

**Private pensions Pillar II total assets reached 14.3 bn EUR at the end of third quarter 2020.**

ASF nr.  
10/26.09.2020

- According to the IMF, 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.
- Romania's annual inflation rate (CPI) stood at 2.45% in September 2020. Calculated on the basis of the Harmonized Index of Consumer Prices (HICP), the annual rate is 2.1% in September 2020, a lower level than in the previous month (2.5%).
- In September 2020, local open-end investment funds recorded net inflows of EUR 9 million. Net inflows of equity funds amounted to EUR 1.7 million, while the other funds category recorded net inflows of EUR 8 million.

According to Eurostat, in the second quarter of 2020, still marked by measures imposed by states in order to prevent the spread of COVID-19, seasonally adjusted GDP fell by 11.8% in the euro area and by 11.4% in the EU compared to the previous quarter. However, compared to the same period of the previous year, the seasonally adjusted GDP decreased by 14.7% in the euro area and by 13.9% in the EU, respectively. Among the EU member states, for which data are available for the second quarter of 2020, Spain (-21.5%) recorded the largest decrease compared to the second quarter of 2019, followed by France (-18.9%) and Italy (-18.0%). The crisis generated by COVID-19 has also severely affected the UK economy, which registered a contraction of -21.5% in the second quarter of 2020 compared to the same period of the previous year.

Romania's GDP has registered, in the second quarter of 2020, a decrease of 10.3% on the gross series and a decrease of 10.2% on the seasonally adjusted series compared to the similar period of the previous year. Compared to the previous quarter, the decrease was more severe: 11.9% (seasonally adjusted series).

The National Commission for Strategy and Prognosis has revised downward the economic growth forecast from -1.9% (in the previous scenario) to -3.8% in 2020, due to the declining activity in industry (-8.6%), agriculture (-7.1%) and services (-2.7%) compared to 2019. According to the NCSP forecast, constructions will have a positive contribution to GDP this year, with an estimated growth of 5.8%. For the next year, NCSP estimates a recovery of the Romanian economy, with an advance of 4.9%.

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	European Commission		IMF	
								2020f	2021f	2020f	2021f
<b>Euro area</b>	<b>1.5</b>	<b>1.2</b>	<b>1.4</b>	<b>1.0</b>	<b>1.3</b>	<b>-3.2</b>	<b>-14.7</b>	<b>-8.7</b>	<b>6.1</b>	<b>-8.3</b>	<b>5.2</b>
<b>Germany</b>	<b>1.1</b>	<b>0.1</b>	<b>0.8</b>	<b>0.4</b>	<b>0.6</b>	<b>-2.2</b>	<b>-11.3</b>	<b>-6.3</b>	<b>5.3</b>	<b>-6.0</b>	<b>4.2</b>
<b>Spain</b>	<b>2.2</b>	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>	<b>2.0</b>	<b>-4.2</b>	<b>-21.5</b>	<b>-10.9</b>	<b>7.1</b>	<b>-12.8</b>	<b>7.2</b>
<b>France</b>	<b>1.8</b>	<b>1.8</b>	<b>1.6</b>	<b>0.8</b>	<b>1.5</b>	<b>-5.7</b>	<b>-18.9</b>	<b>-10.6</b>	<b>7.6</b>	<b>-9.8</b>	<b>6.0</b>
<b>Italy</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.1</b>	<b>0.3</b>	<b>-5.6</b>	<b>-18.0</b>	<b>-11.2</b>	<b>6.1</b>	<b>-10.6</b>	<b>5.2</b>
<b>Bulgaria</b>	<b>3.8</b>	<b>3.5</b>	<b>3.2</b>	<b>3.1</b>	<b>3.4</b>	<b>2.4</b>	<b>-8.5</b>	<b>-7.1</b>	<b>5.3</b>	<b>-4.0</b>	<b>4.1</b>
<b>Croatia</b>	<b>4.0</b>	<b>2.4</b>	<b>2.8</b>	<b>2.7</b>	<b>2.9</b>	<b>0.3</b>	<b>-15.1</b>	<b>-10.8</b>	<b>7.5</b>	<b>-9.0</b>	<b>6.0</b>
<b>Hungary</b>	<b>5.1</b>	<b>4.7</b>	<b>4.4</b>	<b>4.0</b>	<b>4.6</b>	<b>2.0</b>	<b>-13.5</b>	<b>-7.0</b>	<b>6.0</b>	<b>-6.1</b>	<b>3.9</b>
<b>Poland</b>	<b>4.9</b>	<b>4.2</b>	<b>4.1</b>	<b>3.5</b>	<b>4.5</b>	<b>1.7</b>	<b>-7.9</b>	<b>-4.6</b>	<b>4.3</b>	<b>-3.6</b>	<b>4.6</b>
<b>Romania</b>	<b>5.4</b>	<b>3.6</b>	<b>3.5</b>	<b>4.3</b>	<b>4.2</b>	<b>2.5</b>	<b>-10.2</b>	<b>-6.0</b>	<b>4.0</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, Summer 2020 Economic Forecast, World Economic Outlook – October 2020, IMF*

According to Eurostat, the euro area annual inflation rate continued to decline in September 2020 compared to the previous month, reaching a value of -0.3%. The highest annual rates were recorded in Poland (3.8%), Hungary (3.4%) and Czechia (3.3%), while in Greece (-2.3%), Cyprus (-1.9%) and Estonia (-1.3%) were recorded the lowest annual inflation rates.

The annual inflation rate (CPI) stood at 2.45% in September 2020 in Romania, a lower value compared to that recorded in August (+ 2.68%). Calculated on the basis of the Harmonized Index of Consumer Prices (HICP), the annual rate is 2.1% in September 2020, a lower level than in the previous month (2.5%).

The volume of construction works increased in Romania in August 2020 by 12.3% as gross series, respectively by 13.2% 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 (+ 67.3%), followed by that of maintenance and current repairs (+ 26.7%) and new construction works (+ 1.2%). By construction objects, the gross series highlights increases in the volume of non-residential buildings (+ 24.3%), residential buildings (+ 16.7%) and engineering construction works (+ 4.3%).

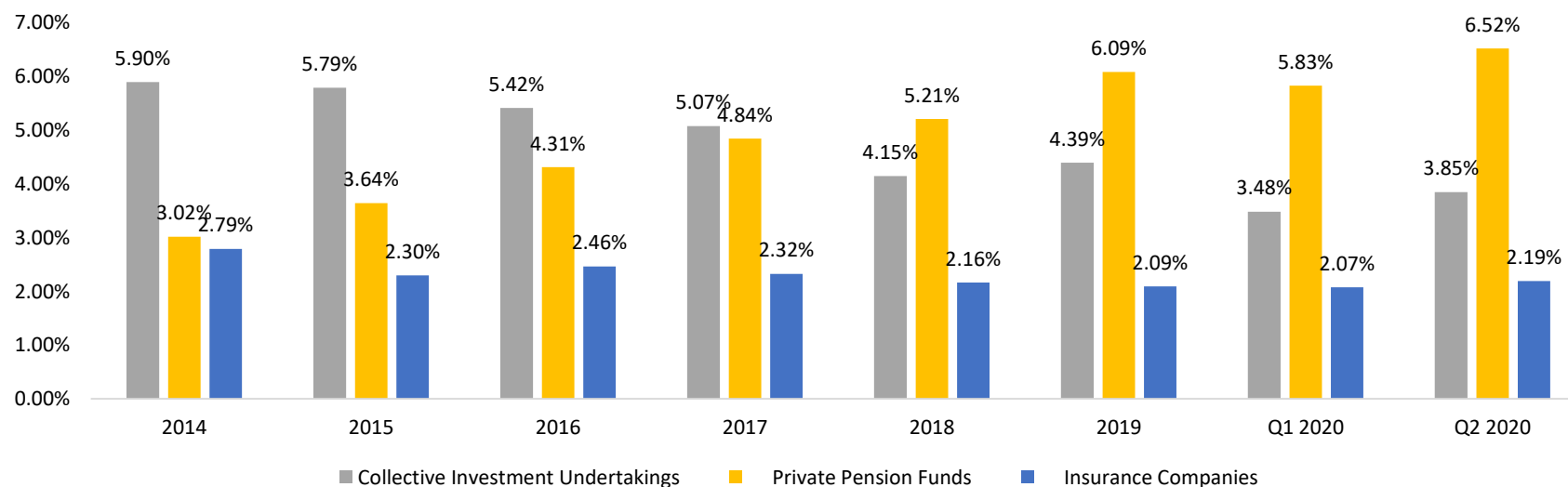
Turnover from market services provided mainly to enterprises increased in Romania in August 2020 compared to the same period of the previous year by 0.3% as gross series, and by 0.7% as seasonally adjusted series. The largest increase was recorded in IT services and information technology (+ 8.5%) followed by activities in film production, video, television programs, broadcasting (+ 2.5%), other services provided mainly to enterprises (+ 2.3%) and communications activities (+ 1.8%). Transport activities decreased by 5.2%.

## 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
<b>Banking financial system (% GDP)</b>	<b>60.64%</b>	<b>58.54%</b>	<b>56.07%</b>	<b>53.62%</b>	<b>51.05%</b>	<b>50.34%</b>	<b>52.04%</b>	<b>53.31%</b>
<b>Non-banking financial system (% GDP)</b>	<b>11.71%</b>	<b>11.73%</b>	<b>12.19%</b>	<b>12.24%</b>	<b>11.52%</b>	<b>12.57%</b>	<b>11.39%</b>	<b>12.56%</b>
Collective Investment Undertakings	5.90%	5.79%	5.42%	5.07%	4.15%	4.39%	3.48%	3.85%
Private Pension Funds	3.02%	3.64%	4.31%	4.84%	5.21%	6.09%	5.83%	6.52%
Insurance Companies	2.79%	2.30%	2.46%	2.32%	2.16%	2.09%	2.07%	2.19%

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



Source: NBR, NIS, FSA

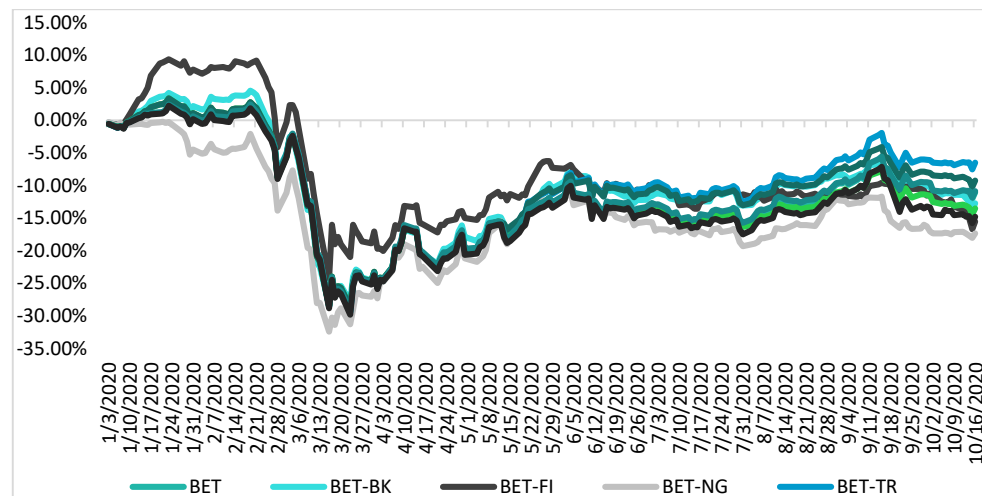
## Current trends and headlights on Romanian markets

**Romanian stock indices evolution in 2020 (31.12.2019 = 100)**

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
10/16/2020	-11.05%	-12.73%	-15.50%	-17.34%	-6.51%

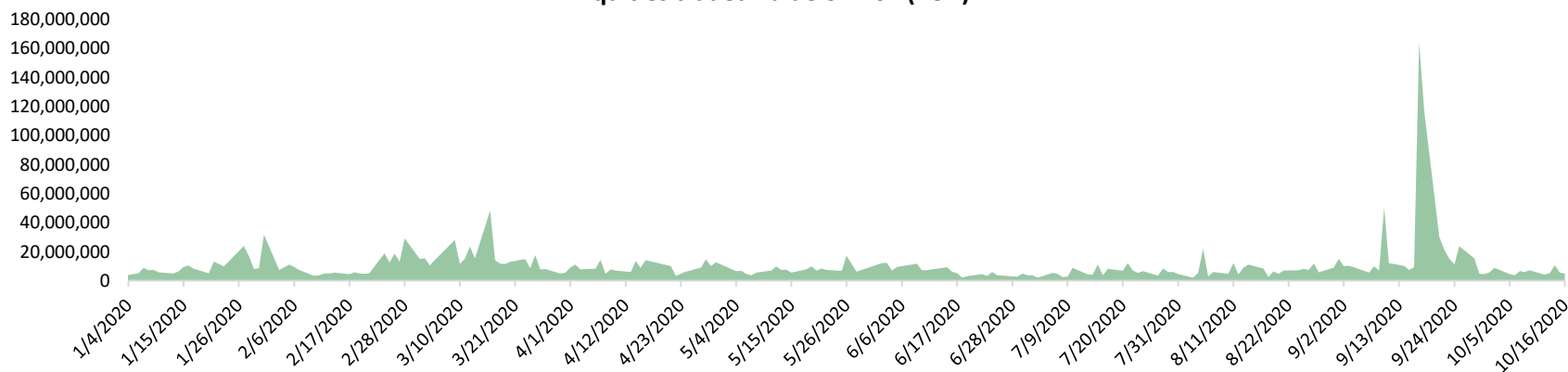
Date	BET-XT	BET-XT-TR	BETPlus	ROTX
10/16/2020	-13.49%	-9.25%	-10.84%	-14.76%

**Evolution of local stock indices**



Source: BSE; FSA calculations

**Equities traded value on BSE (EUR)**



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

### Evolution of government debt (% of GDP)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Italy	135.5	135.9	135.8	134.4	136.0	137.5	136.8	134.7	137.6	149.4
France	98.8	98.8	99.0	98.1	99.3	99.2	100.1	98.1	101.3	114.1
Spain	99.1	98.6	98.7	97.4	98.4	98.4	97.5	95.5	99.0	110.1
<b>Euro zone</b>	87.7	87.2	87.0	85.8	86.3	86.2	85.8	84.0	86.3	95.1
EU	81.3	80.7	80.6	79.5	79.9	79.7	79.2	77.6	79.4	87.8
Hungary	72.3	72.5	71.0	69.1	68.3	67.1	67.0	65.4	65.7	70.3
Germany	64.0	62.9	62.6	61.8	61.6	61.1	61.0	59.6	61.1	67.4
Poland	51.2	50.5	49.4	48.8	49.1	47.9	47.3	46.0	47.9	55.1
<b>Romania</b>	34.5	34.1	33.9	34.7	33.8	33.9	35.2	35.3	37.5	41.1
Bulgaria	24.0	23.5	22.8	22.3	20.9	20.3	20.5	20.2	20.1	21.3

Source: Eurostat

The government debt-to-GDP ratio in the euro area increased from 86.3% to 95.1% in the second quarter of 2020. There is a considerable heterogeneity in debt level, the share of public debt in GDP ranging from 18.5% (Estonia) to 187.4% (Greece).

Romania is among the EU member states with a low level of indebtedness (41.1%), below the indebtedness of the EU member states of 87.8% of GDP.

According to the NBR, the direct investments of non-residents in Romania (FDI) recorded a value of EUR 1.40 billion in January-August 2020 (compared with EUR 4.4 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 5.8 billion, compared to EUR 7.10 billion in January-August 2019. The evolution of the current account was accompanied by an increase in total external debt by EUR 6.34 billion in January - August 2020 to EUR 116 billion.

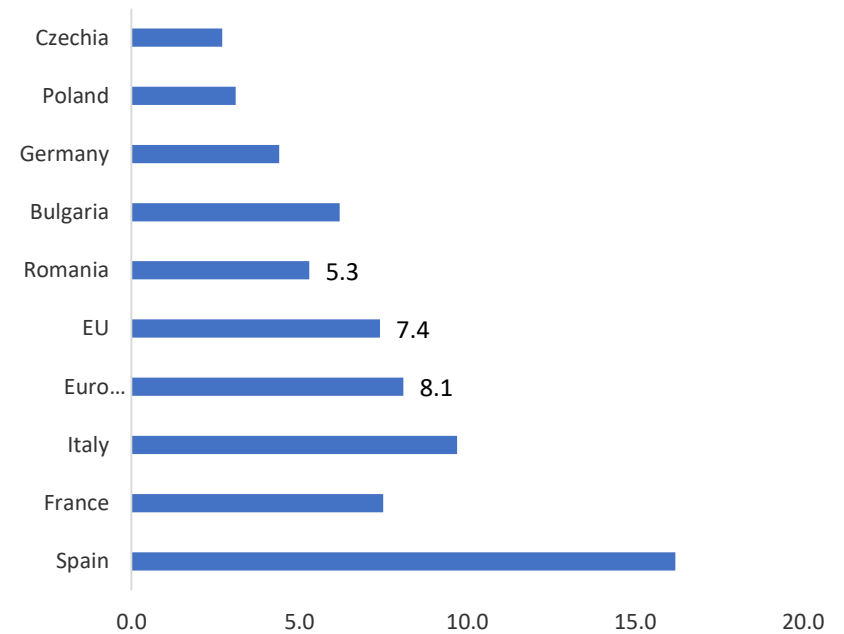
Romania's international position is favorable because of low external and government debt in GDP compared to EU countries, but in an area that needs an external deficit reduction.

The seasonally adjusted unemployment rate in the euro area stood at 8.1% in August 2020, up compared with July 2020 (8.0%). The EU unemployment rate was 7.4% in August 2020, compared to 7.3% in July 2020, according to the latest figures published by Eurostat.

The seasonally adjusted unemployment rate in Romania stood at 5.3% in August 2020, a level similar to that recorded in 2017, amid the effects of the crisis generated by COVID-19.

The unemployment rate of men (5.9%) is higher than the unemployment rate of women (4.5%).

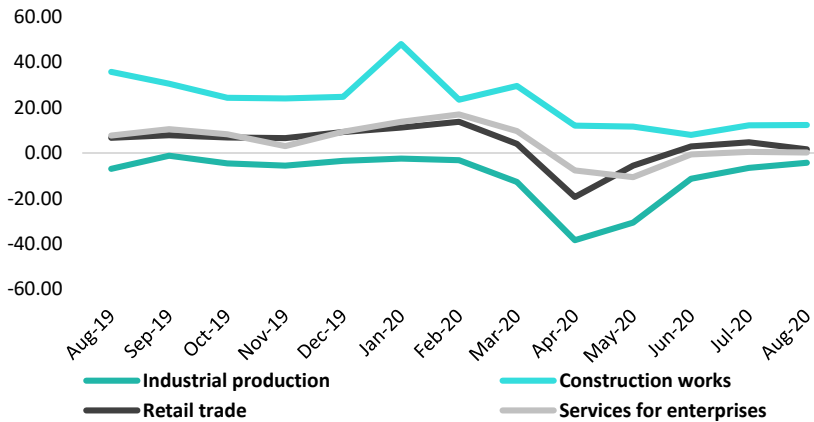
### Unemployment rate (August 2020)



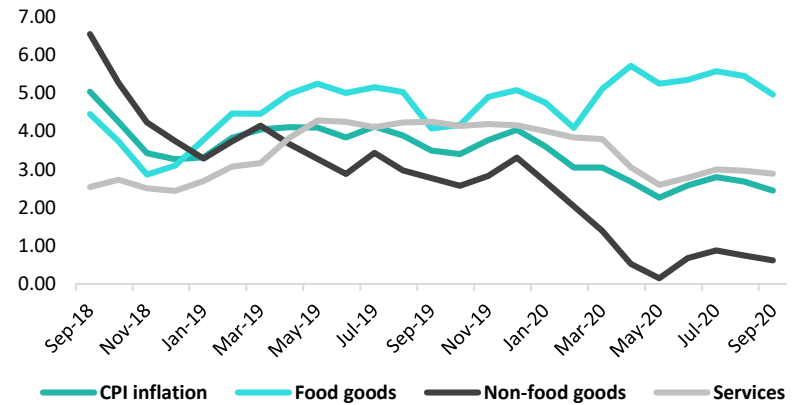
Source: Eurostat

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

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

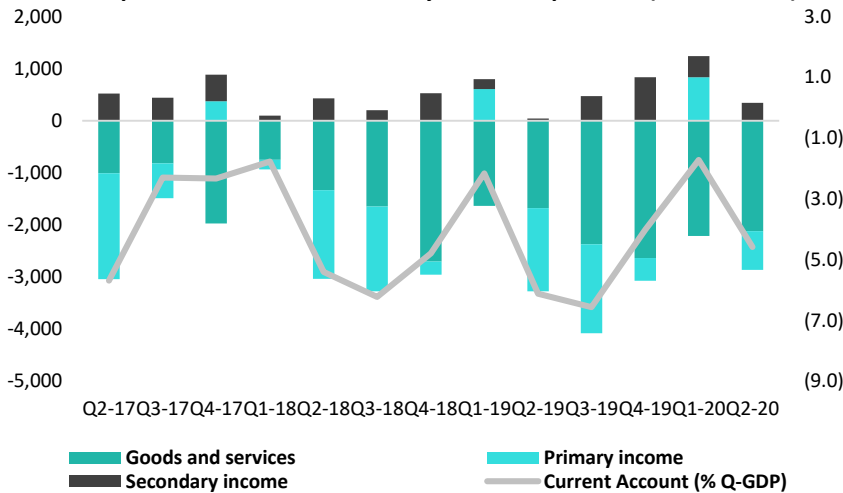


**Inflation, monthly data (annual rate of change)**



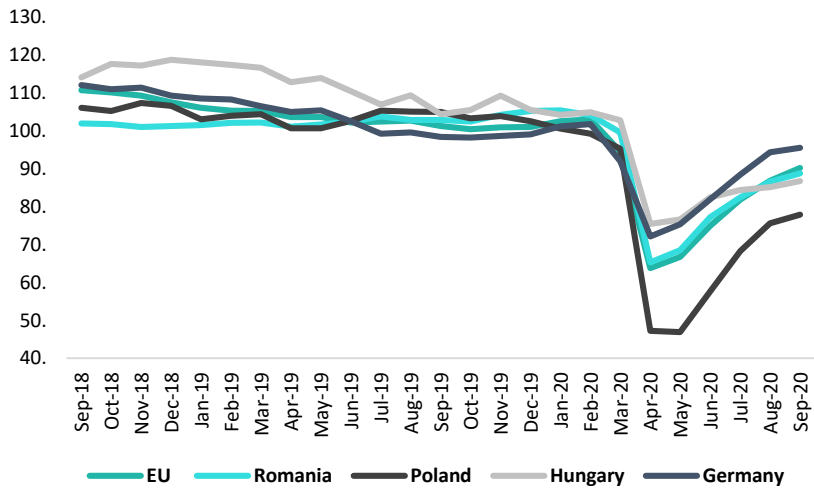
Source: National Institute of Statistics; FSA calculations

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



Source: NBR, FSA calculations

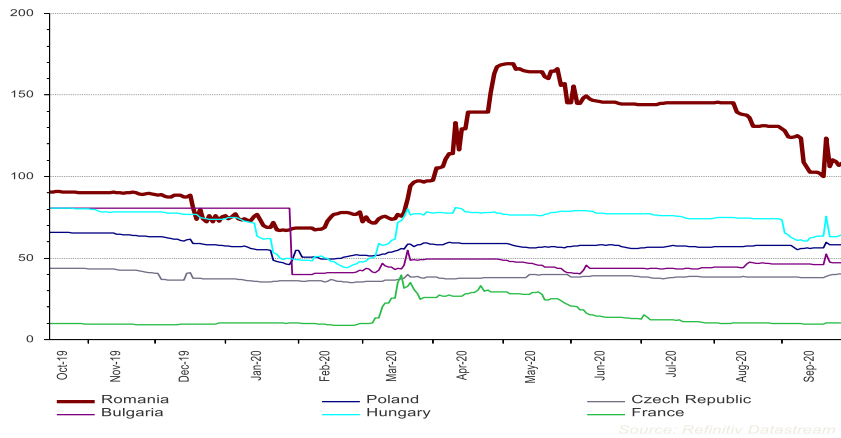
**The economic sentiment index in EU**



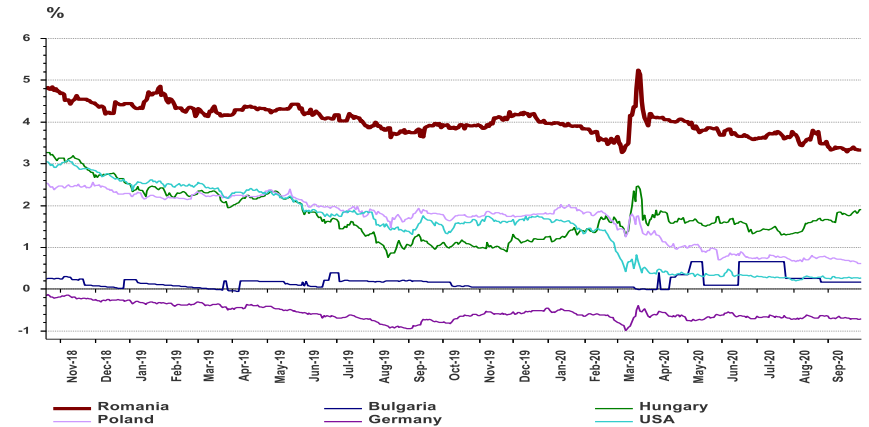
Source: Eurostat

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

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



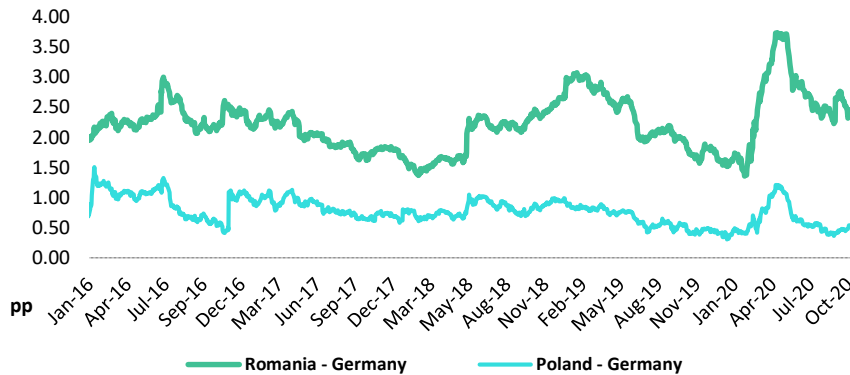
**Government bond yields (5Y, LC)**



Source: Datastream

Romania 5 - year bond yields decreased by 6.5% in September 2020 as compared with the previous month, reaching an average value of 3.36%, while Bulgaria 5 – year bond yields registered a significant decrease of 31%, reaching an average value of 0.16%. Germany 5 – year bond yields remained negative, at very low levels (average value of -0.69% in September).

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



Source: Datastream, FSA's calculations

Romania CDS quotations decreased by 18% in September 2020 compared with the previous month, reaching an average value of 113 bp. French CDS quotations decreased by 1.4% to 9.89 bp.

At the end of May 2020, the highest spread in recent years was registered. The spread has increased slightly since mid-September, and the beginning of October is marked by a downward trend

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

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-1.89%	0.28%	16.69%
FR (CAC 40)	-2.91%	-2.69%	9.27%
DE (DAX)	-1.43%	3.65%	28.43%
IT (FTSE MIB)	-3.15%	-1.86%	11.52%
GR (ASE)	-1.46%	-2.21%	11.90%
IE (ISEQ)	-0.83%	6.81%	23.81%
ES (IBEX)	-3.63%	-7.12%	-1.01%
UK (FTSE 100)	-1.63%	-4.92%	3.42%
US (DJIA)	-2.28%	7.63%	26.76%
IN (NIFTY 50)	-1.23%	9.18%	30.82%
SHG (SSEA)	-5.24%	7.80%	17.01%
JPN (N225)	0.20%	4.02%	22.56%

The European and international stock indices have recorded negative developments (1M), except for the N225 index (JPN: +0.20%). The worst performer was SSEA index (SHG) which decreased by 5.24% in September, followed by IBEX index (ES: -3.63%).

BSE indices	1 M	3 M	6 M
BET	0.11%	4.01%	18.12%
BET-BK	-1.80%	1.89%	17.32%
BET-FI	0.39%	-1.83%	6.62%
BET-NG	-4.78%	-0.79%	13.39%
BET-TR	0.07%	4.49%	22.94%
BET-XT	-0.40%	2.68%	15.39%
BET-XT-TR	-0.44%	3.16%	19.91%
BETPlus	0.13%	4.00%	18.14%
ROTX	-2.20%	0.97%	13.82%

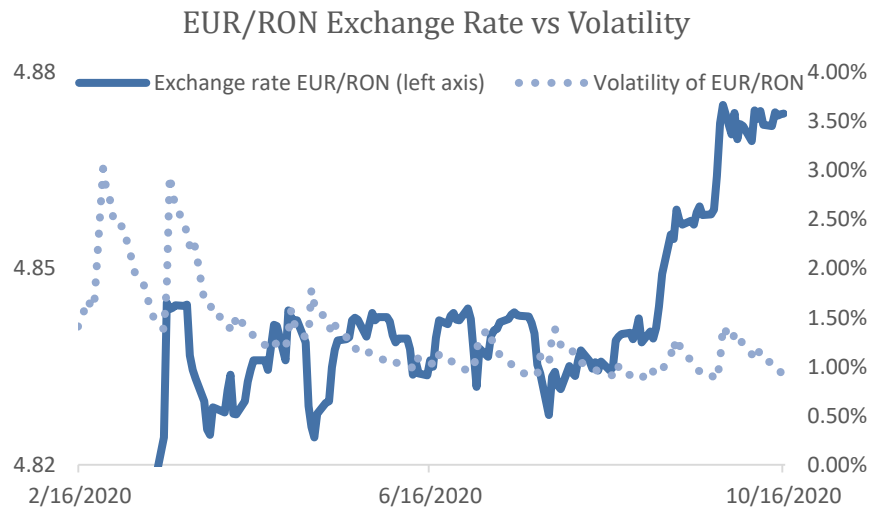
The BSE stock indices have recorded mixed developments (1M). Therefore BET-FI index (0.39%) was the best performer, while, the worst performer was BET-NG index (-4.78%).

Source: Datastream, FSA's calculations

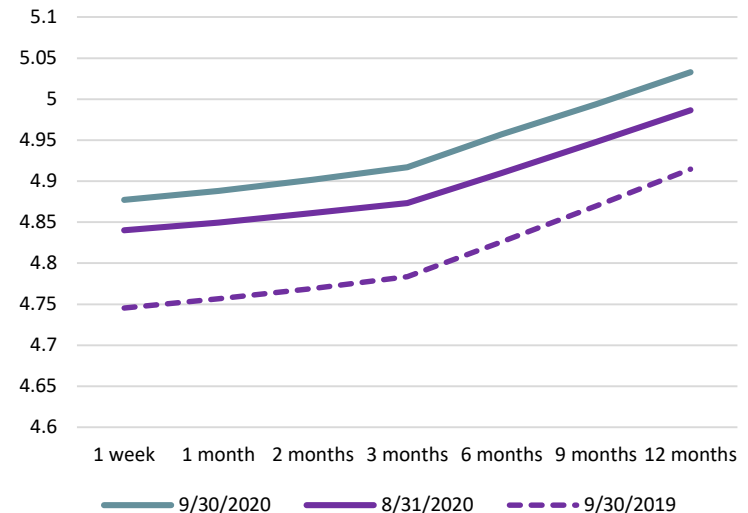
Note: 1M=08/31/2020 vs. 09/30/2020; 3M=09/30/2020 vs. 06/30/2020; 6M=09/30/2020 vs. 03/31/2020



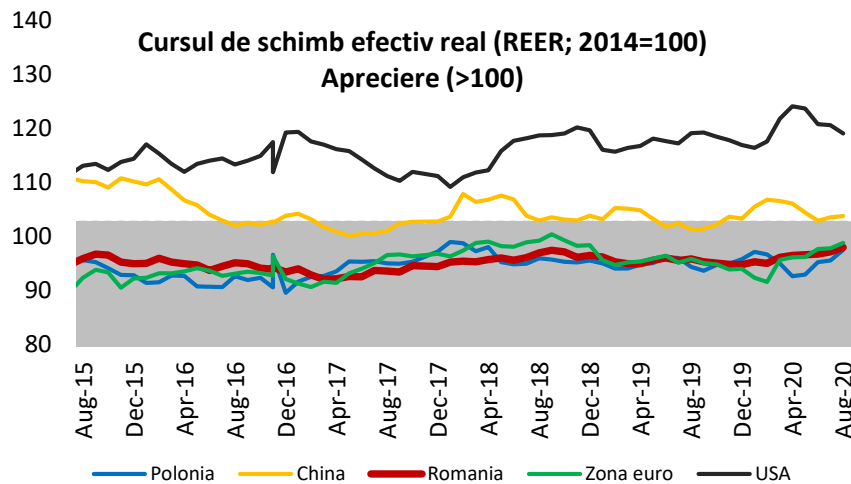
EUR/RON Exchange rate vs volatility



Term structure of EUR/RON forward rate



Source: Datastream, FSA's calculations

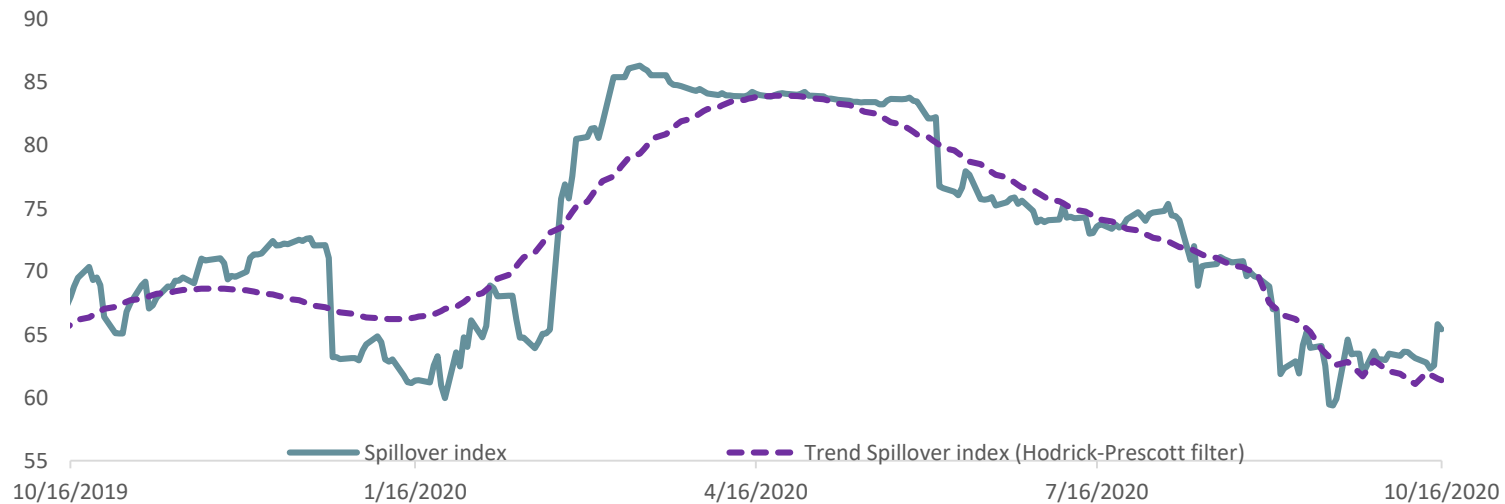


Source: BIS, FSA's calculations

The exchange rate remained around 4.83-4.844 between May and July while the volatility decreased under 2%. The exchange rate further depreciated to 4.86 and our projection shows that it will continue to slowly depreciate in the following months. **We forecast that the depreciation trend will continue to remain low as the Romanian Central Bank lowered the monetary interest rate to 1.5% to fight the impending recession** and managed the interbank liquidity as to avoid any speculative attack on Romanian currency. The Romanian currency strongly depreciated in October due to the projected increase of 11% in the budget deficit.

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 appreciation for all maturities with respect to the previous month (RON depreciation).

Contagion risk



Source: Datastream, 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 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 of 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-October, the spillover has exhibited a downward trend with a mean-reverting behavior.

According to IMF, the global economy is projected to contract sharply by 3% in 2020 reflecting a much deeper economic shock than during the financial crisis of 2009 when growth contracted by 0.7%. While the advanced economies were beset by low interest rates and high public debt levels, the economies from the CESEE countries registered an export based economic growth.

## Liquidity risk on Romanian Stock Exchanges

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

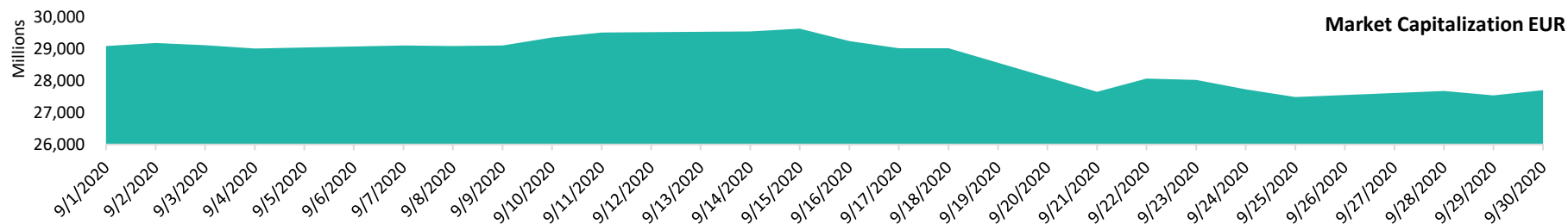
Week/month	No. of transactions	Volume	Value	
			EUR	%
<b>Total 01-04 September 2020</b>	13,305	162,761,825	44,231,932	8.06%
<b>Total 07-11 September 2020</b>	14,408	278,568,511	84,711,413	15.44%
<b>Total 14-18 September 2020</b>	18,335	2,003,472,724	307,951,646	56.11%
<b>Total 21-25 September 2020</b>	18,829	213,352,638	101,430,047	18.48%
<b>Total 28-30 September 2020</b>	1	1,819,245	10,484,267	1.91%
<b>Total September 2020</b>	<b>64,878</b>	<b>2,659,974,943</b>	<b>548,809,304</b>	<b>100.00%</b>

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for September 2020 = 4.8586 LEI/EUR

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

Symbol	Main market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
<b>SNP</b>	20,825,982	8.85%	0	0.00%	136,291,342	24.51%
<b>TLV</b>	127,796,826	54.28%	922,218	0.57%	128,719,044	23.14%
<b>EL</b>	3,477,618	1.48%	65,860,009	40.51%	69,337,627	12.47%
<b>FP</b>	20,409,268	8.67%	0	0.00%	62,678,488	11.27%
<b>SNG</b>	8,854,513	3.76%	29,958,206	18.43%	38,812,719	6.98%
<b>BRD</b>	9,806,110	4.16%	15,733,611	9.68%	25,539,721	4.59%
<b>TEL</b>	1,429,968	0.61%	21,969,146	13.51%	23,399,114	4.21%
<b>TGN</b>	2,476,413	1.05%	13,244,027	8.15%	15,720,439	2.83%
<b>SNN</b>	12,734,906	5.41%	0	0.00%	12,734,906	2.29%
<b>EBS</b>	12,517,016	5.32%	0	0.00%	12,517,016	2.25%
<b>COTE</b>	296,649	0.13%	10,008,663	6.16%	10,305,311	1.85%
<b>SIF5</b>	1,964,817	0.83%	2,885,078	1.77%	4,849,896	0.87%
<b>SIF3</b>	3,498,257	1.49%	165,325	0.10%	3,663,582	0.66%
<b>TRP</b>	2,972,195	1.26%	0	0.00%	2,972,195	0.53%
<b>SIF1</b>	360,512	0.15%	1,387,643	0.85%	1,748,155	0.31%
<b>Top 15 Total</b>					<b>98.76%</b>	

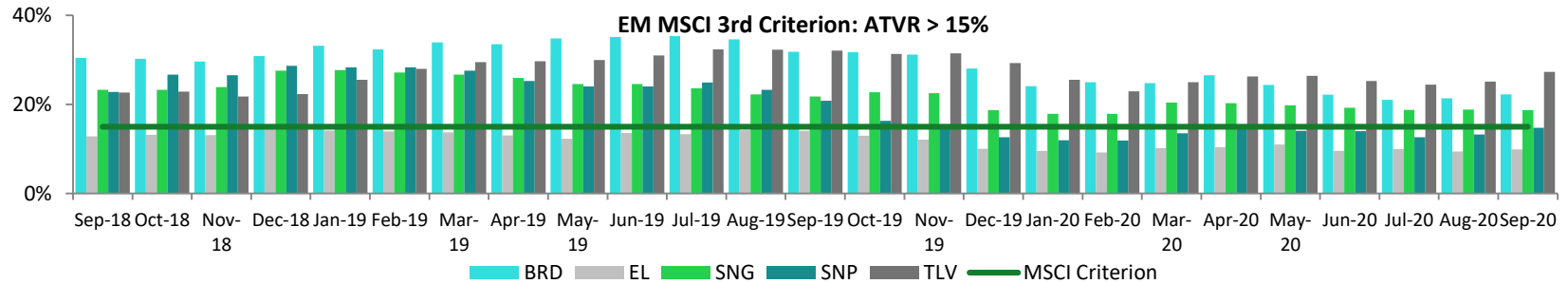
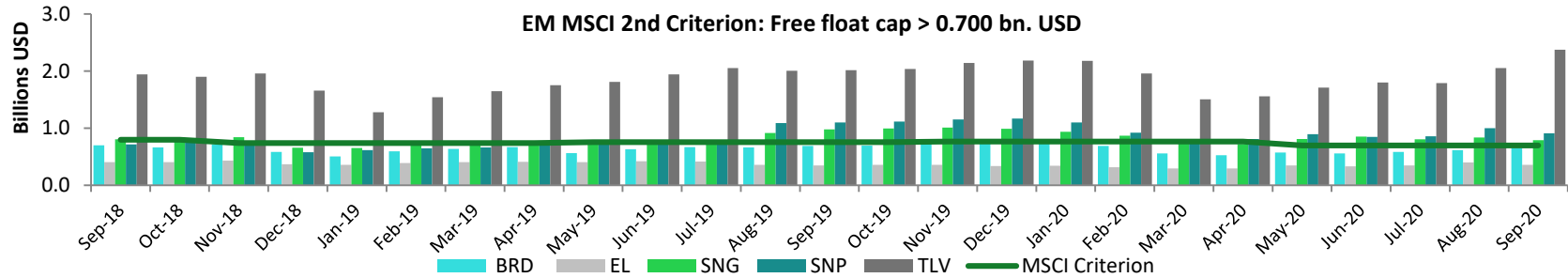
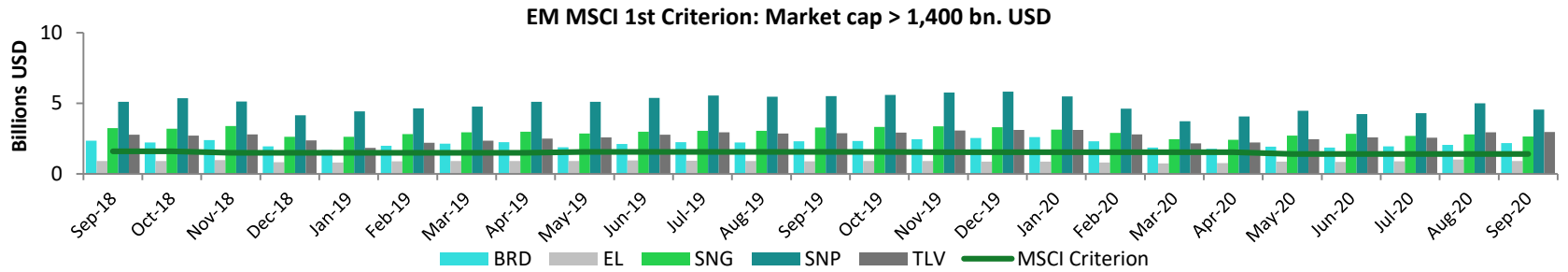
Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for September 2020 = 4.8586 LEI/EUR



### Top of intermediaries during September 2020

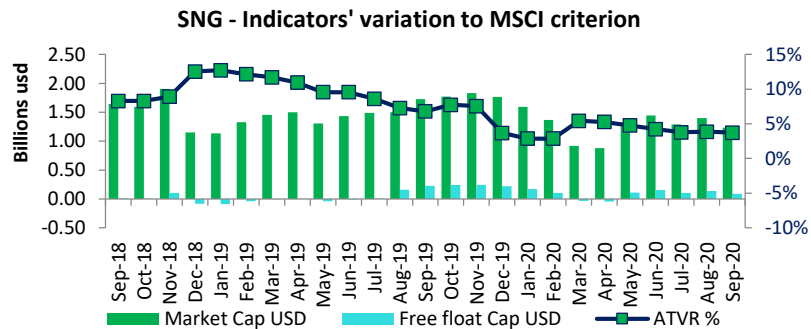
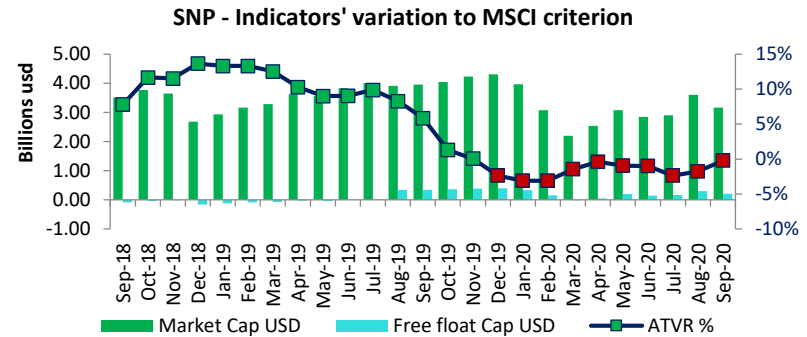
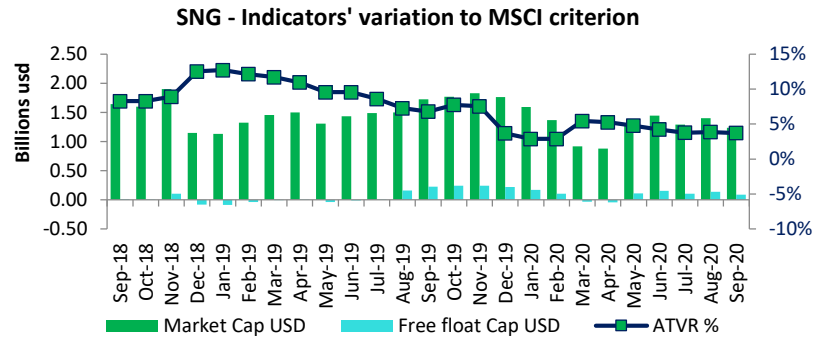
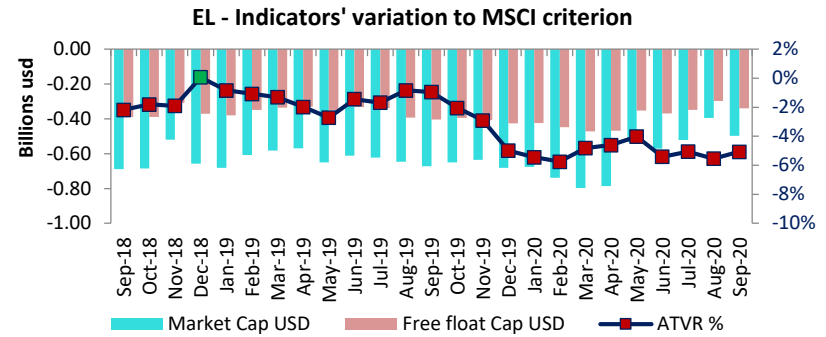
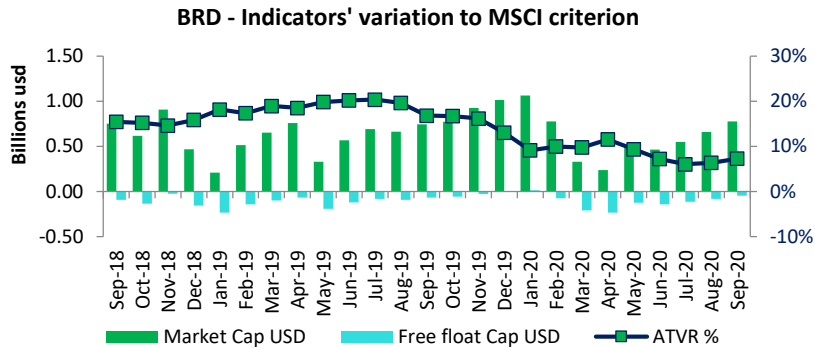
Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	SWISS CAPITAL S.A.	430,731,598	38.71
2	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	314,509,563	28.26
3	BT CAPITAL PARTNERS	130,888,004	11.76
4	BANCA COMERCIALA ROMANA	109,697,857	9.86
5	TRADEVILLE	23,581,413	2.12
6	RAIFFEISEN CENTROBANK AG	19,763,630	1.78
7	IFB FINWEST	15,883,580	1.43
8	SSIF BRK FINANCIAL GROUP S.A.	15,034,558	1.35
9	GOLDRING	9,207,206	0.83
10	PRIME TRANSACTION	8,971,622	0.81
11	BRD Groupe Societe Generale	8,749,847	0.79
12	ALPHA FINANCE ROMANIA	6,952,346	0.62
13	CONCORDE SECURITIES LTD	5,947,244	0.53
14	ESTINVEST	5,157,072	0.46
15	INTERFINBROK CORPORATION	2,471,684	0.22
<b>Top 15 Total</b>			<b>99.53</b>

## MSCI: Quantitative Indicators for Emerging Market Status



Source: ASF Calculations, September 2020

## MSCI: Quantitative Indicators for Emerging Market Status



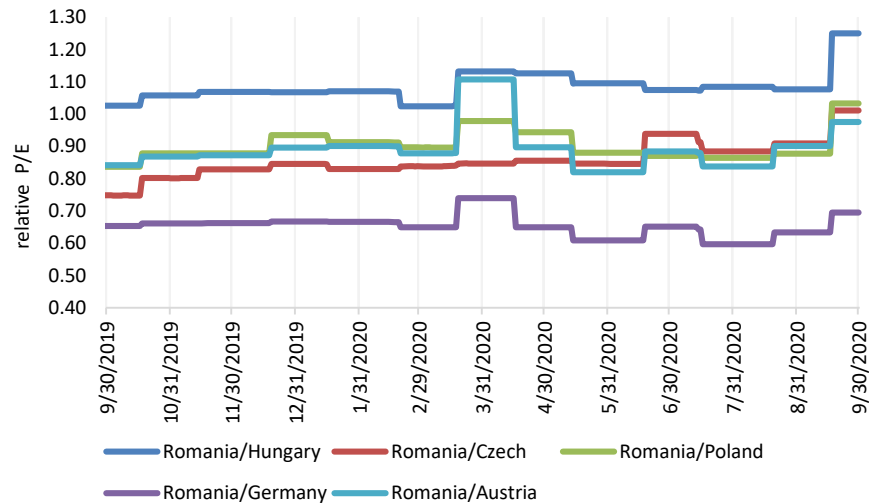
**Indicators' variation to MSCI criterion (September 2020)**

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	0.78	(0.05)	7.28%
EL	(0.50)	(0.34)	-5.06%
SNG	1.23	0.09	3.72%
SNP	3.16	0.21	-0.23%
TLV	1.56	1.67	12.27%

Source: ASF Calculations, September 2020

## Risk assessment and the benefit of diversification

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

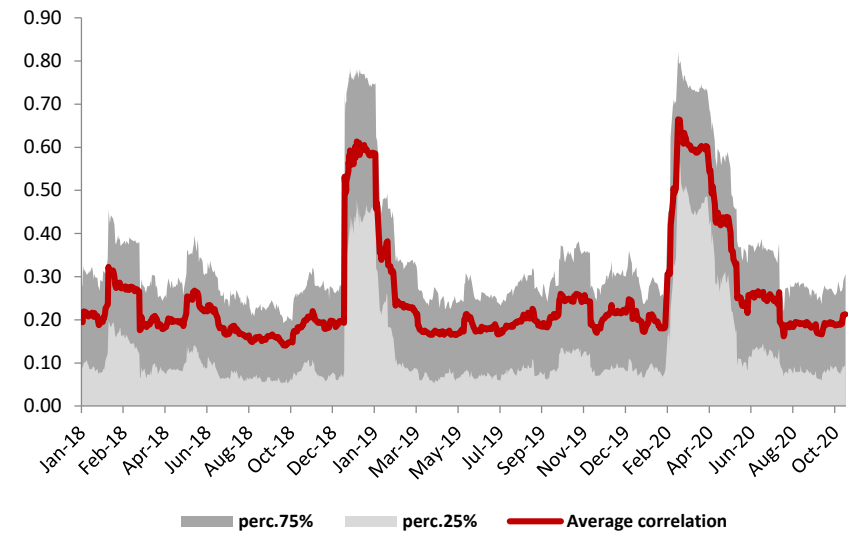


Source: Datastream, FSA's calculations

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.

Starting with the second half of September 2020, the ratio became higher than 1 in relation to the capital markets in Poland, Hungary and the Czech Republic.

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

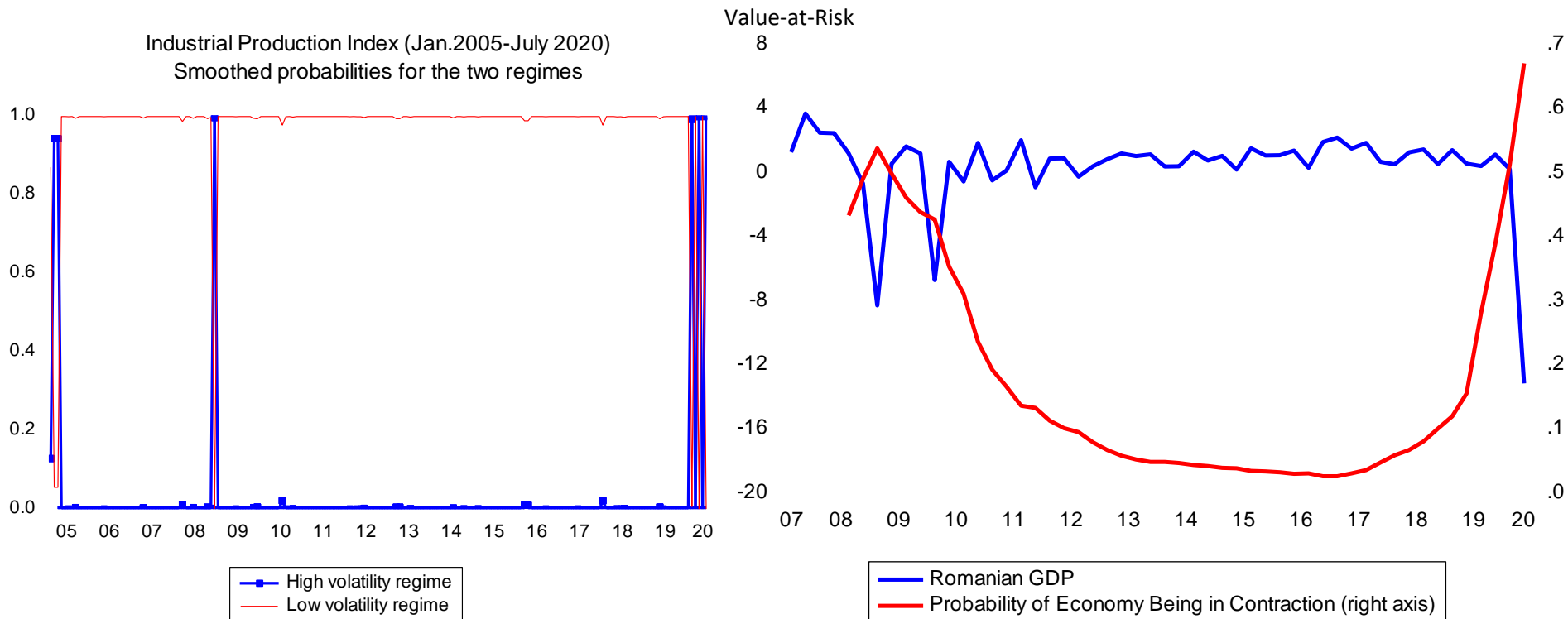


Source: Bloomberg, ASF

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. The end of September is marked by an increase in the correlations between the shares.

## Risk assessment and the benefit of diversification

The industrial production index fell sharply in April and May and rebounded in June and July. The chart indicates that expected duration of the likelihood of a high volatility regime is low, lasting about 2 months.<sup>1</sup> The decrease in the industrial production index will also have a direct impact on GDP, as can be seen in the signal data for GDP in the second quarter, which also indicates a 70% probability of entering a recession.

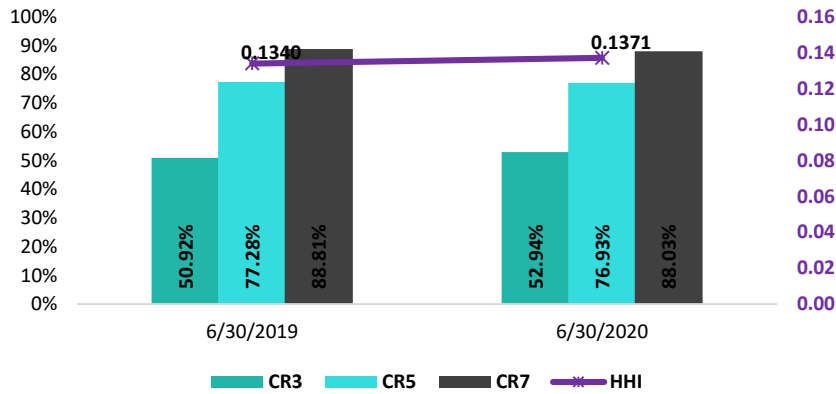


Source: Datastream, FSA's calculations

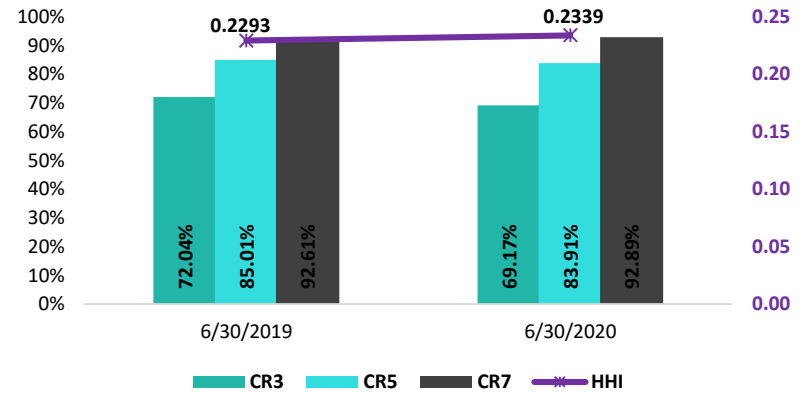
<sup>1</sup> For the monthly Industrial Production Index we have estimated a Hamilton-type Markov switching regression model with intercept and first AR lag changing between regimes.

## Concentration risk

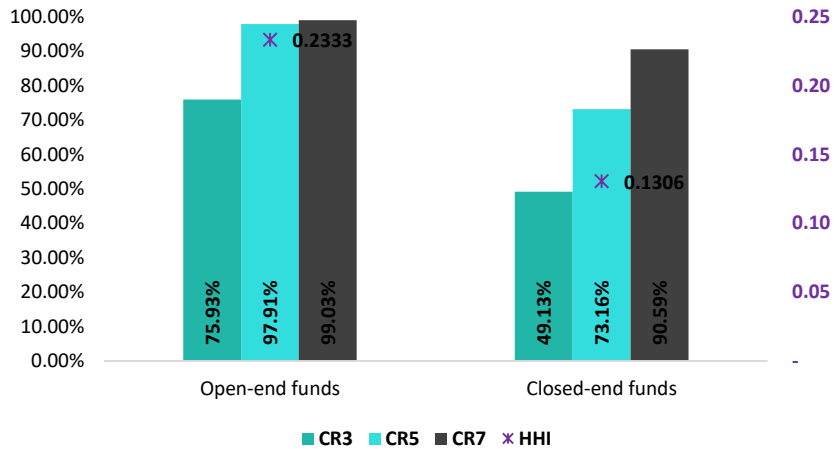
**Concentration risk of non-life insurance undertakings  
(by value of GWP at 30 June 2020)**



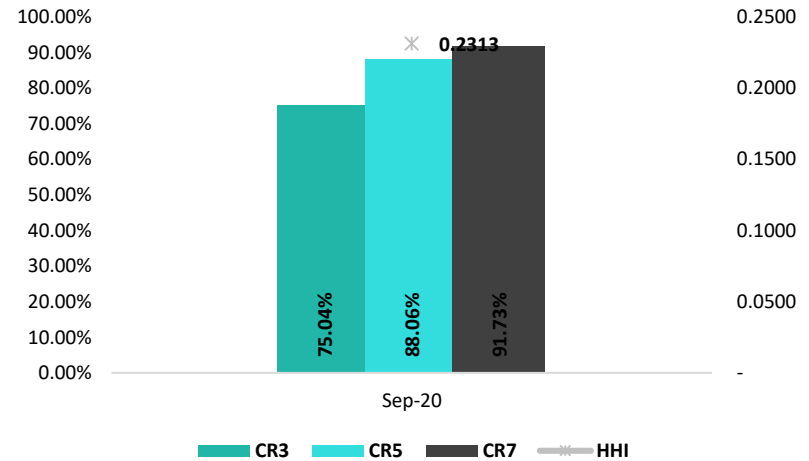
**Concentration risk of life insurance undertakings  
(by value of GWP at 30 June 2020)**



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



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



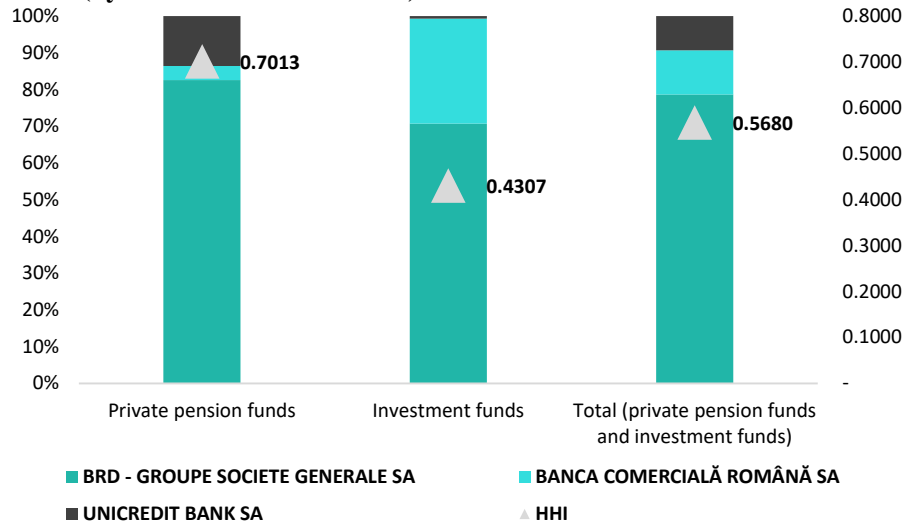
Source: FSA

Source: FSA

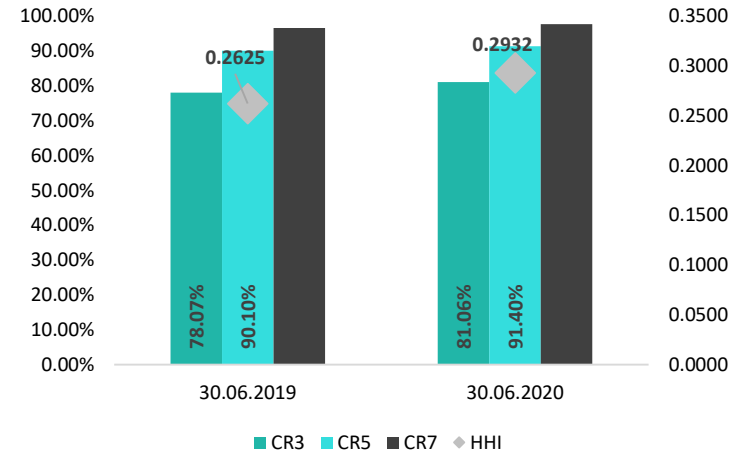


## Concentration risk

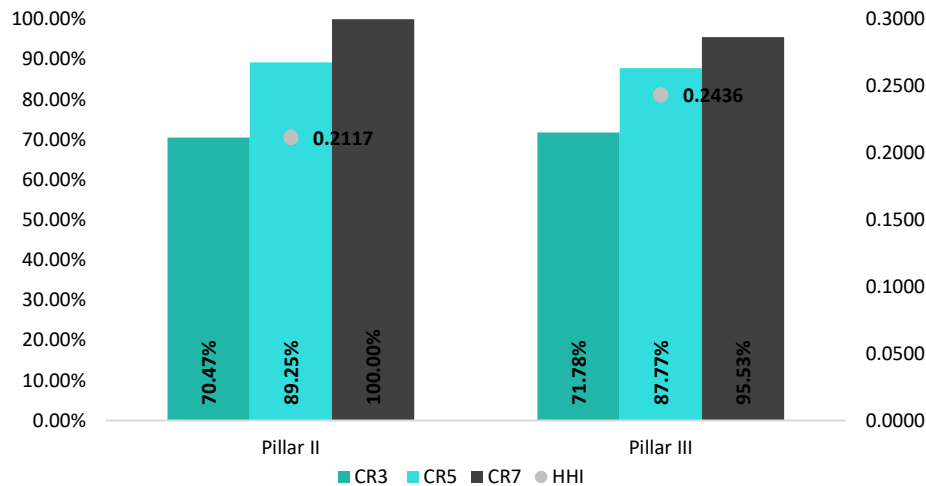
**Concentration risk of depositaries of private pension funds and investment funds (by total assets at 6/30/2020)**



**The degree of concentration of insurance companies in the MTPL market**



**Concentration risk of private pension funds (by net assets at 9/30/2020)**



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.

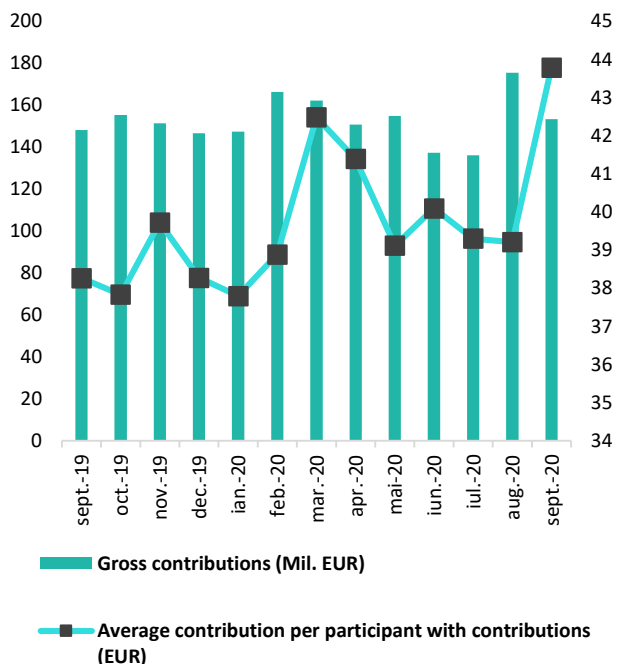
Also on the capital market, the concentration degree is medium to high for OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE due to the fact that top market participants sum up a significant share of the total assets.

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

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

Mandatory pension fund	Total Assets 30 September 2020 (EUR)	Participants (persons) September 2020	Rate of return September 2020
ARIPI*	1,260,947,737	782,920	4.90%
AZT VIITORUL TAU	3,093,779,349	1,605,527	4.56%
BCR	983,322,550	685,533	5.22%
BRD	558,116,483	468,778	4.20%
METROPOLITAN LIFE	2,012,560,117	1,059,505	4.84%
NN	5,001,582,647	2,032,449	4.68%
VITAL	1,432,827,129	949,195	5.06%
<b>Total</b>	<b>14,343,136,011</b>	<b>7,583,907</b>	<b>n/a</b>

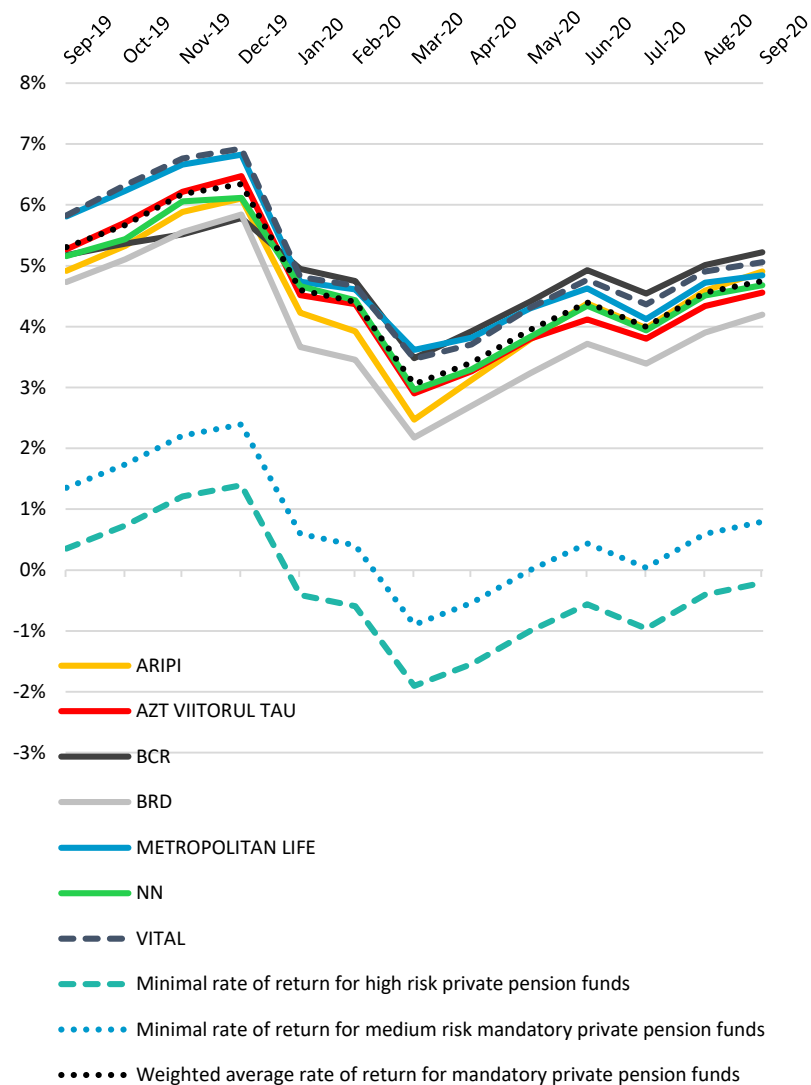
**Evolution of gross contributions**



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

**5,663  
persons**

**Rate of return for mandatory pension funds**



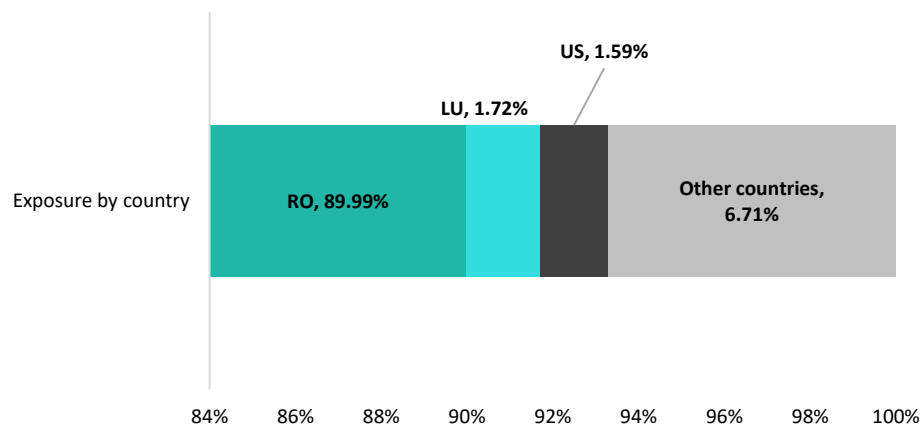
Source: FSA

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

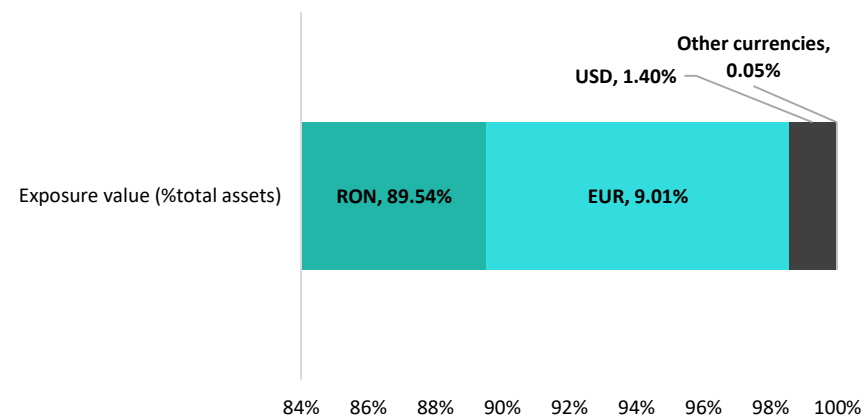
Mandatory pension fund's portfolio at 30 September 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	9,699,044,283	67.62%
Equity	2,915,735,685	20.33%
Corporate bonds	619,604,180	4.32%
Investment funds	413,838,656	2.89%
Bank deposits	361,411,508	2.52%
Supranational bonds	319,484,635	2.23%
Municipal bonds	37,653,338	0.26%
Metal funds	20,695,592	0.14%
Other assets	(44,331,867)	-0.31%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



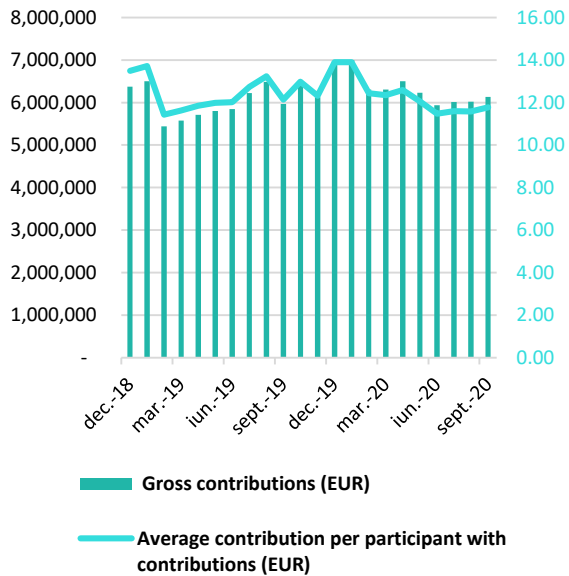
Source: FSA

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

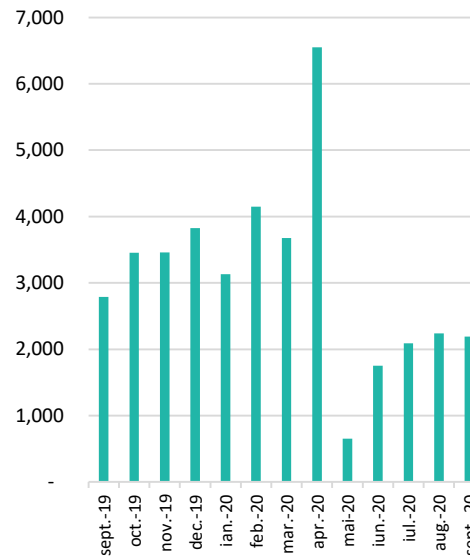
**Total assets (EUR), number of participants and return rates**

Voluntary pension fund	Total assets (EUR), 30 September 2020	Participants (persons) September 2020	Rate of return September 2020
AEGON ESENTIAL	1,846,869	3,850	5.1507%
AZT MODERATO	59,557,478	39,353	5.0568%
AZT VIVACE	22,017,152	20,199	4.9191%
BCR PLUS	101,093,759	138,767	4.7026%
BRD MEDIO	30,154,669	32,553	3.8722%
GENERALI STABIL	5,513,520	5,439	4.9194%
NN ACTIV	63,503,697	54,091	3.2583%
NN OPTIM	237,975,457	196,418	3.5996%
PENSIA MEA	17,699,492	15,608	3.4749%
RAIFFEISEN ACUMULARE	21,515,783	14,601	5.0216%
<b>Total</b>	<b>560,877,875</b>	<b>520,879</b>	<b>n/a</b>

**Evolution of gross contributions**

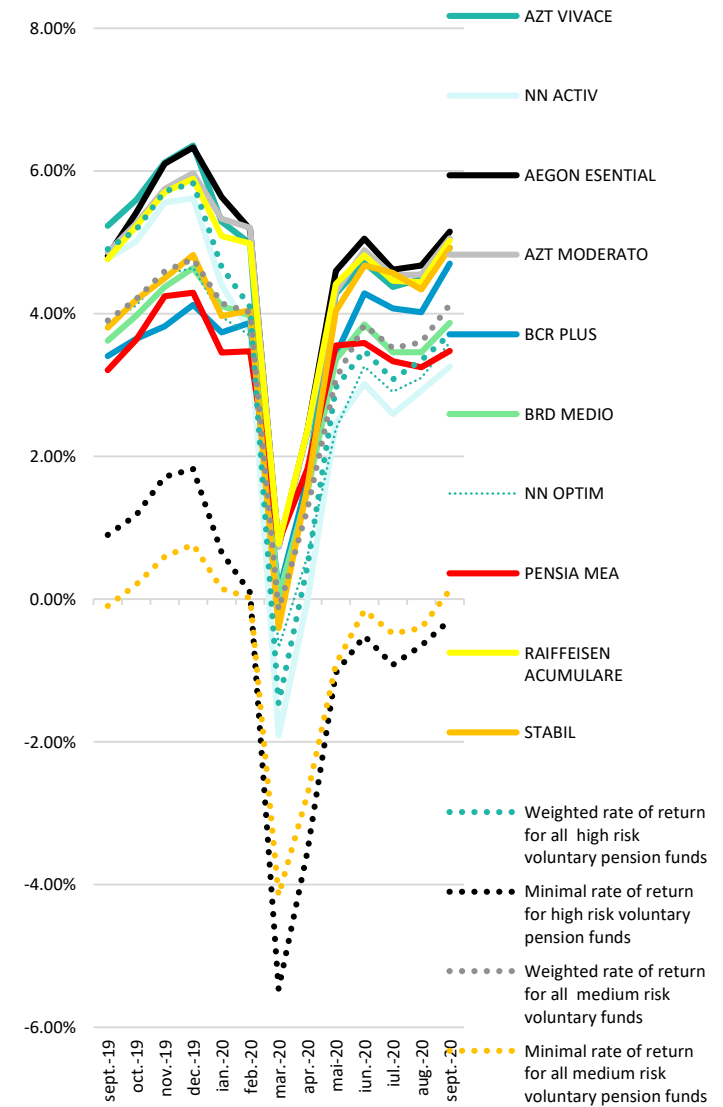


**New participants in 3<sup>rd</sup> Pillar**



Source: FSA

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



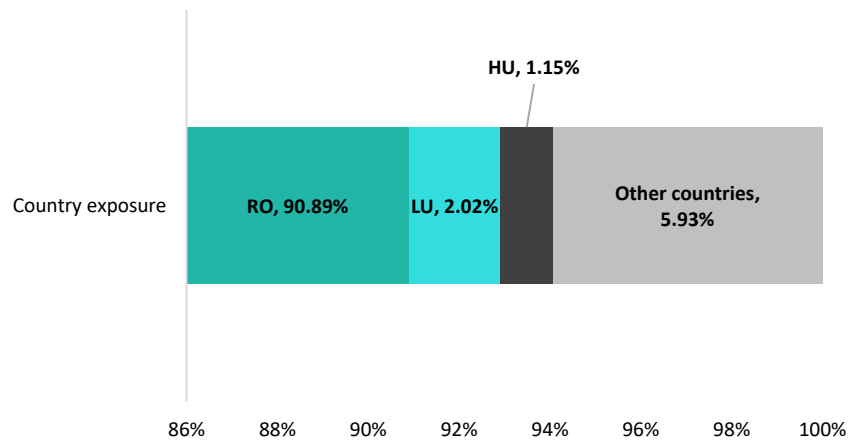
## Current evolutions in optional private pension funds (3rd Pillar)

### Optional pension fund's portfolio at 30 September 2020 (EUR)

<b>Government Bonds</b>	<b>356,465,582</b>	<b>63.55%</b>
<b>Equity</b>	137,330,672	24.48%
<b>Corporate Bonds</b>	18,398,185	3.28%
<b>Investment Funds</b>	16,477,397	2.94%
<b>Bank Deposits</b>	15,775,076	2.81%
<b>Supranational Bonds</b>	10,844,784	1.93%
<b>Municipal Bonds</b>	4,701,014	0.84%
<b>Metal funds</b>	2,132,254	0.38%
<b>Oher assets</b>	(1,247,088)	-0.22%
<b>Government Bonds</b>	<b>356,465,582</b>	<b>63.55%</b>

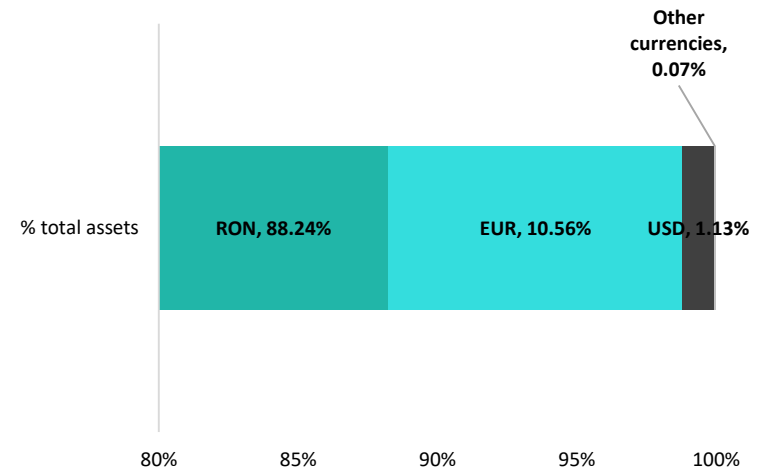
Source: FSA

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



Source: FSA

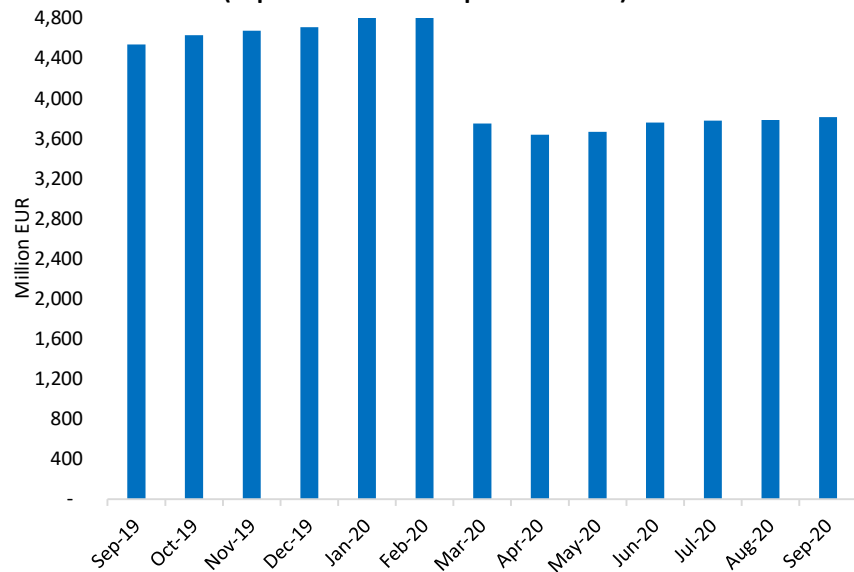
#### Currency exposure of optional fund's assets



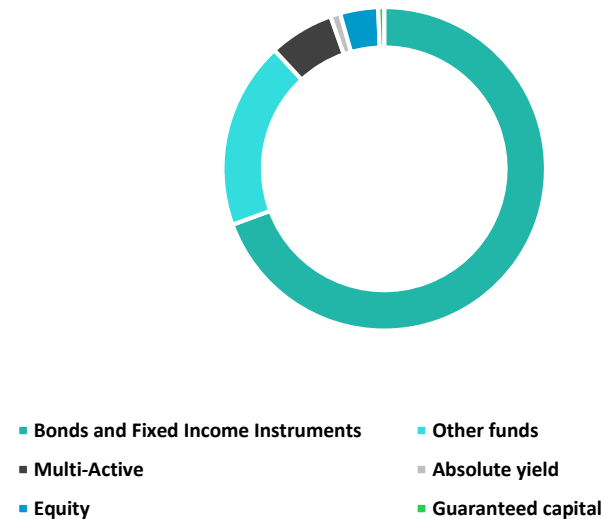
Source: FSA

## Specific developments in the investment funds sector

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



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



Source: AAF

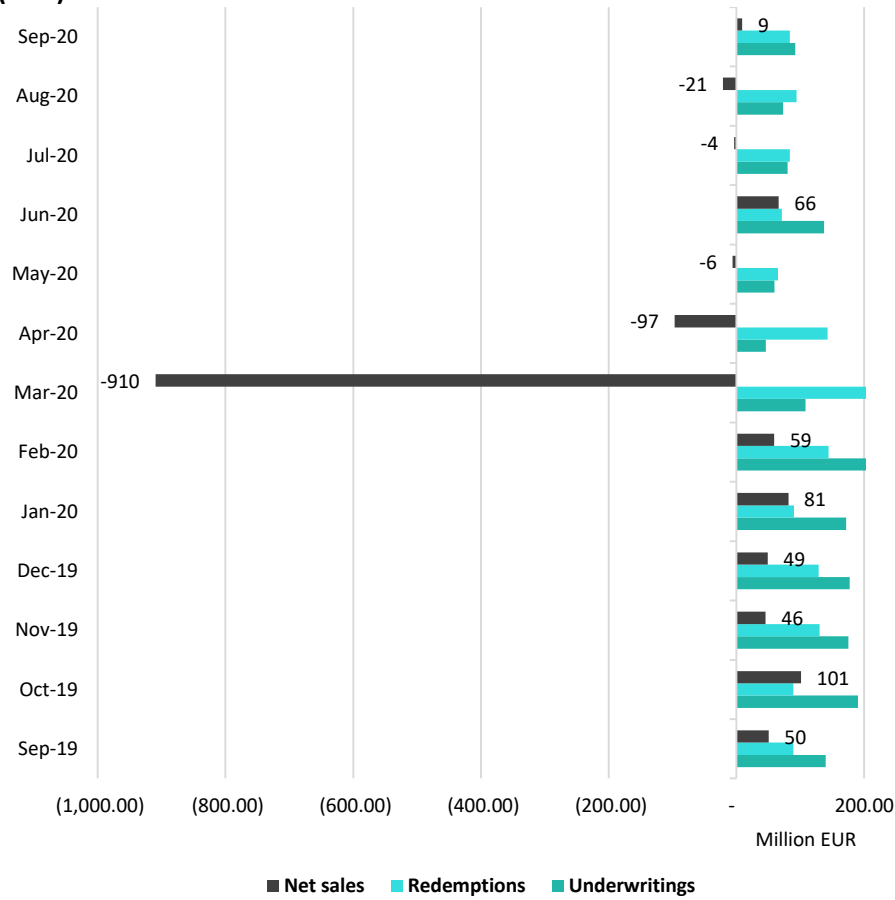
According to data published by AAF, the net assets of open-end investment funds (OeIF) reached a value of EUR 3.81 billion in September 2020, an increase of 0.8% compared to the previous month. Net assets of open-end bond and fixed income instruments funds, which account for about 69% of the local OeIF industry, increased by 1% compared with the previous month.

In September 2020, *open-end bond and fixed income instruments funds* hold the largest share in total net assets of OeIF (around 69%<sup>2</sup>), while the "*other funds*" type has a market share of approximately 19%.

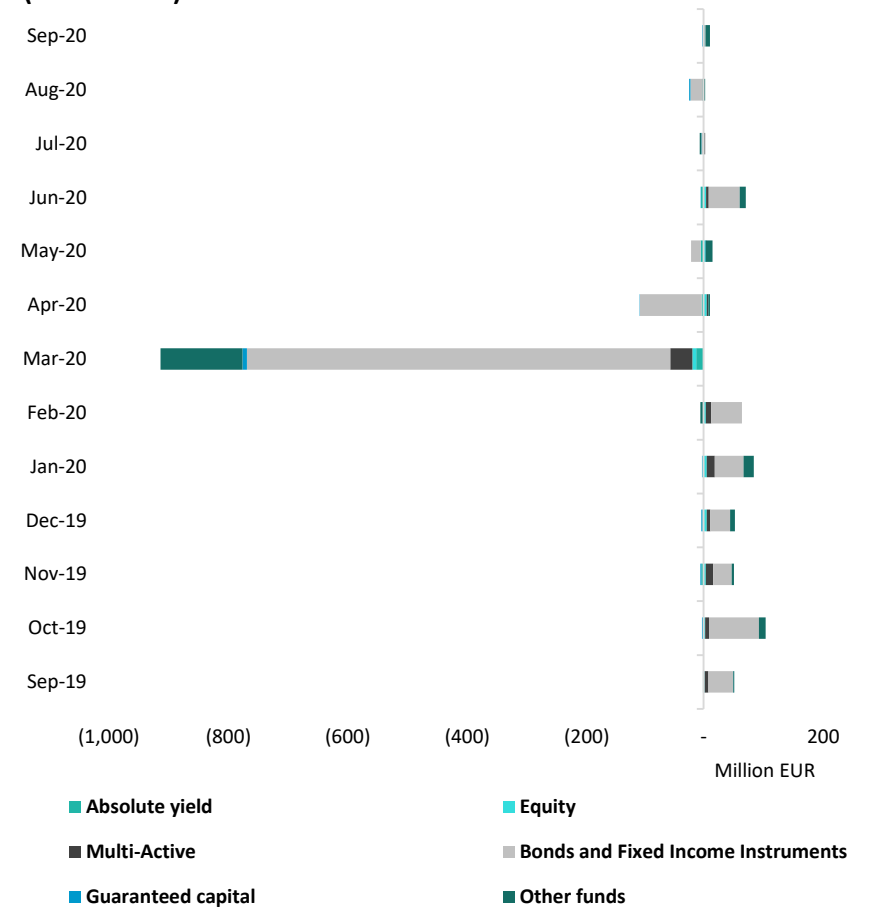
<sup>2</sup> There was a change in Open end investment funds' classification

## 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)**



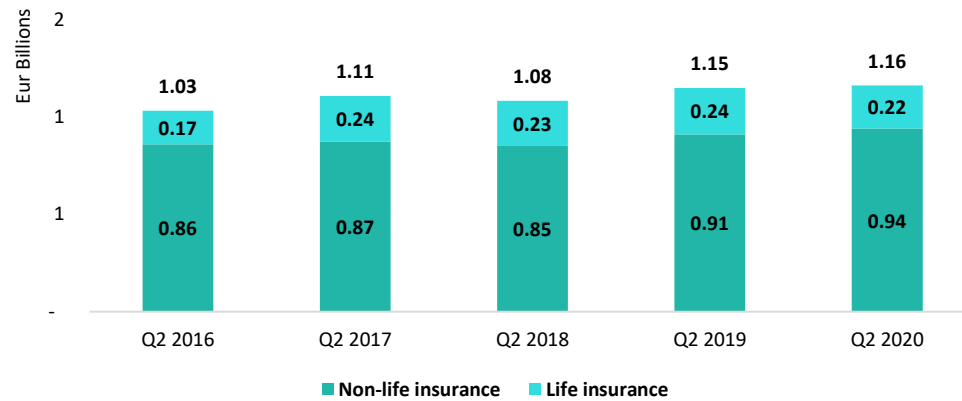
Source: AAF

In September 2020, a month in which many COVID-19 containment measures have been lifted, local open-end investment funds recorded net inflows of EUR 9 million. Net inflows of equity funds amounted to EUR 1.7 million, while the other funds category recorded net inflows of EUR 8 million.

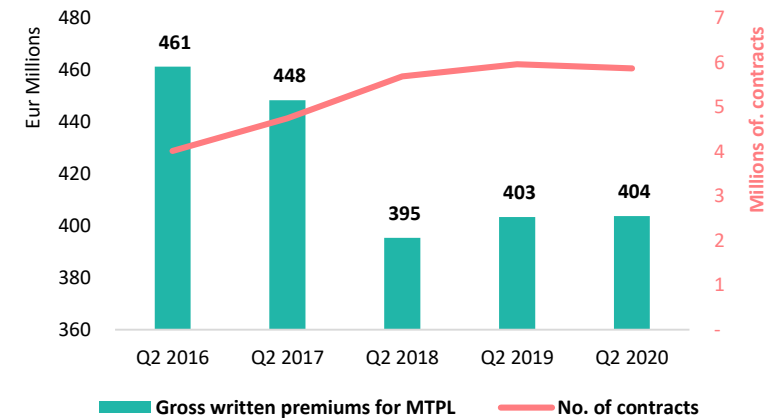
## Specific developments in the insurance market in Romania

### Evolution of the insurance market (30th of June 2020)

Gross written premiums (total)

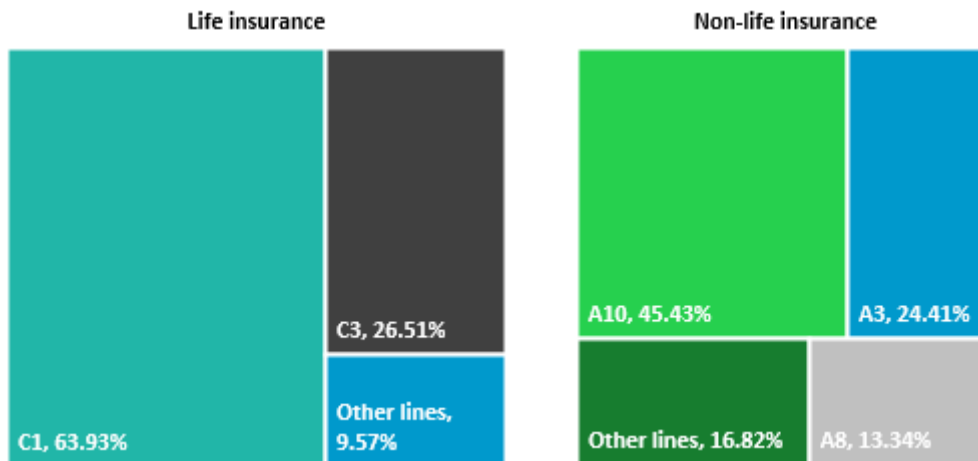


MTPL gross written premiums



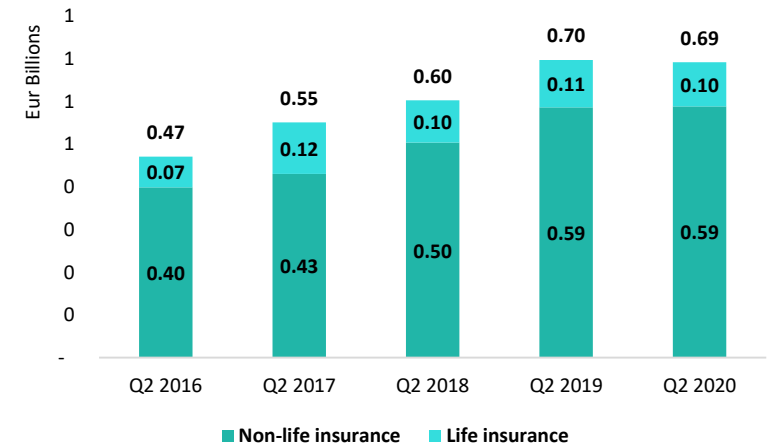
Source: FSA

Share of main insurance classes by GWP



Source: FSA

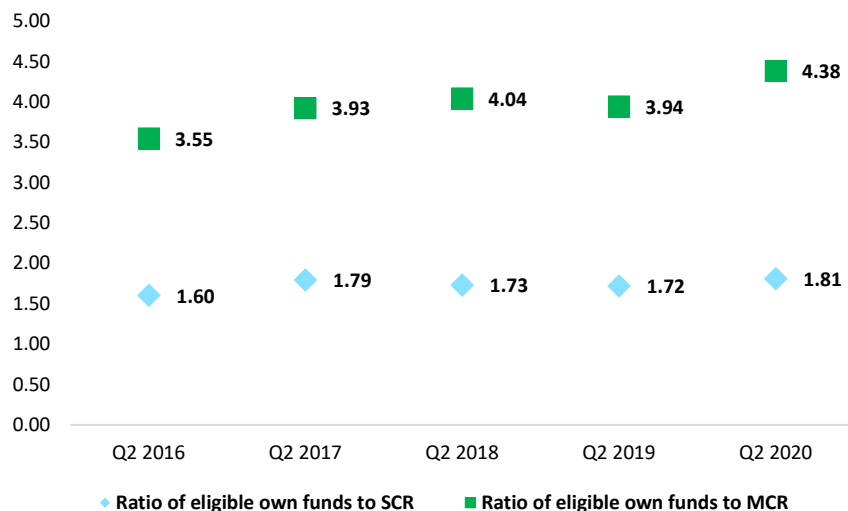
Gross claims paid



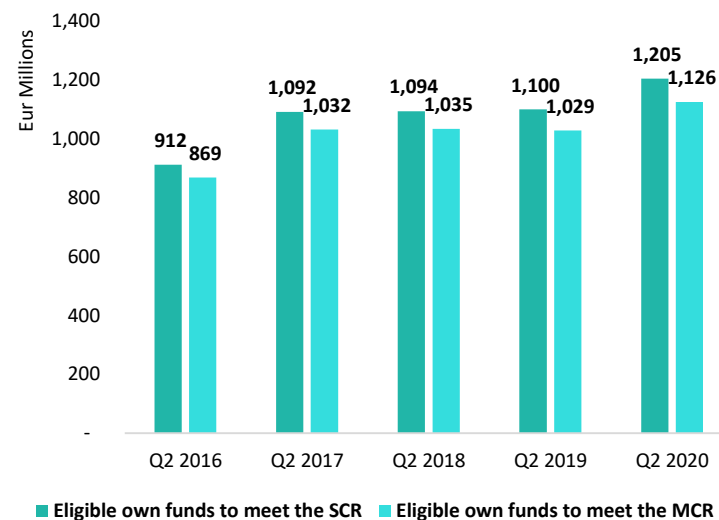


## Specific developments in the insurance market in Romania

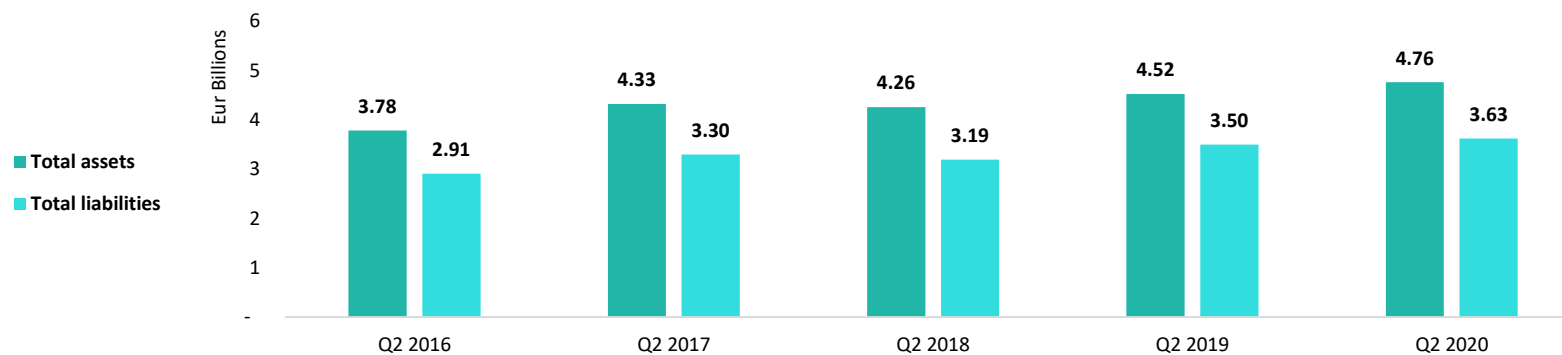
Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR



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 June 2020, eligible own funds to meet the SCR were mainly composed of unrestricted Tier 1 (91%) and Tier 2 items (7%). 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 September 2020

<b>EUROPEAN UNION</b>	<ul style="list-style-type: none"> <li>• 24 September: <a href="#">EC publishes a new Action Plan to boost the European Union's Capital Market Union.</a></li> <li>• 24 September: <a href="#">EC adopts a new Digital Finance Package.</a></li> </ul>
<b>ESMA</b>	<ul style="list-style-type: none"> <li>• 2 September: <a href="#">ESMA issues its second Trends, Risks and Vulnerabilities Report of 2020.</a></li> <li>• 24 September: <a href="#">ESMA makes proposals to help prevent and detect WHT reclaim schemes.</a></li> <li>• 24 September: <a href="#">ESMA publishes outcomes of MAR review.</a></li> <li>• 24 September: <a href="#">ESMA consults on MiFIR reference data and transaction reporting.</a></li> <li>• 29 September: <a href="#">ESMA updates Regulatory Technical Standards under Benchmarks Regulation.</a></li> <li>• 29 September: <a href="#">ESMA proposes amendments to the MiFIR transparency regime for non-equity financial instruments.</a></li> </ul>
<b>ESA</b>	<ul style="list-style-type: none"> <li>• 22 September: <a href="#">EU financial regulators assess risks to the financial sector after the outbreak of COVID-19.</a></li> </ul>
<b>ECB</b>	<ul style="list-style-type: none"> <li>• 2 September: <a href="#">ECB shows that Europe needs a fully-fledged capital markets union, now more than ever.</a></li> <li>• 10 September: <a href="#">ECB keeps monetary policy rates unchanged.</a></li> </ul>
<b>IMF</b>	<ul style="list-style-type: none"> <li>• 9 September: <a href="#">Kristalina Georgieva and Gita Gopinath pledges for emerging stronger from the Great Lockdown.</a></li> </ul>