)**

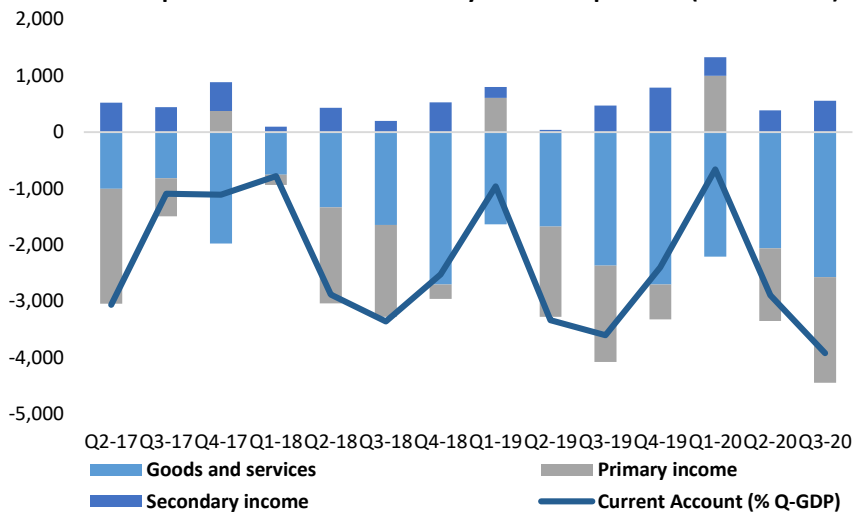


**Inflation, monthly data (annual rate of change)**



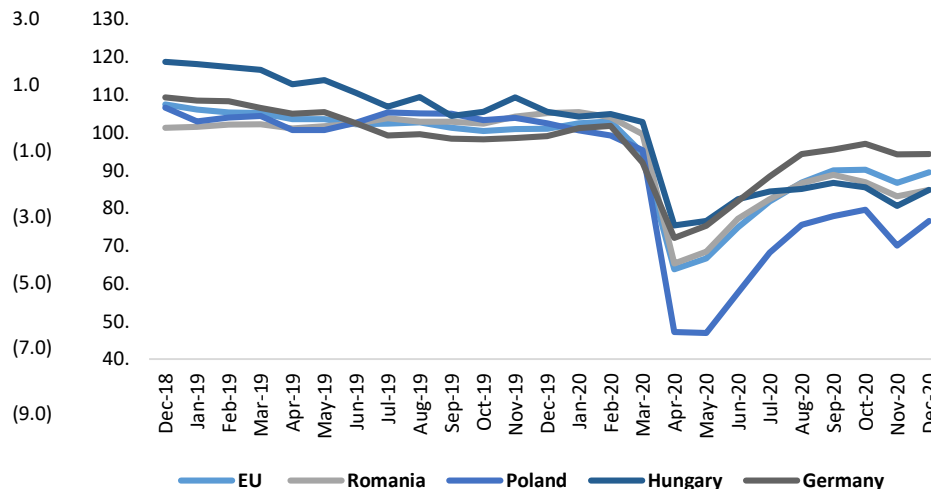
Source: National Institute of Statistics; FSA calculations

**Development of current account by main components (million euro)**



Source: NBR, FSA calculations

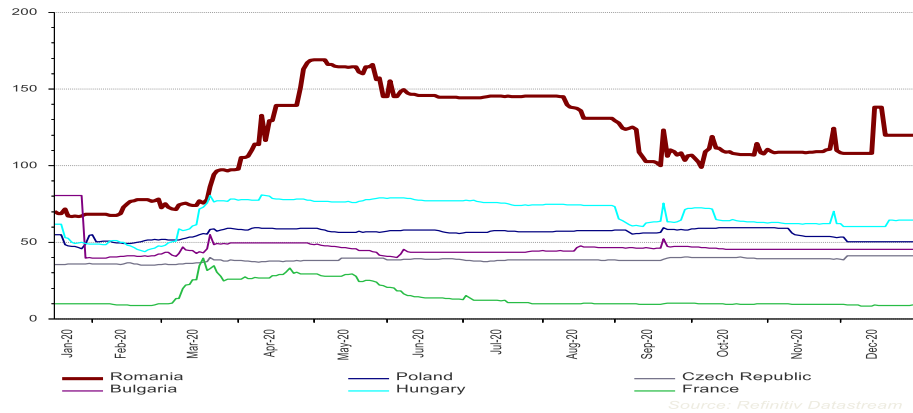
**The economic sentiment index in EU**



Source: Eurostat

## Macroeconomic risk in Romania: external position and market perception of sovereign risk

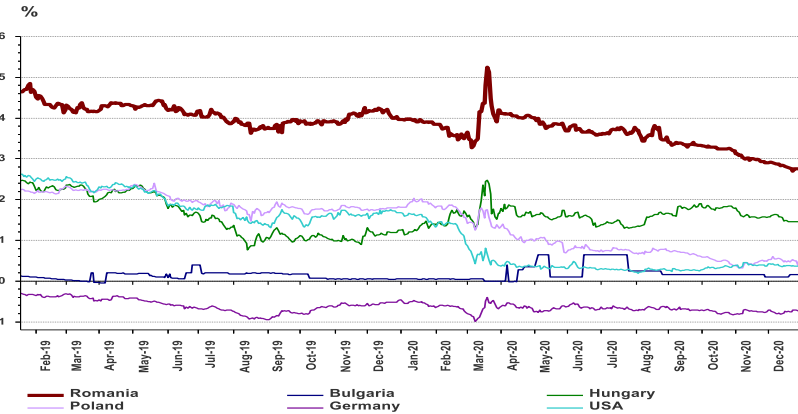
Evolution of Credit Default Swaps quotations (5Y, USD)



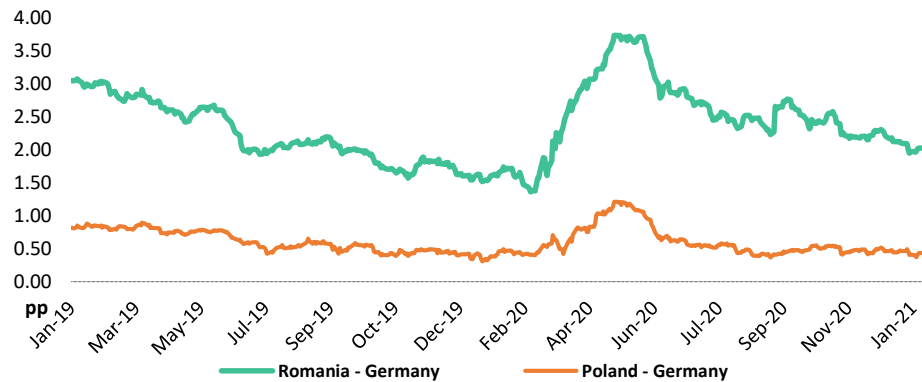
Source: Datastream

Romania 5-year bond yields decreased by 6% in December 2020 as compared with the previous month, reaching an average value of 2.81%, while Bulgaria 5-year bond yields continued to decrease to an average value of 0.12%. Germany 5-year bond yields remained negative, at very low levels (average value of -0.75% in December).

Government bond yields (5Y, LC)



Government bond yields spread of Romania (10Y, LC)



Source: Datastream, FSA's calculations

Romania CDS quotations increased by 6.6% in December 2020 compared with the previous month, reaching an average value of 117 bp. French CDS quotations decreased by 7.4% to an average value of 8.9 bp.

At the end of December 2020, there is a decrease in the spread between Romanian and German government bonds (10Y), but it begins to be on an upward trend since the month of January 2021.

## Market risk: evolution of local and international stock indices at the end of December 2020

### International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	2.01%	12.38%	12.69%
FR (CAC 40)	0.60%	15.57%	12.47%
DE (DAX)	3.22%	7.51%	11.44%
IT (FTSE MIB)	0.78%	16.92%	14.75%
GR (ASE)	9.78%	29.49%	26.62%
IE (ISEQ)	2.67%	15.60%	23.48%
ES (IBEX)	-0.04%	20.21%	11.65%
UK (FTSE 100)	3.10%	10.13%	4.71%
US (DJIA)	3.27%	10.17%	18.57%
IN (NIFTY 50)	7.81%	24.31%	35.72%
SHG (SSEA)	2.40%	7.94%	16.37%
JPN (N225)	3.82%	18.37%	23.13%

The European indices have recorded positive developments (1M), except for the index IBEX (ES: -0.04%). The best performer was ASE index (GR) which increased by 9.78% in December, followed by DAX index (DE: 3.22%).

The main American and Asian indices showed positive evolutions. Therefore, the most significant increase was registered by the NIFTY 50 index (JPN: + 7.81%), followed by N225 index (JPN: +3.82%)

BSE indices	1 M	3 M	6 M
BET	5.59%	8.86%	13.23%
BET-BK	6.37%	9.70%	11.78%
BET-FI	9.64%	2.44%	0.56%
BET-NG	1.56%	5.34%	4.51%
BET-TR	5.68%	10.02%	14.95%
BET-XT	5.96%	7.56%	10.44%
BET-XT-TR	6.04%	8.65%	12.08%
BETPlus	5.58%	8.62%	12.96%
ROTX	4.28%	13.48%	14.58%

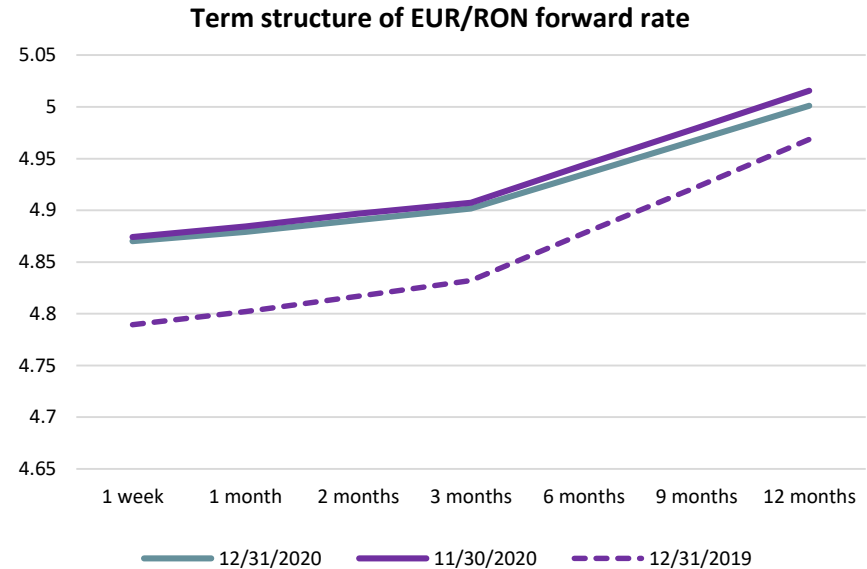
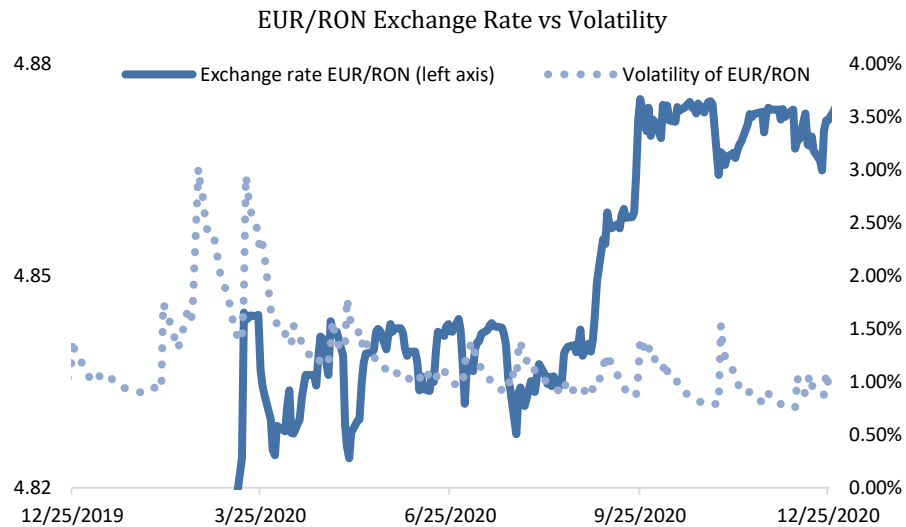
The BSE stock indices have recorded positive developments (1M). The best performer was BET-FI index which increased by 9.64% in December, while the least performing was BET-NG index which increased by 1.56%.

Source: Datastream, FSA's calculations

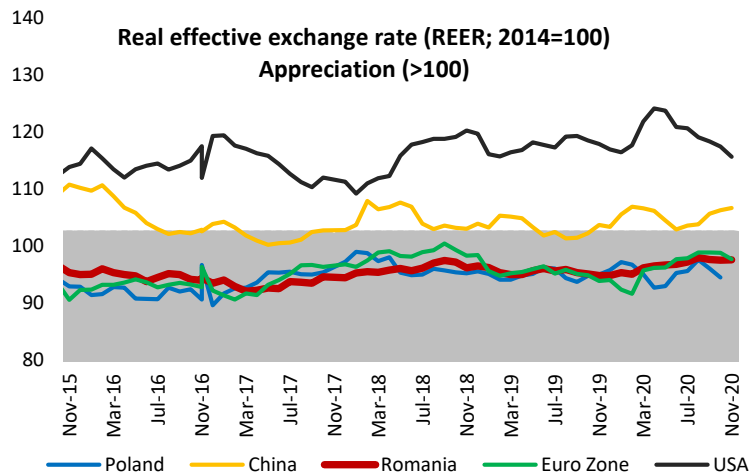
Note: 1M=12/31/2020 vs. 11/30/2020; 3M=12/31/2020 vs. 09/30/2020; 6M=12/31/2020 vs. 06/30/2020



## Market risk: volatility of Romanian government bond yields and the EURRON currency rate



Source: Refinitiv, FSA's calculations



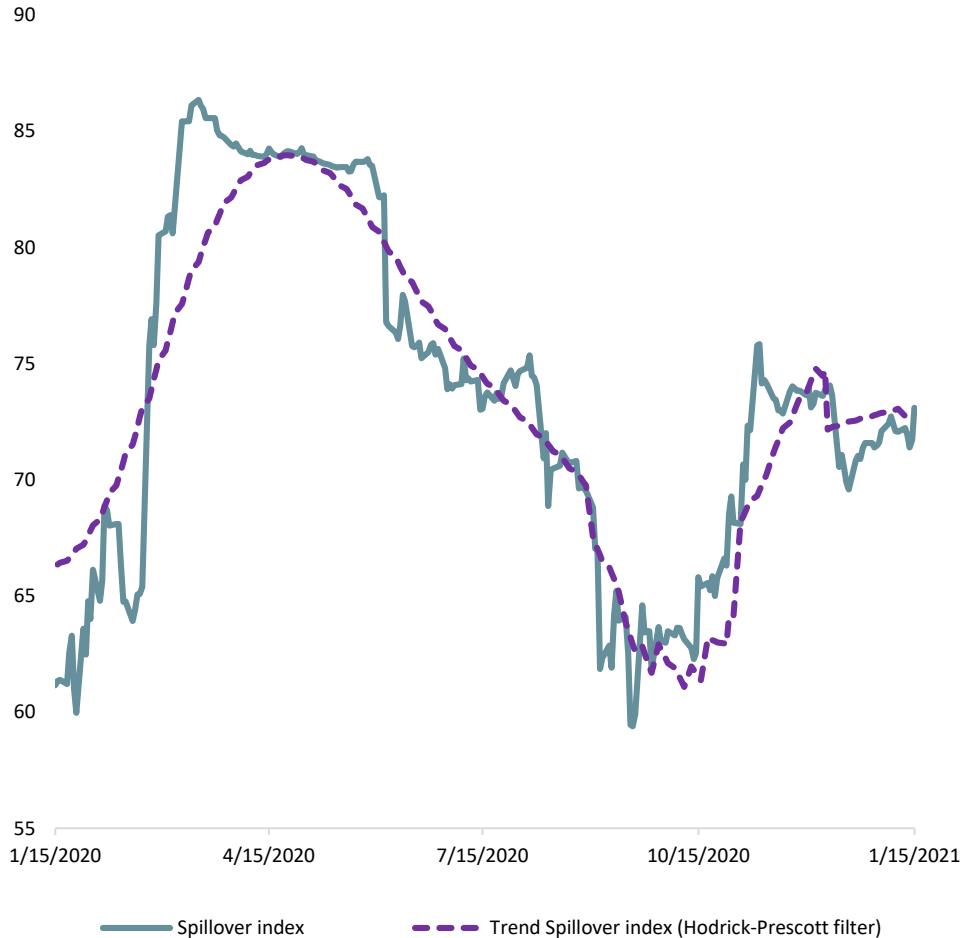
Source: BIS, FSA's calculations

The exchange rate remained around 4.83-4.844 between May and July while the volatility decreased under 2%. **We forecast that the depreciation trend will continue to remain low as the Romanian Central Bank lowered the monetary interest rate to 1.25% in January 2021 to fight the impending recession** and managed the interbank liquidity so to avoid any speculative attack on Romanian currency. The Romanian currency strongly depreciated in September due to the projected increase of 11% in the budget deficit. In December, the exchange rate stayed around 4.867.

The empirical analysis shows that the Romanian capital market and the European market are not currently perturbed by external events and do not show unsustainable price reduction due to a spiral down of asset prices.

The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON depreciation for all maturities with respect to the previous month (RON appreciation).

Contagion risk



Source: Refinitiv, FSA's calculations

The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link between the spillover effect and the companies' returns, since the increase in the spillover tends to diminish the returns of the companies listed on the Bucharest Stock Exchange.

The contagion has increased in February and March due to the outbreak of the COVID-19 pandemic due to the uncertainty on the financial markets. In that period, **the speed of the contagion was the greatest in the last 10 years**, indicating how fast fear and uncertainty have impaired the financial stability of international markets.

The contagion has reached its peak point in March and then it has begun to decrease in April and May. Between June-September, the spillover has exhibited a downward trend with a mean-reverting behavior. Starting October, **the contagion resumed its upward trend signaling market distress for the next month**. In December, the contagion slowly retracted mainly due to seasonal factors.

According to IMF (World Economic Outlook, October 2020), the global economy is projected to contract sharply by 4.4% in 2020 reflecting a much deeper economic shock than during the financial crisis of 2009 when growth contracted by 0.7%. Because Romania's debt level has tripled since 2008, it will come out of the crisis with an even higher public debt level, thus impairing its economic growth. On September 22, the Romanian Parliament voted a bill to increase the public pension by 40%, which will lead to an 11% increase in the budget deficit.

## Liquidity risk on Romanian Stock Exchanges

### The BSE Trading Activity (all the Segments) during December 2020

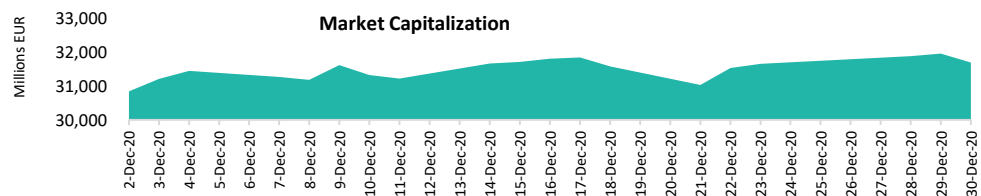
Week/month	No. of transactions	Volume	Value	
			EUR	%
<b>Total 02-04 December 2020</b>	10,397	143,135,412	43,870,178	19.57%
<b>Total 07-11 December 2020</b>	13,838	86,928,060	27,569,093	12.30%
<b>Total 14-18 December 2020</b>	15,594	243,481,923	61,076,692	27.25%
<b>Total 21-23 December 2020</b>	10,076	120,992,013	69,012,945	30.79%
<b>Total 28-30 December 2020</b>	12,340	61,572,925	22,598,806	10.08%
<b>Total December 2020</b>	<b>62,245</b>	<b>656,110,333</b>	<b>224,127,713</b>	<b>100.00%</b>

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for December 2020 = 4.8707 LEI/EUR

### The BSE's Most Traded Companies during December 2020 (Only the Main Segment)

	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
<b>SNN</b>	9,741,598	7.64%	48,802,166	85.94%	58,543,764	27.44%
<b>FP</b>	8,695,928	6.82%	0	0.00%	37,740,399	17.69%
<b>TLV</b>	31,954,417	25.06%	968,824	1.71%	32,923,241	15.43%
<b>BRD</b>	11,370,765	8.92%	0	0.00%	11,370,765	5.33%
<b>SNP</b>	9,250,693	7.25%	0	0.00%	9,250,693	4.34%
<b>SNG</b>	8,409,855	6.59%	259,614	0.46%	8,669,469	4.06%
<b>M</b>	6,710,730	5.26%	1,815,113	3.20%	8,525,843	4.00%
<b>TRP</b>	5,583,587	4.38%	0	0.00%	5,583,587	2.62%
<b>DIGI</b>	4,424,422	3.47%	0	0.00%	4,424,422	2.07%
<b>SIF5</b>	4,171,089	3.27%	0	0.00%	4,171,089	1.95%
<b>TGN</b>	4,062,274	3.19%	0	0.00%	4,062,274	1.90%
<b>EBS</b>	3,775,913	2.96%	0	0.00%	3,775,913	1.77%
<b>SIF2</b>	1,211,785	0.95%	2,463,712	4.34%	3,675,496	1.72%
<b>EL</b>	3,399,607	2.67%	0	0.00%	3,399,607	1.59%
<b>TEL</b>	2,006,464	1.57%	1,303,714	2.30%	3,310,178	1.55%
<b>Top 15 Total</b>					<b>93.47%</b>	

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for December 2020 = 4.8707 LEI/EUR

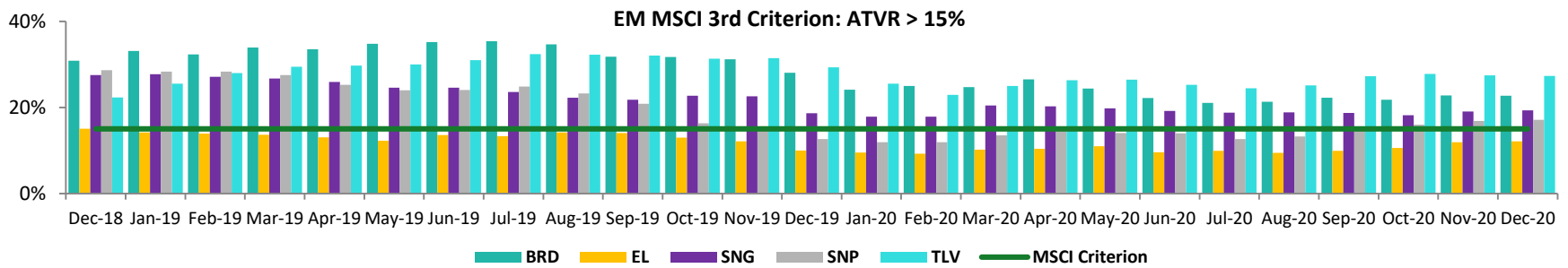
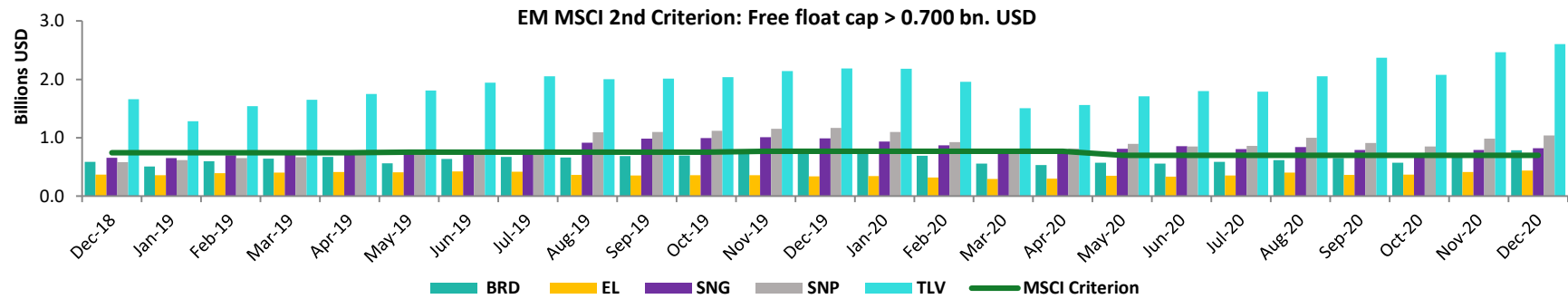
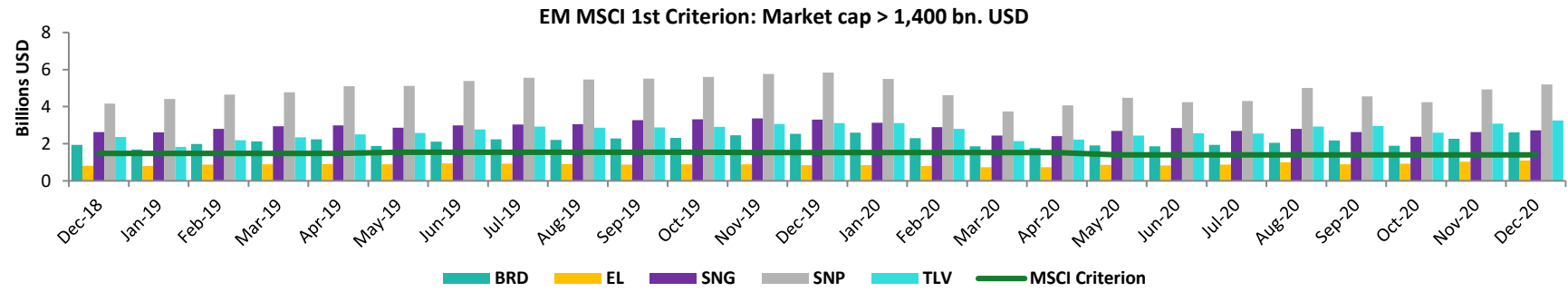


Source: BSE

### Top of intermediaries during December 2020

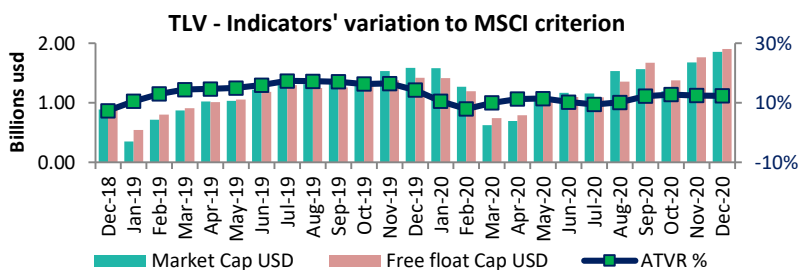
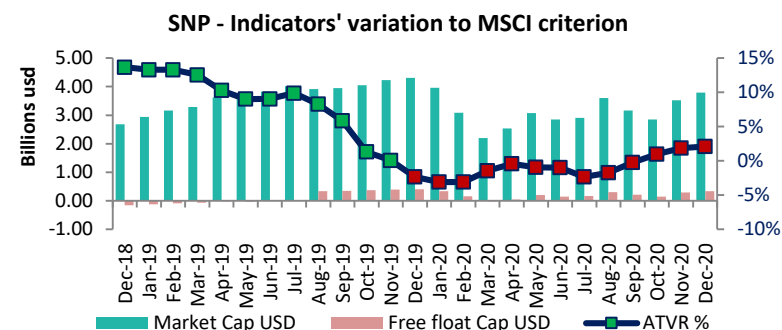
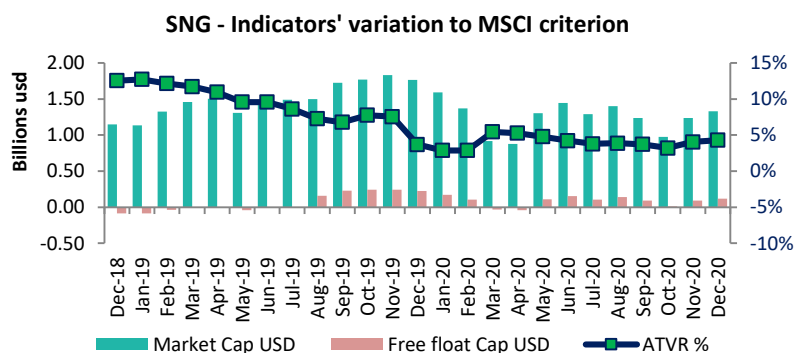
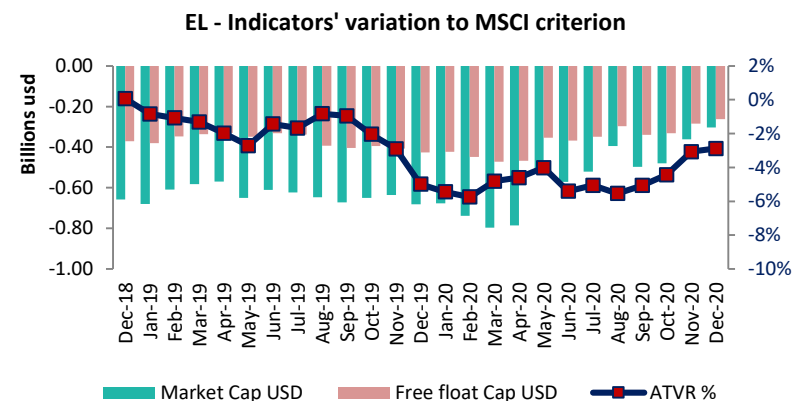
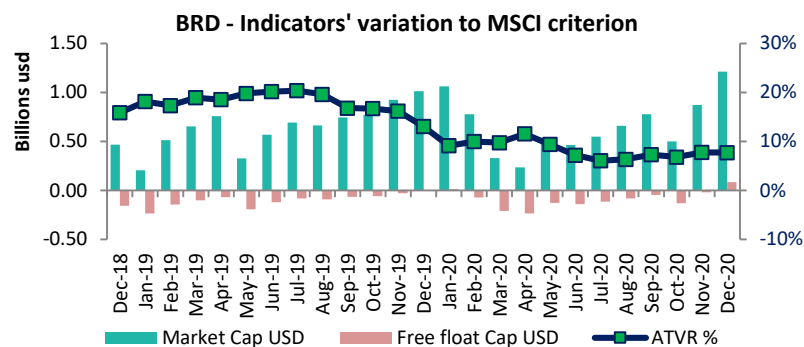
Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	BRD Groupe Societe Generale	519,891,775	31.52
2	BT CAPITAL PARTNERS	457,210,208	27.72
3	BANCA COMERCIALA ROMANA	250,048,349	15.16
4	SWISS CAPITAL S.A.	181,208,968	10.99
5	TRADEVILLE	76,739,514	4.65
6	SSIF BRK FINANCIAL GROUP S.A.	37,484,185	2.27
7	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	30,324,895	1.84
8	GOLDRING	18,377,740	1.11
9	RAIFFEISEN CENTROBANK AG	15,272,617	0.93
10	Alpha Bank Romania SA	13,135,530	0.8
11	IFB FINWEST	13,083,920	0.79
12	PRIME TRANSACTION	11,577,841	0.7
13	ESTINVEST	6,994,884	0.42
14	CONCORDE SECURITIES LTD	5,113,492	0.31
15	ERSTE GROUP BANK AG	4,823,364	0.29
<b>Top 15 Total</b>			<b>99.50</b>

# MSCI: Quantitative Indicators for Emerging Market Status



Source: FSA's calculations, December 2020

# MSCI: Quantitative Indicators for Emerging Market Status



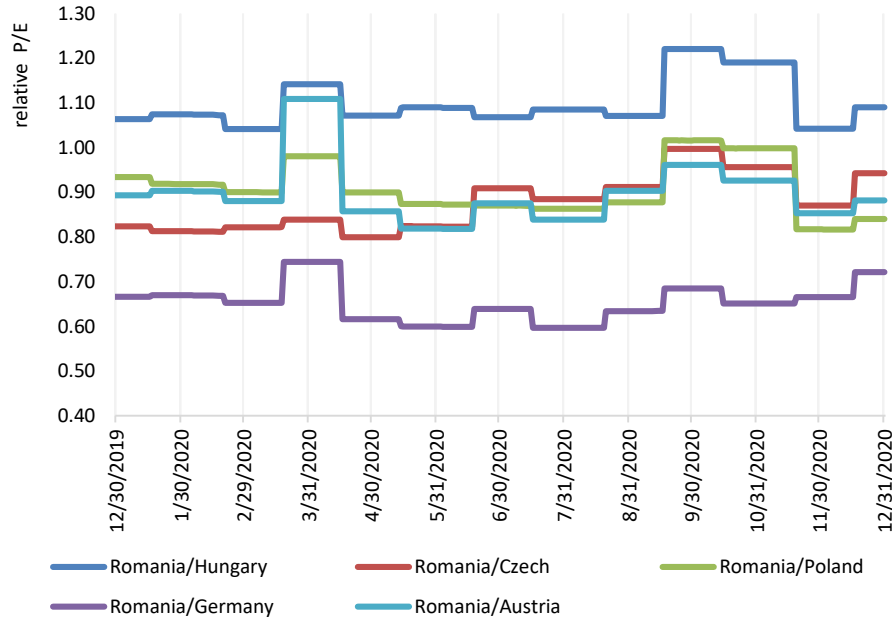
Indicators' variation to MSCI criterion (December 2020)

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	1.21	0.08	7.70%
EL	(0.30)	(0.26)	-2.88%
SNG	1.33	0.12	4.30%
SNP	3.79	0.34	2.09%
TLV	1.86	1.90	12.34%

Source: FSA's calculations, December 2020

## Risk assessment and the benefit of diversification

The degree of over or under-valuation of Bucharest Stock Exchange compared with the region

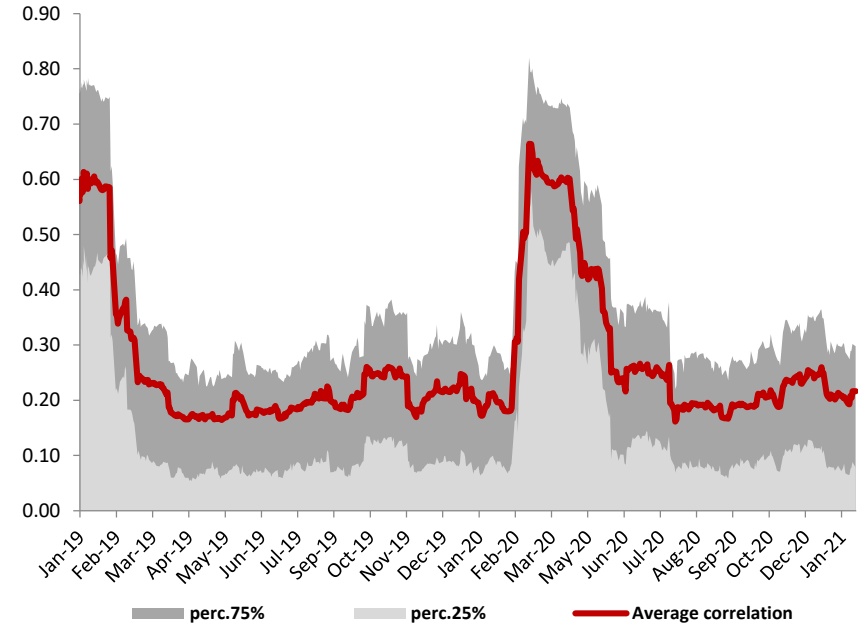


Source: Datastream, FSA's calculations

P/E forward ratio is calculated by dividing the share price to the net earnings per share and indicates how much investors pay for earnings forecasted for next year. The risk of re-evaluation is calculated by dividing the P/E forward ratios for different markets and indicates how much investors pay for the anticipated next year in comparison with another market.

In December 2020, the ratio was lower than 1 (except for Romania/Hungary) thus indicating that the Romanian capital market was more attractive in comparison with most of the analyzed countries.

The average correlation coefficient for the 25 most liquid companies traded on BSE



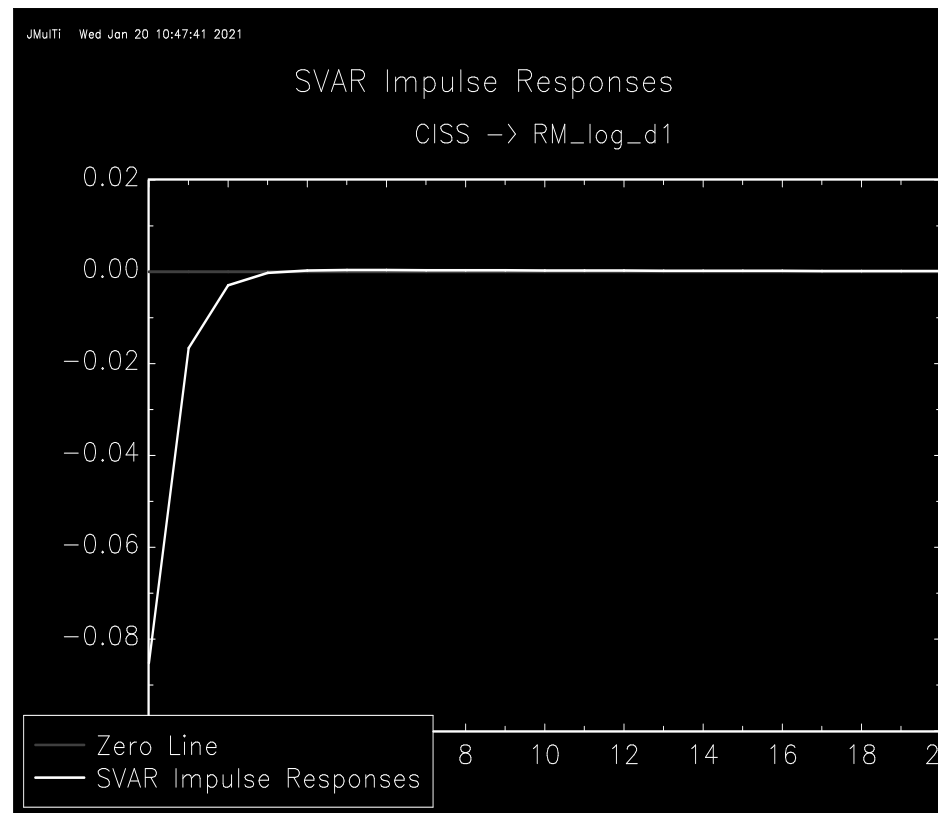
Source: Bloomberg, ASF

At the end of July, the correlations between the daily yields of the 25 most liquid companies from Bucharest Stock Exchange the decreased and returned to the level recorded at the beginning of 2020. In January 2021 is marked by a slightly increase in the correlations between the shares.

## Risk assessment and the benefit of diversification

Adverse economic conditions can trigger spikes in uncertainty. Uncertainty responds to fluctuations in economic activity. Since the European business cycle was strongly cross-correlated during the 2020 pandemic, by combining all common shocks to asset prices it is possible to capture the effect of uncertainty on the stock markets. CISS indicator is computed by ECB and measures systemic stress for the European financial markets. In 2020 stock returns decreased due to the uncertainty instilled by COVID pandemics. The Romanian capital stock market responded to the shocks of uncertainty in the European capital markets. By distinguishing between demand and supply factors, the supply shock had a diminishing effect on the stock market liquidity. An impulse shock in the uncertainty has as effect a drop of 8% in the Romanian stock markets that disappears in the next 3 months.

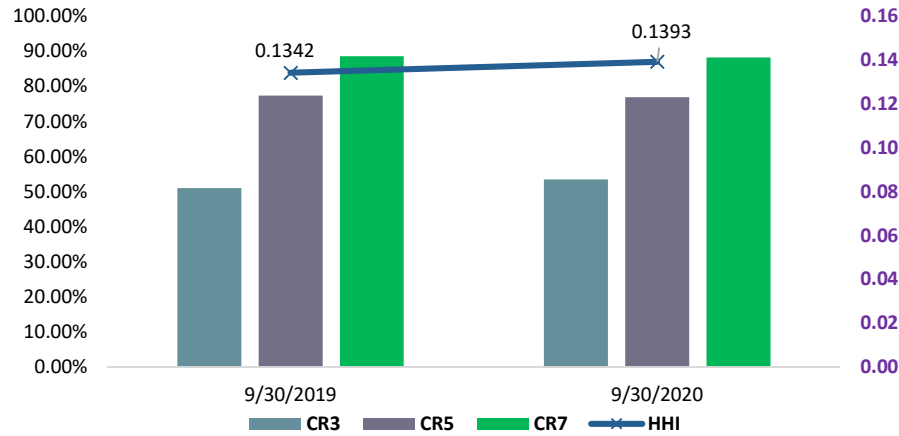
### Impulse-response function to a shock in uncertainty (SVAR model, Blanchard-Quah restrictions)



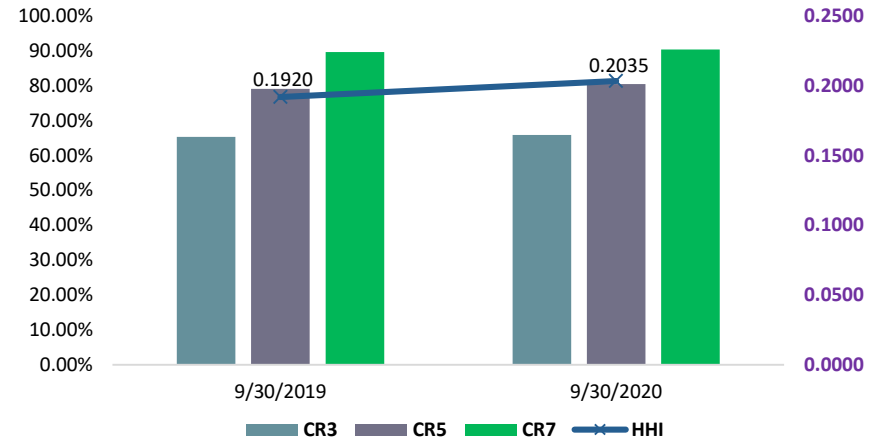
Source: Refinitiv, FSA's calculations

## Concentration risk

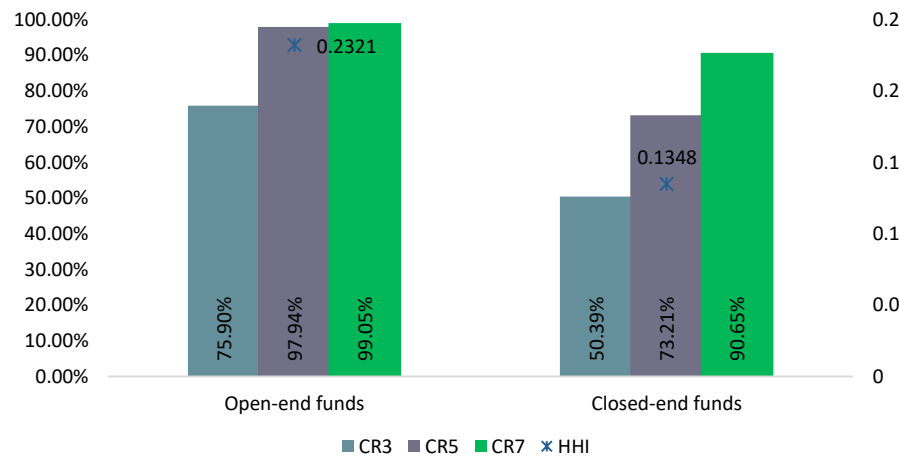
**Concentration risk of non-life insurance undertakings  
(by value of GWP at 30 September 2020)**



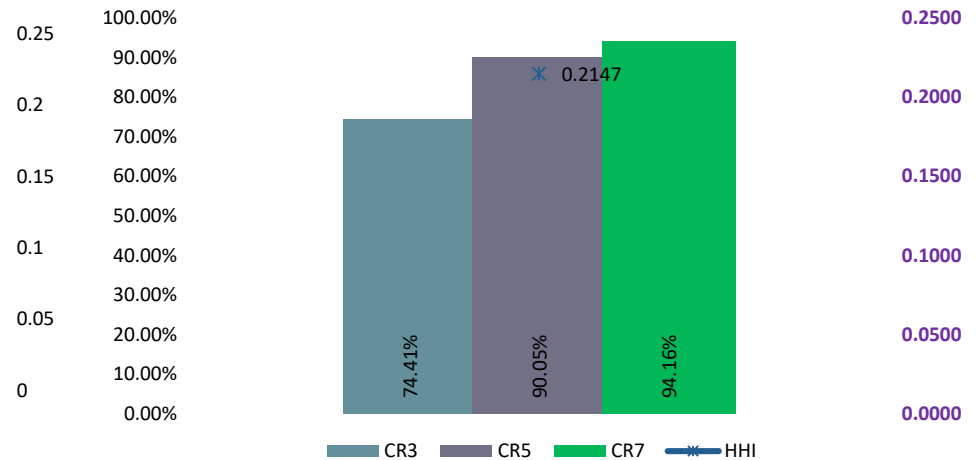
**Concentration risk of life insurance undertakings  
(by value of GWP at 30 September 2020)**



**Concentration risk of investment funds in Romania  
(by net assets – 30 September 2020)**



**Concentration risk of intermediaries on the BSE (by value of transactions  
during December 2020 – Main segment & MTS, all spot instruments)**



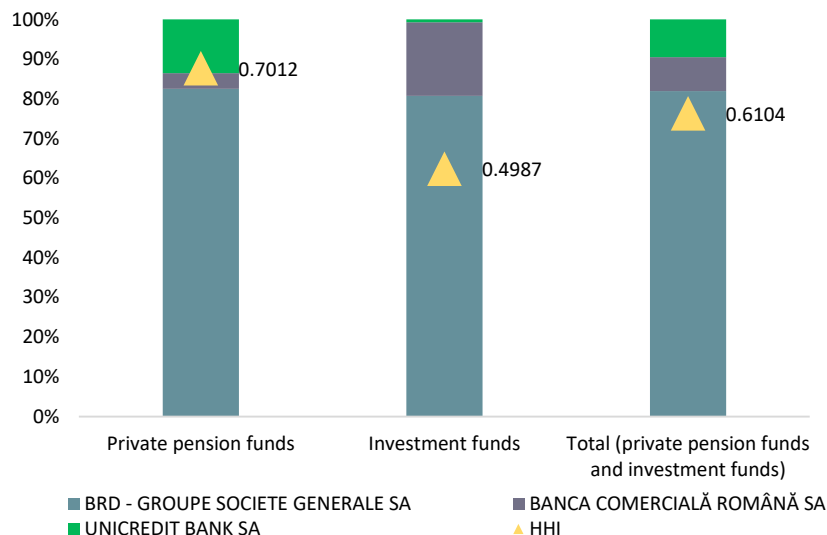
Source: FSA

Source: FSA

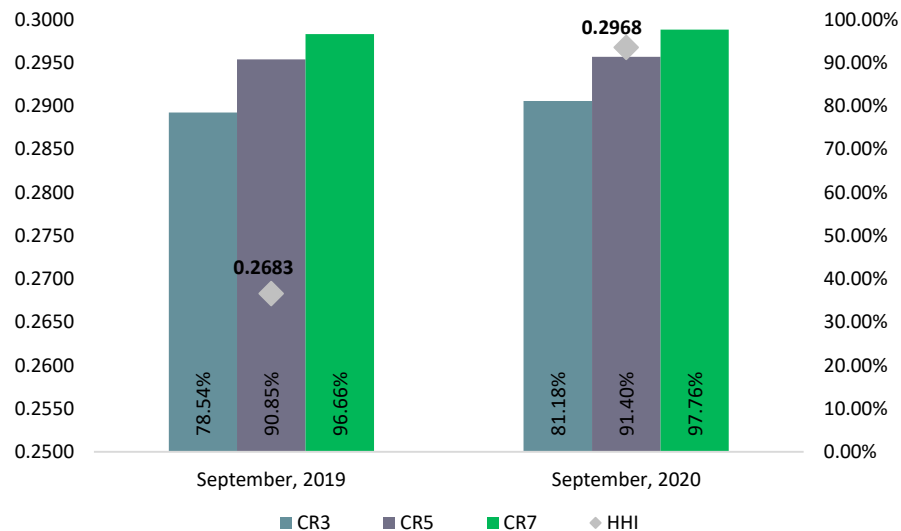


## Concentration risk

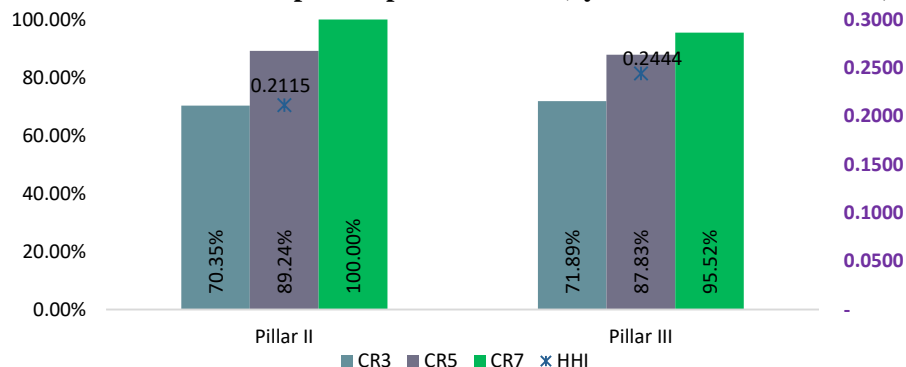
**Concentration risk of depositaries of private pension funds and investment funds (by total assets at 9/30/2020)**



**The degree of concentration of insurance companies in the MTPL market (by gross written premiums at 09/30/2020)**



**Concentration risk of private pension funds (by net assets at 12/31/2020)**



According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high level, while the life insurance market concentration degree is still high.

The situation is similar in the case of private pension funds market (Pillar II and Pillar III), but explainable by objective reasons related to their operating mechanism and the current state of the market.

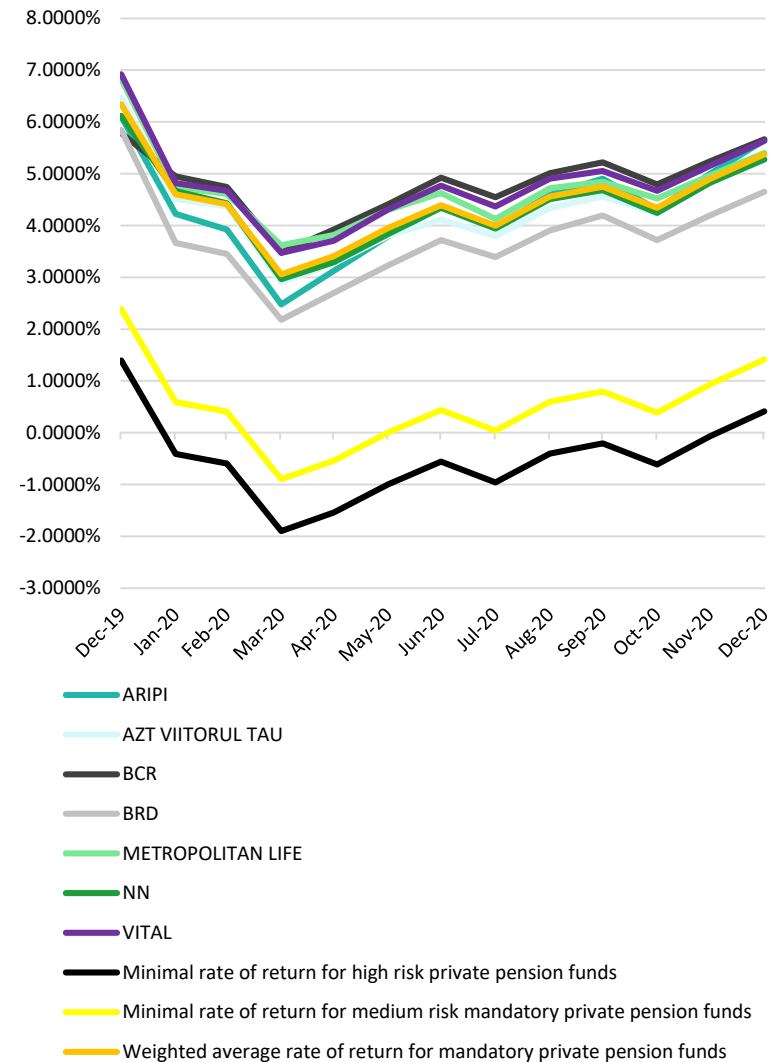
Also on the capital market, the concentration degree is medium to high for OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE due to the fact that top market participants sum up a significant share of the total assets.

## Specific developments in the private pension funds sector: Mandatory pension funds (2nd Pillar)

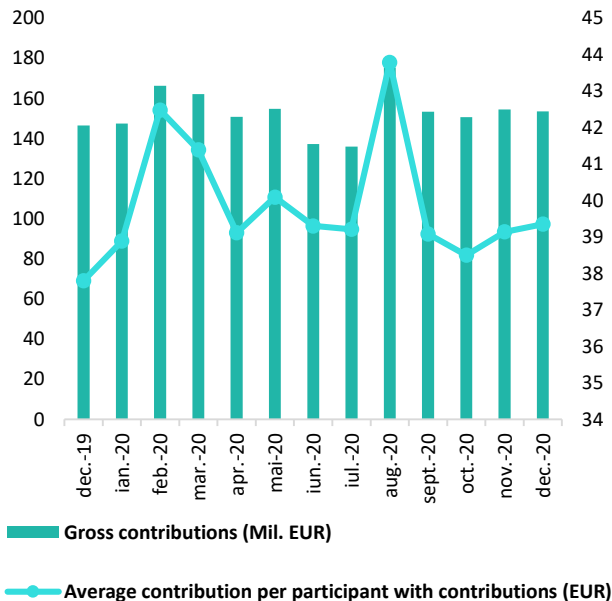
Total assets (EUR), number of participants and return rates

Mandatory pension fund	Total Assets 31 December 2020 (EUR)	Participants (persons) December 2020	Rate of return December 2020
ARIPI*	1,374,013,531	789,486	5.65%
AZT VIITORUL TAU	3,331,310,273	1,611,778	5.34%
BCR	1,058,031,306	692,213	5.67%
BRD	603,018,389	476,215	4.65%
METROPOLITAN LIFE	2,149,590,233	1,066,010	5.40%
NN	5,374,683,365	2,038,703	5.27%
VITAL	1,539,915,737	955,652	5.64%
<b>Total</b>	<b>15,430,562,835</b>	<b>7,630,057</b>	<b>n/a</b>

Rate of return for mandatory pension funds



Evolution of gross contributions



New participants (persons) in 2<sup>nd</sup> Pillar

**25,697**  
persons

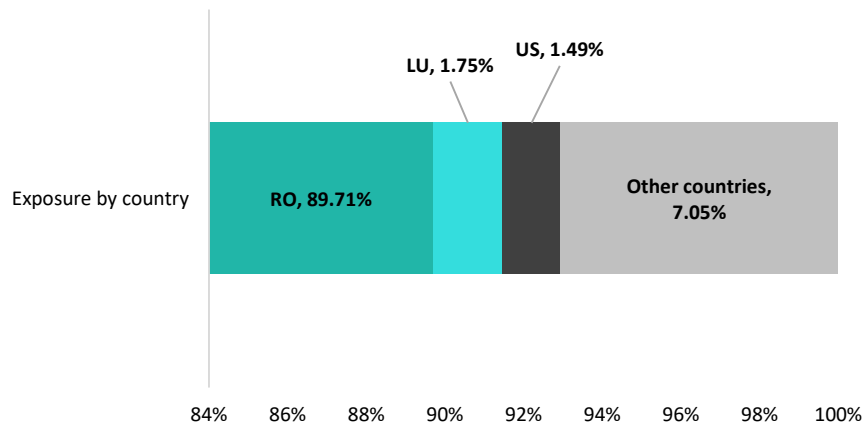
Source: FSA

## Specific developments in the private pension funds sector: Mandatory pension funds (2<sup>nd</sup> Pillar)

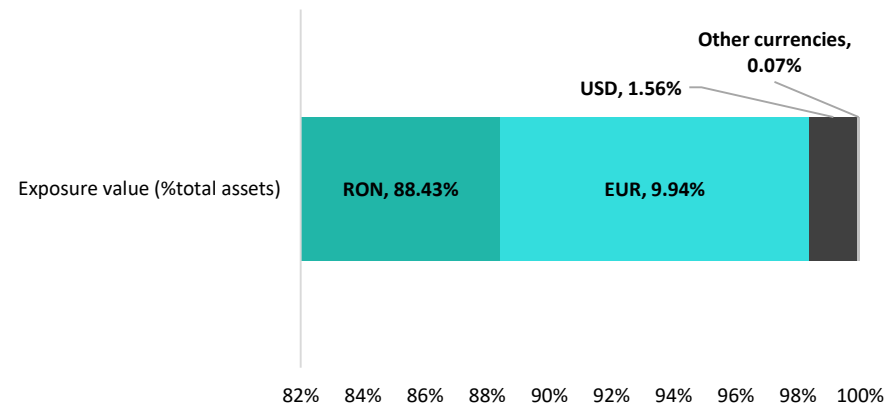
Mandatory pension fund's portfolio at 31 December 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	10,420,775,467	67.53%
Equity	3,332,910,592	21.60%
Corporate bonds	613,354,767	3.97%
Investment funds	509,511,974	3.30%
Supranational bonds	306,771,937	1.99%
Bank deposits	186,628,938	1.21%
Municipal bonds	37,943,265	0.25%
Metal funds	22,875,643	0.15%
Derivatives	233,487	0.0015%
Other assets	(443,234)	-0.0029%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



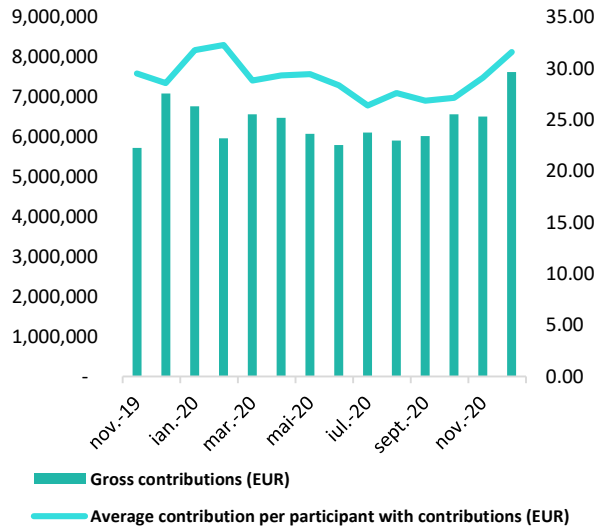
Source: FSA

## Current evolutions in optional private pension funds (3rd Pillar)

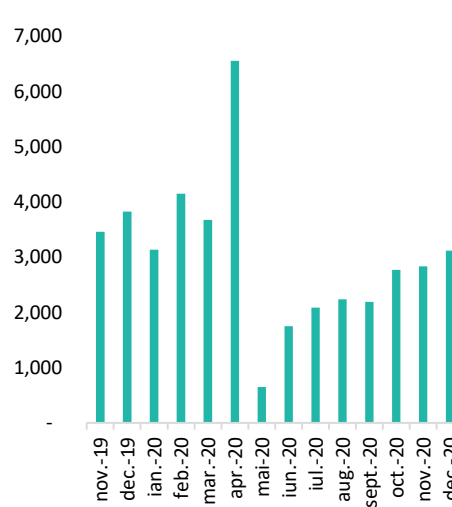
**Total assets (EUR), number of participants and return rates**

Voluntary pension fund	Total assets (EUR), 31 December 2020	Participants (persons) December 2020	Rate of return December 2020
AEGON ESENTIAL	1,950,984	3,857	8.5537%
AZT MODERATO	63,302,547	39,684	8.4399%
AZT VIVACE	23,444,906	20,250	9.1469%
BCR PLUS	107,325,739	139,025	8.0767%
BRD MEDIO	32,627,991	33,541	6.6915%
GENERALI STABIL	5,977,412	5,464	8.5176%
NN ACTIV	69,021,885	54,887	8.0593%
NN OPTIM	256,395,432	199,571	7.2801%
PENSIA MEA	19,066,216	16,326	5.9181%
RAIFFEISEN ACUMULARE	22,833,884	14,731	7.7471%
<b>Total</b>	<b>601,946,995</b>	<b>527,336</b>	<b>n/a</b>

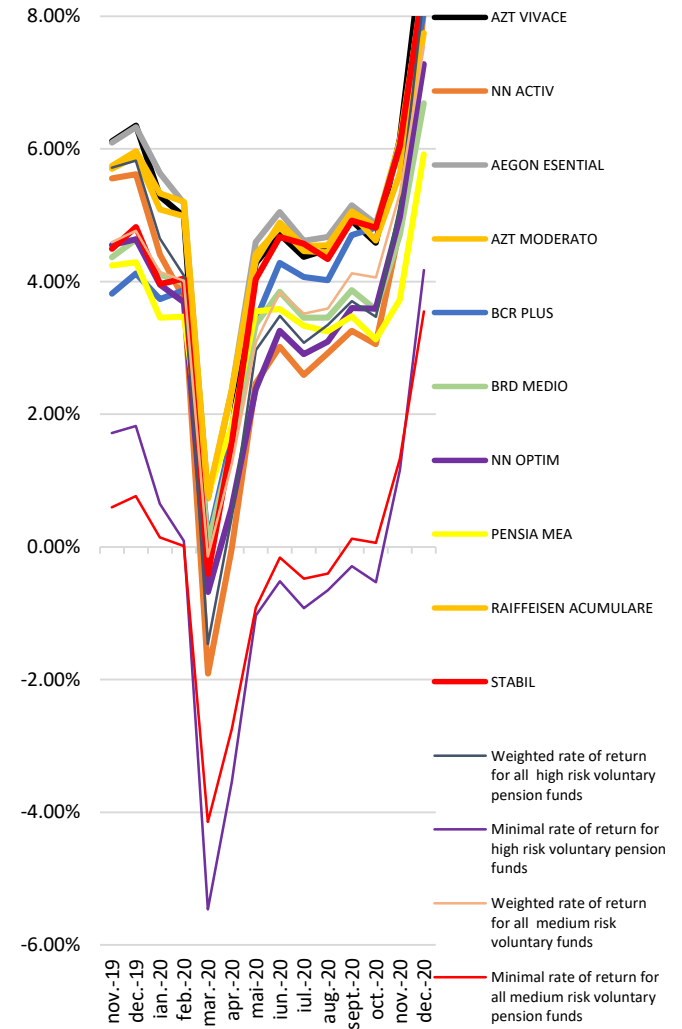
**Evolution of gross contributions**



**New participants in 3<sup>rd</sup> Pillar**



**Evolution of total assets and net value of an individual account**



Source: FSA

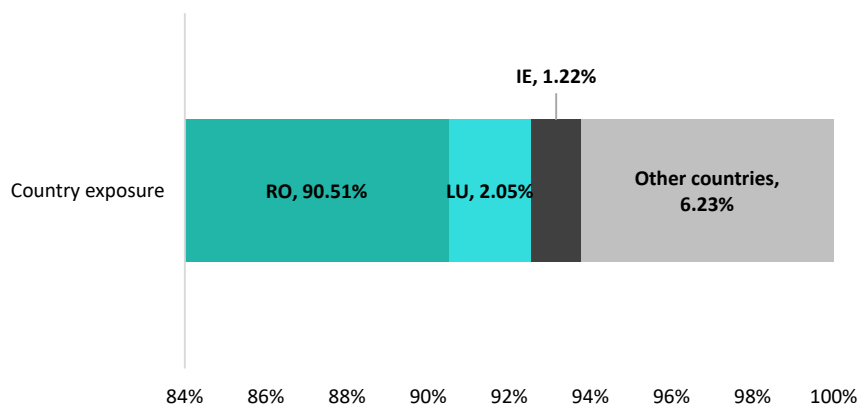
## Current evolutions in optional private pension funds (3rd Pillar)

### Optional pension fund's portfolio at 31 December 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government Bonds	379,316,689	63.01%
Equity	156,094,775	25.93%
Investment Funds	19,670,171	3.27%
Corporate Bonds	18,480,149	3.07%
Supranational Bonds	10,848,156	1.80%
Bank Deposits	10,482,063	1.74%
Municipal Bonds	4,730,388	0.79%
Metal funds	2,324,573	0.39%
Oher assets	31	0.00%

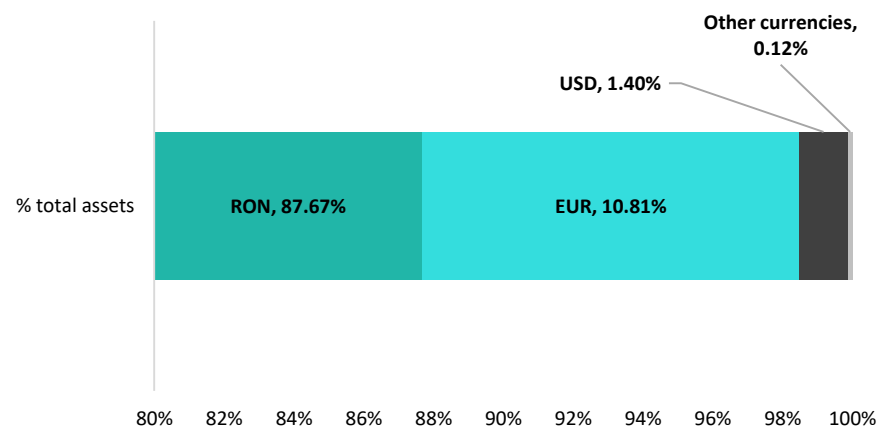
Source: FSA

#### Country exposure of optional fund's assets



Source: FSA

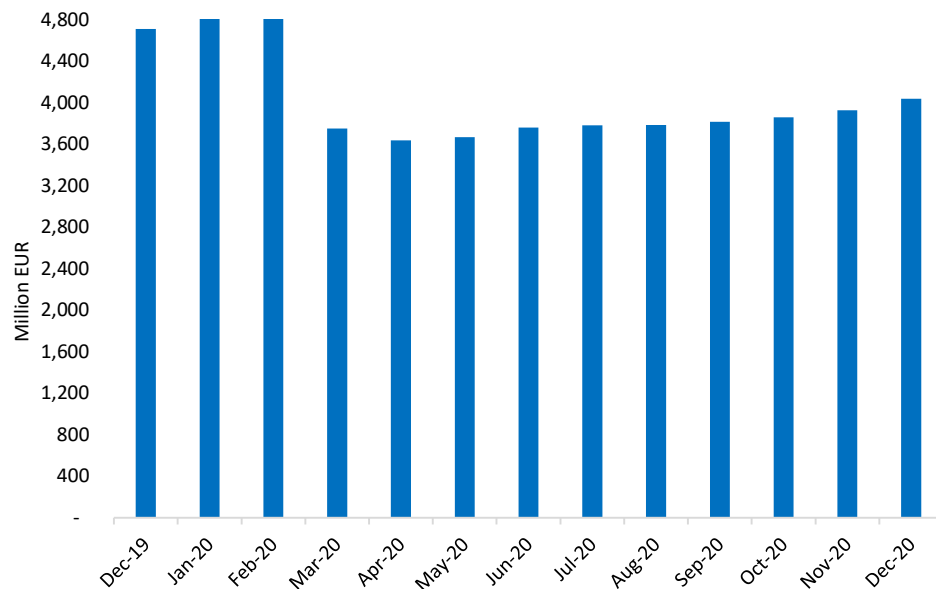
#### Currency exposure of optional fund's assets



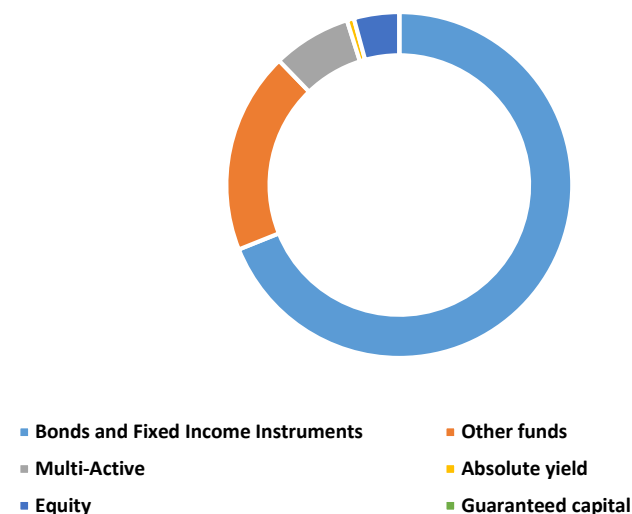
Source: FSA

## Specific developments in the investment funds sector

Evolution of net assets of open-end investment funds  
(December 2019 – December 2020)



Open-end investment funds' market share by Fund Type and Net Asset  
(December 2020)



Source: AAF

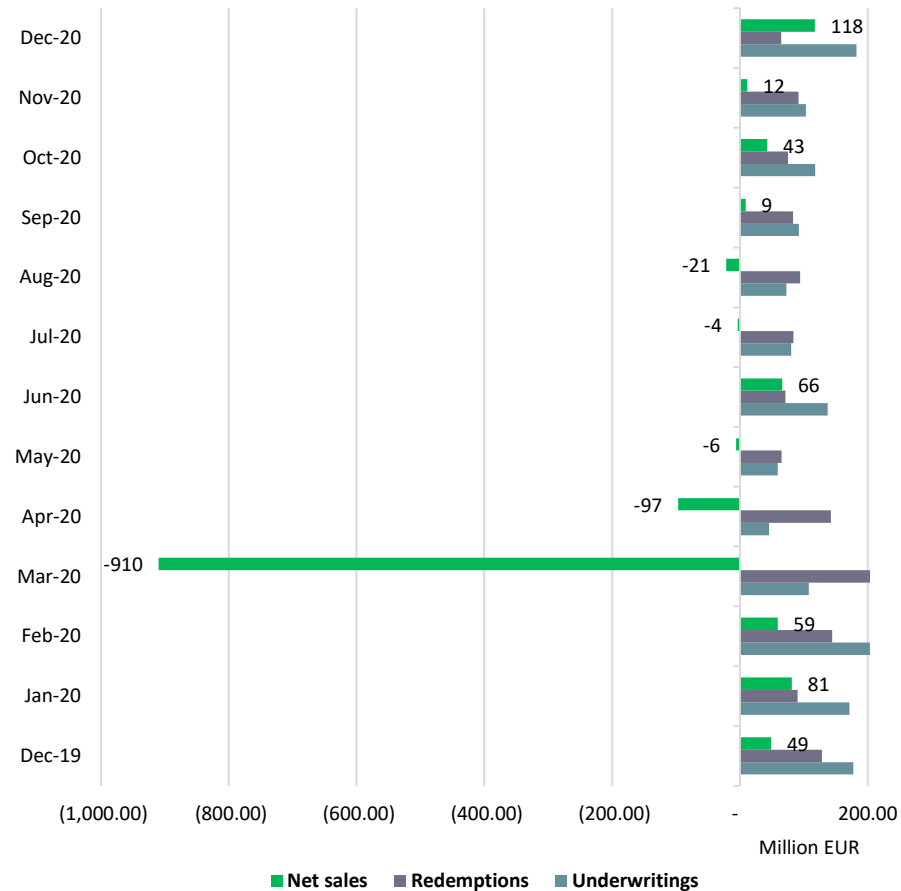
According to data published by AAF, the net assets of open-end investment funds (OeIF) reached a value of EUR 4.03 billion in December 2020, an increase of 2.8% compared to the previous month. Net assets of open-end bond and fixed income instruments funds and other funds, which account for about 88% of the local OeIF industry, increased compared to the previous month.

In December 2020, *open-end bond and fixed income instruments funds* hold the largest share in total net assets of OeIF (around 69%<sup>1</sup>), while the "*other funds*" category has a market share of approximately 19%.

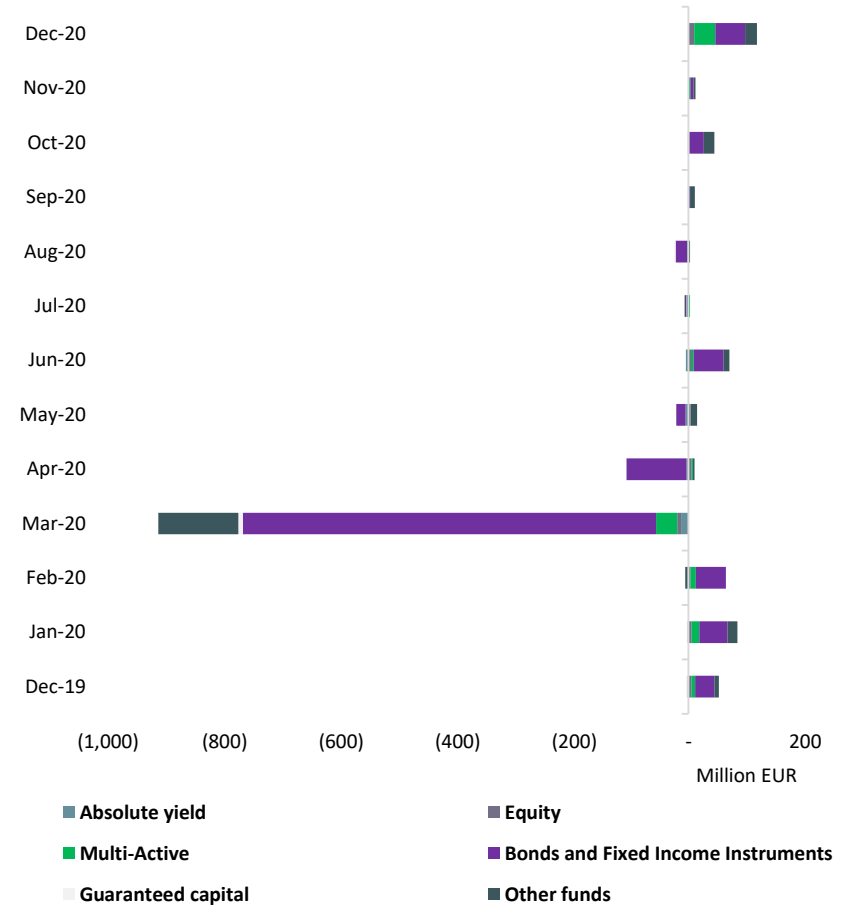
<sup>1</sup> There was a change in Open end investment funds' classification

## Specific developments in the investment funds sector

Evolution of underwritings and redemptions of Open-end Investment Funds (EUR)



Evolution of net capital flows of Open-end Investment Funds (million EUR)

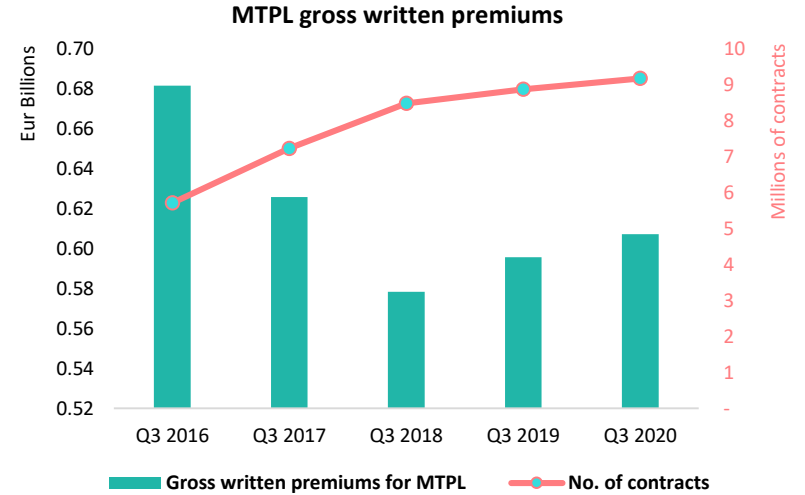
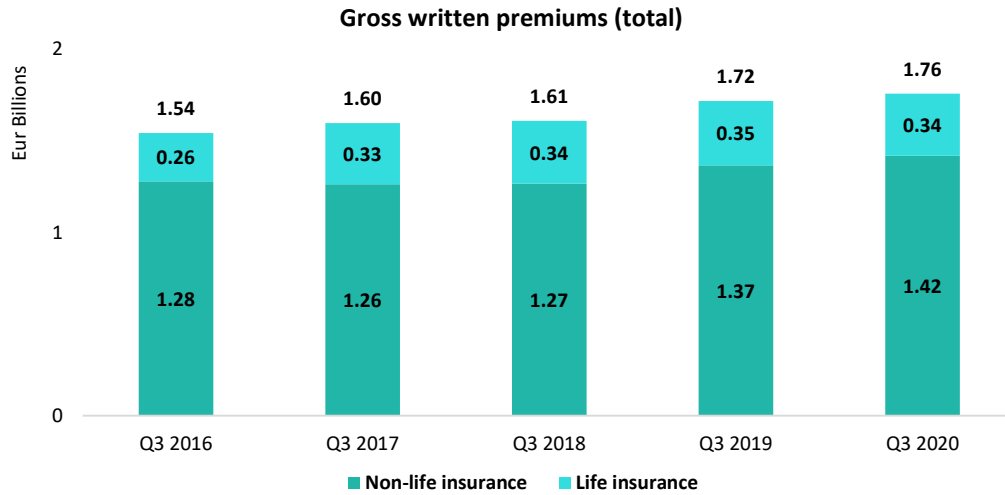


Source: AAF

In December 2020, local open-end investment funds recorded net inflows of EUR 118 million. Net inflows of bonds and fixed income instruments funds amounted to EUR 51 million, while the multi-active funds recorded net inflows of EUR 36 million.

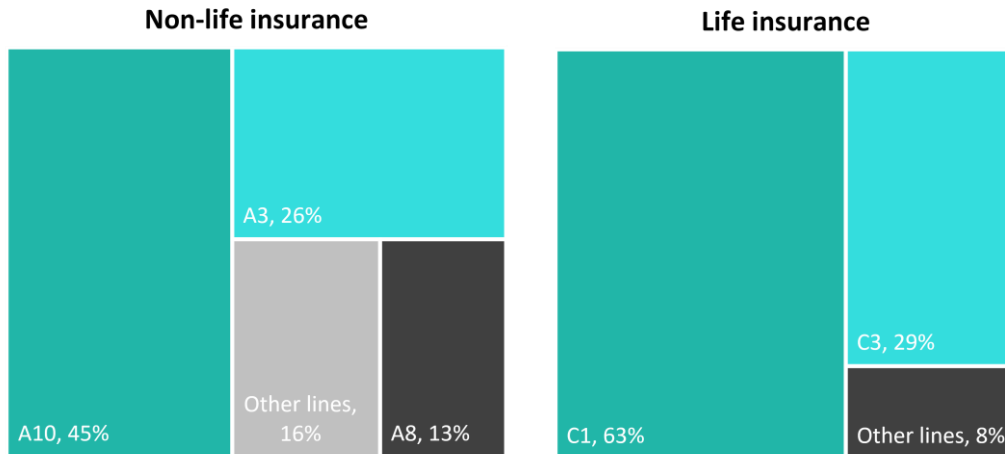
# Specific developments in the insurance market in Romania

Evolution of the insurance market (30th of September 2020)



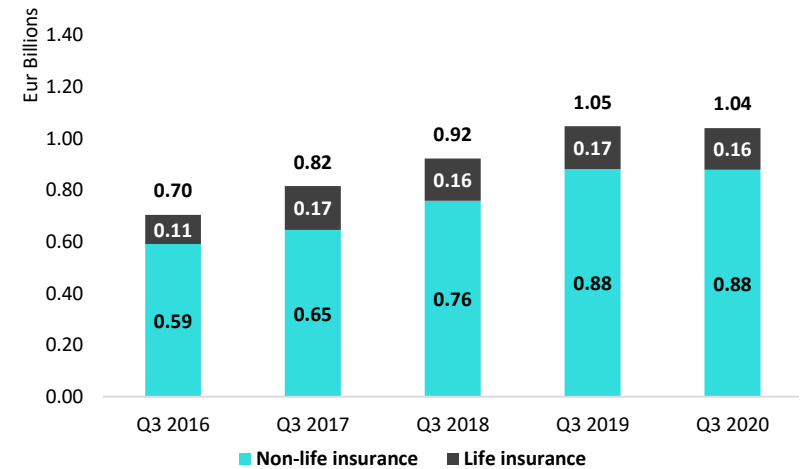
Source: FSA

Share of main insurance classes by GWP



Source: FSA

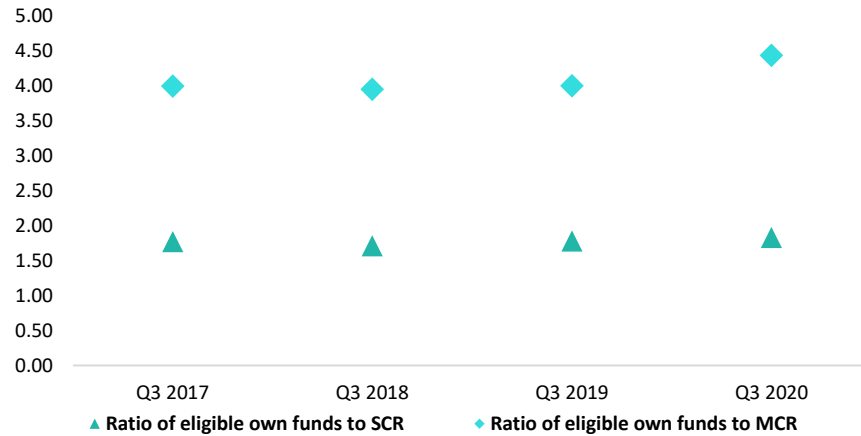
Gross claims paid



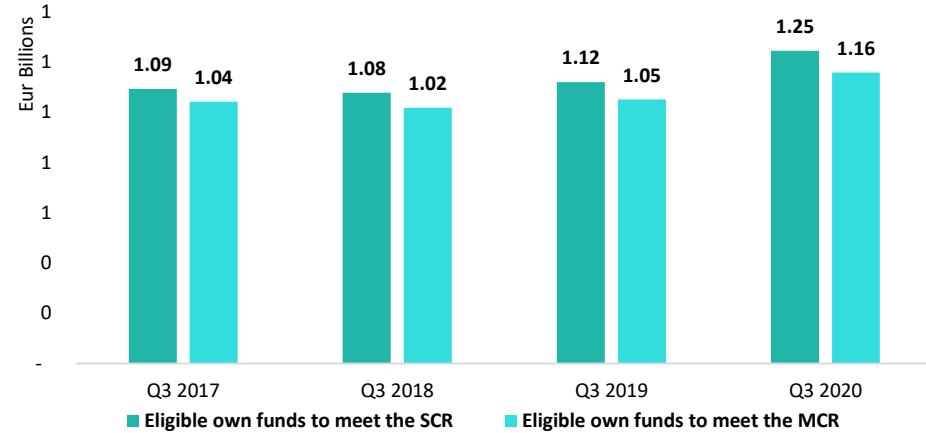


## Specific developments in the insurance market in Romania

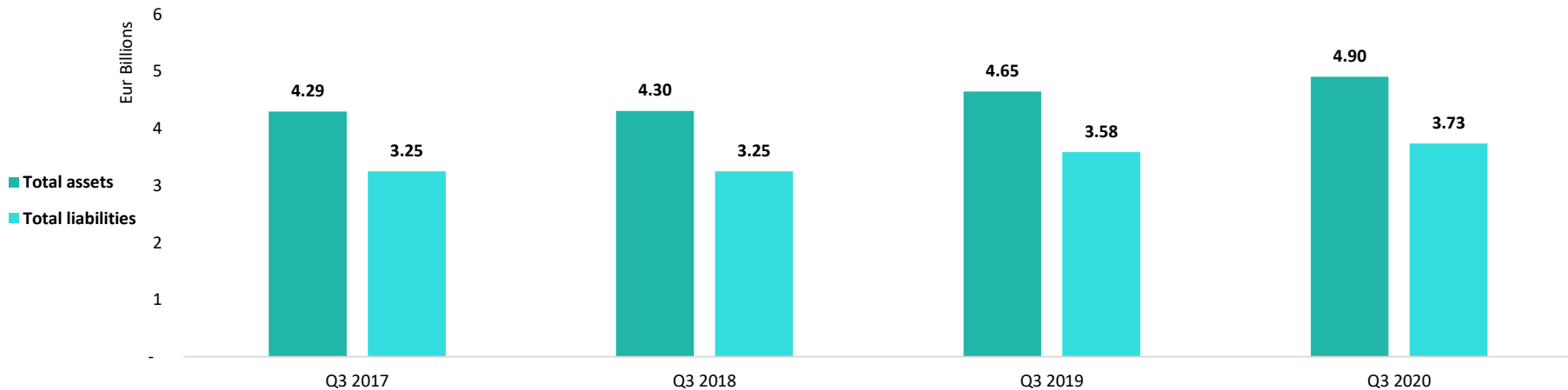
Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR



Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR



Total assets and total liabilities



Source: FSA, provisional data

On 30th of September 2020, eligible own funds to meet the SCR were mainly composed of unrestricted Tier 1 (90%). In terms of own fund items, there were no significant changes in the last five years.

## Press releases and publications of European and international financial institutions in December 2020

<p><b>ESMA</b></p>	<ul style="list-style-type: none"> <li>• 16 December: <a href="#">ESMA updates Guidelines on stress tests for money market funds.</a></li> <li>• 17 December: <a href="#">ESMA publishes final guidance to address leverage risk in the AIF sector.</a></li> <li>• 18 December: <a href="#">ESMA releases cloud outsourcing guidelines.</a></li> <li>• 18 December: <a href="#">ESMA consults on the impact of algorithmic trading.</a></li> <li>• 21 December: <a href="#">ESMA presents its annual report on administrative and criminal sanctions.</a></li> </ul>
<p><b>EIOPA</b></p>	<ul style="list-style-type: none"> <li>• 2 December: <a href="#">EIOPA launches discussion paper on a methodology for integrating climate change in the standard formula.</a></li> <li>• 3 December: <a href="#">EIOPA publishes its fifth annual analysis on the use and impact of long-term guarantees measures and measures on equity risk.</a></li> <li>• 4 December: <a href="#">EIOPA launches its first pilot dashboard to address the insurance protection gap for natural catastrophes.</a></li> <li>• 8 December: <a href="#">EIOPA recommends actions and best practices to NCA to improve supervisory practices regarding cross-border activities.</a></li> <li>• 10 December: <a href="#">EIOPA publishes a discussion paper on non-life underwriting and pricing in the light of climate change.</a></li> <li>• 15 December: <a href="#">EIOPA has carried out a sensitivity analysis of climate-change related transition risks in the investment portfolio of European insurers.</a></li> <li>• 16 December: <a href="#">EIOPA issues the Annual Report on administrative sanctions and other measures under IDD.</a></li> <li>• 17 December: <a href="#">EIOPA submits to the European Commission its Opinion on the Solvency II 2020 Review.</a></li> <li>• 18 December: <a href="#">EIOPA presents its December Financial Stability Report.</a></li> </ul>
<p><b>IAIS</b></p>	<ul style="list-style-type: none"> <li>• 17 December: <a href="#">IAIS releases 2020 Global Insurance Market Report.</a></li> </ul>
<p><b>ECB</b></p>	<ul style="list-style-type: none"> <li>• 10 December: <a href="#">ECB recalibrates its monetary policy instruments.</a></li> </ul>