

Net outflows of bond funds amounted to EUR 19.8 million, while the other funds category recorded net inflows of EUR 2 million

ASF nr.
09/25.09.2020

- The annual inflation rate (HICP) in the euro area was -0.2% in August, down from the previous month (0.4%). At EU level, the annual inflation rate was 0.4% in August, compared with 0.9% in July. In Romania, the annual inflation rate (harmonized index of consumer prices, HICP) is 2.5% in August 2020, same level as in the previous month .
- The net assets of open-end investment funds (OeIF) reached a value of EUR 3.78 billion, an increase of only 0.1% 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, decreased by 0.4% compared with the previous month.

The global macroeconomic perspective

According to Eurostat flash estimates, 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 (-17.7%). The crisis generated by COVID-19 has also severely affected the UK economy, which registered a contraction of -21.7% 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 10.5% on both the gross series and the seasonally adjusted series compared to the similar period of the previous year. Compared to the previous quarter, the decrease was more severe: 12.3% (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%.

GDP development in 2019-2020

Country	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020	Q2 2020	European Commission		World Bank	
								2020f	2021f	2020f	2021f
Euro area	1.5	1.2	1.3	1.0	1.3	-3.2	-14.7	-8.7	6.1	-9.1	4.5
Germany	1.0	0.3	0.7	0.4	0.6	-2.2	-11.3	-6.3	5.3	-	-
Spain	2.2	2.0	1.9	1.8	2.0	-4.1	-21.5	-10.9	7.1	-	-
France	1.7	1.8	1.6	0.9	1.5	-5.7	-18.9	-10.6	7.6	-	-
Italy	0.3	0.4	0.5	0.1	0.3	-5.6	-17.7	-11.2	6.1	-	-
Bulgaria	3.8	3.5	3.2	3.1	3.4	2.4	-8.5	-7.1	5.3	-6.2	4.3
Croatia	4.0	2.4	2.8	2.7	2.9	0.3	-15.1	-10.8	7.5	-9.3	5.4
Hungary	5.5	5.2	4.7	4.4	4.9	2.0	-13.5	-7.0	6.0	-5.0	4.5
Poland	4.8	4.2	4.1	3.5	4.1	1.7	-7.9	-4.6	4.3	-4.2	2.8
Romania	5.1	4.3	3.3	3.9	4.1	2.7	-10.5	-6.0	4.0	-5.7	5.4

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Summer 2020 Economic Forecast, World Economic Prospects – June 2020, World Bank

The annual inflation rate (HICP) in the euro area was -0.2% in August, down from the previous month (0.4%). At EU level, the annual inflation rate was 0.4% in August, compared with 0.9% in July. The lowest annual inflation rates were recorded in Cyprus (-2.9%), Greece (-2.3%) and Estonia (-1.3%), while in Hungary (4.0%), Poland (3.7%) and the Czech Republic (3.5%) were recorded the highest annual inflation rates. In August, the largest contributions to the euro area inflation rate came from food, alcohol and tobacco and services, while non-energy industrial goods and energy had negative contributions.

The annual inflation rate (CPI) was 2.68% in August 2020 in Romania, a lower value compared to that recorded in July (+ 2.8%). The most significant contribution to the annual inflation rate came from the increase in food prices (+5.45%) and services (+ 2.97%). Calculated on the basis of the Harmonized Index of Consumer Prices (HICP), the annual rate is 2.5% in August 2020, same level as in the previous month.

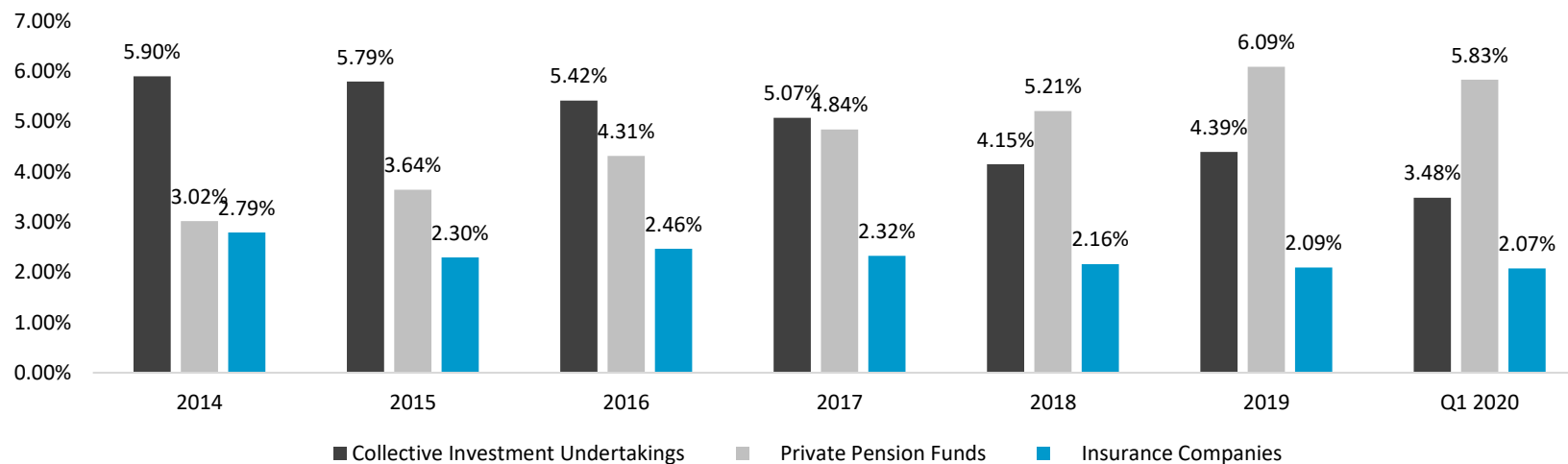
According to data published by the Romanian National Institute of Statistics, the volume of construction works continued to increase by 12.2% as gross series, respectively by 12.7% as seasonally adjusted series in July 2020 compared to same period of the previous year. Capital repair works increased by over 40%, and maintenance and current repairs by 39.5%, while the new construction works (+ 0.4%) recorded a more modest increase.

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

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



Source: NBR, NIS, FSA

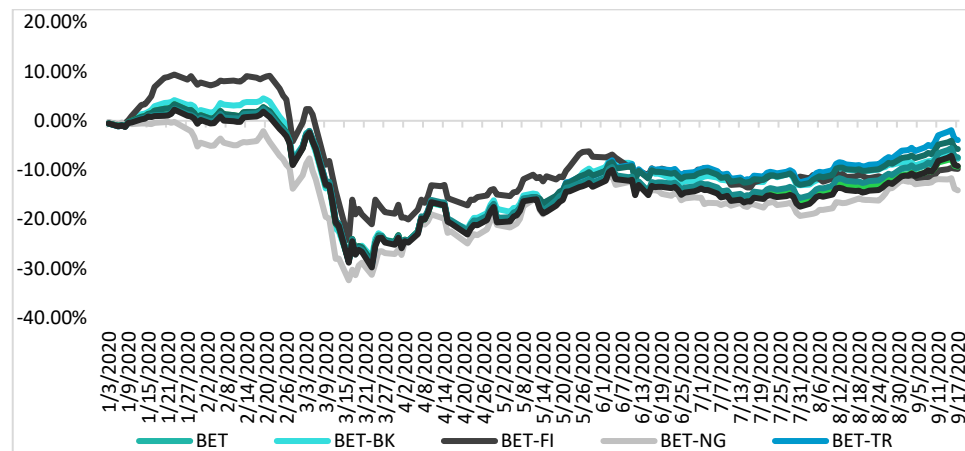
Current trends and headlights on Romanian markets

Romanian stock indices evolution in 2020 (31.12.2019 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
9/17/2020	-7.68%	-7.53%	-9.77%	-14.12%	-3.90%

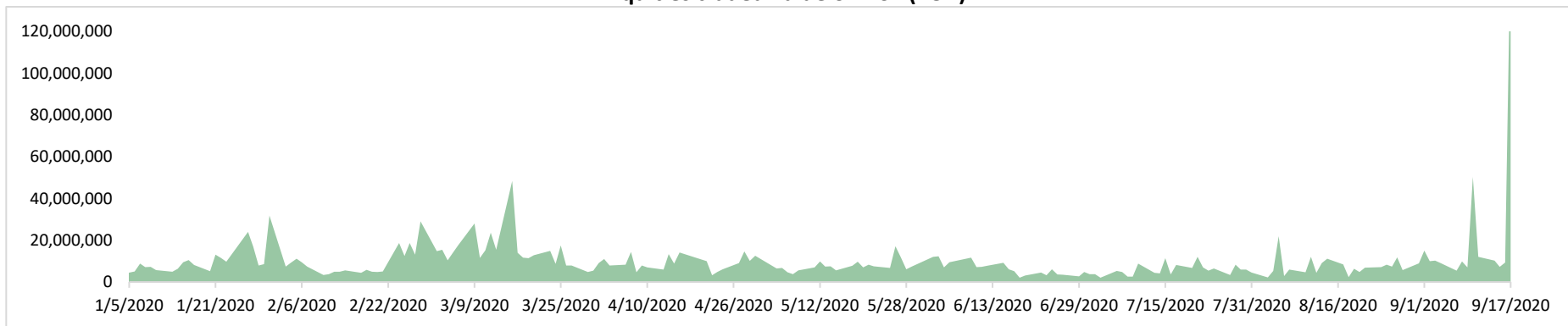
Date	BET-XT	BET-XT-TR	BETPlus	ROTX
9/17/2020	-9.33%	-5.76%	-7.43%	-9.20%

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
Italy	135.6	136.1	136.1	134.8	136.4	137.7	137	134.8	137.6
France	98.8	98.8	99	98.1	99.3	99.2	100.1	98.1	101.2
Spain	99.2	98.6	98.9	97.6	98.6	98.6	97.5	95.5	98.8
Euro zone	87.7	87.2	87.1	85.8	86.4	86.2	85.9	84.1	86.3
EU	81.3	80.8	80.7	79.6	80	79.7	79.3	77.7	79.5
Hungary	73.2	73.5	72	70.2	69.5	68.2	68.1	66.3	66.6
Germany	64.1	63	62.7	61.9	61.7	61.1	61.1	59.8	61.3
Poland	51.2	50.5	49.4	48.8	49.1	47.9	47.3	46	47.9
Romania	34.5	34.1	33.9	34.7	33.8	33.8	35.2	35.2	37.4
Bulgaria	24	23.5	22.8	22.3	20.9	20.4	20.6	20.4	20.3

Source: Eurostat

The government debt-to-GDP ratio in the euro area increased from 84.1% to 86.3% in the first quarter of 2020. There is a considerable heterogeneity in debt level, the share of public debt in GDP ranging from 8.9% (Estonia) to 176.7% (Greece).

Romania is among the EU member states with a low level of indebtedness (37.4%), below the indebtedness of the EU member states of 79.5% of GDP. In July 2020, Romania's public debt stood at about EUR 91.9 billion, up from the end of 2019 (EUR 78.1 billion), representing about 42.2% of GDP.

According to the NBR, the direct investments of non-residents in Romania (FDI) recorded a value of EUR 1.33 billion in January-July 2020 (compared with EUR 3.3 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 4.9 billion, compared to EUR 6.04 billion in January-July 2019. The evolution of the current account was accompanied by an increase in total external debt by EUR 9.6 billion in January - July 2020 to EUR 115 billion.

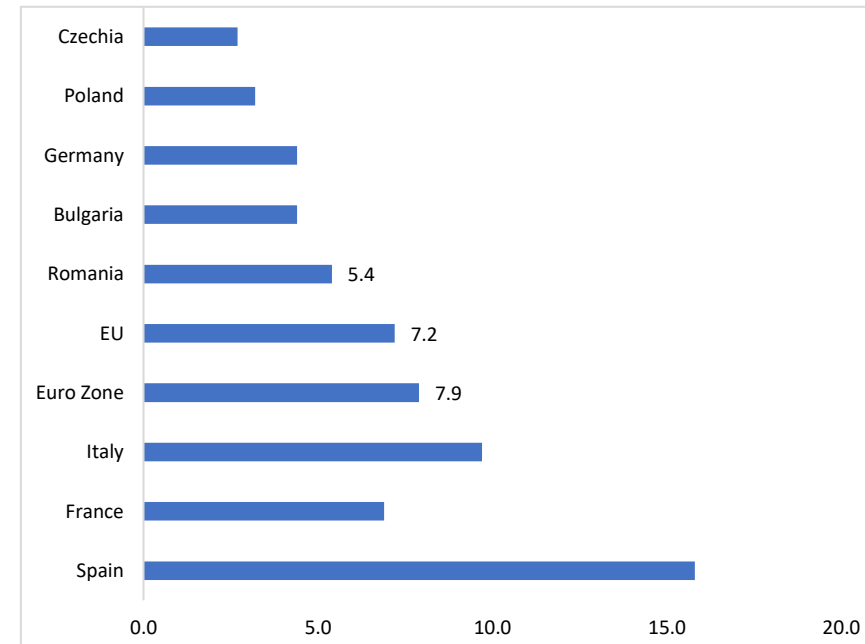
Romania's international position is favorable because of low external and government debt in GDP compared to EU countries, but in an area that needs an external deficit reduction.

The seasonally adjusted unemployment rate in the euro area stood at 7.9% in July 2020, up compared with June 2020 (7.7%). The EU unemployment rate was 7.2% in July 2020, compared to 7.1% in June 2020, according to the latest figures published by Eurostat.

The seasonally adjusted unemployment rate in Romania stood at 5.4% in July 2020, a level similar to that recorded in 2017, amid the effects of the crisis generated by new construction works (+ 0.4%) and by COVID-19.

The unemployment rate of men (6.1%) is higher than the unemployment rate of women (4.5%).

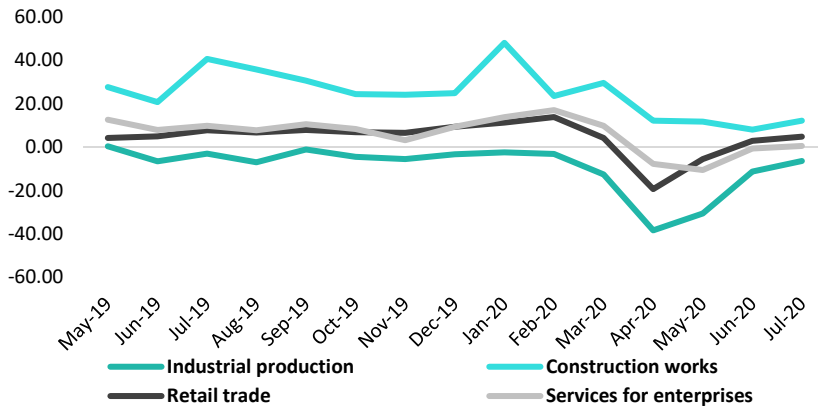
Unemployment rate (July 2020)



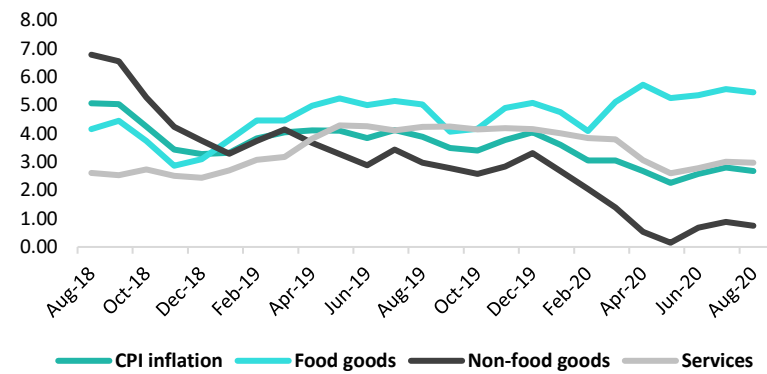
Source: Eurostat

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

Main sector indicators (annual rate of change, %)

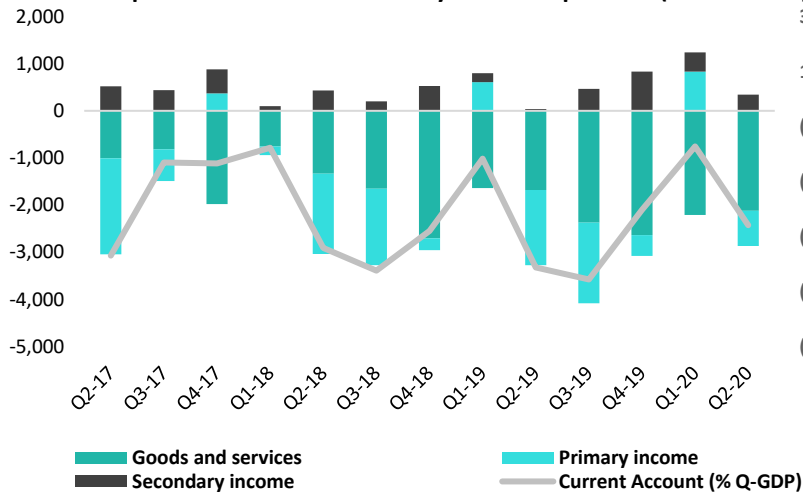


Inflation, monthly data (annual rate of change)



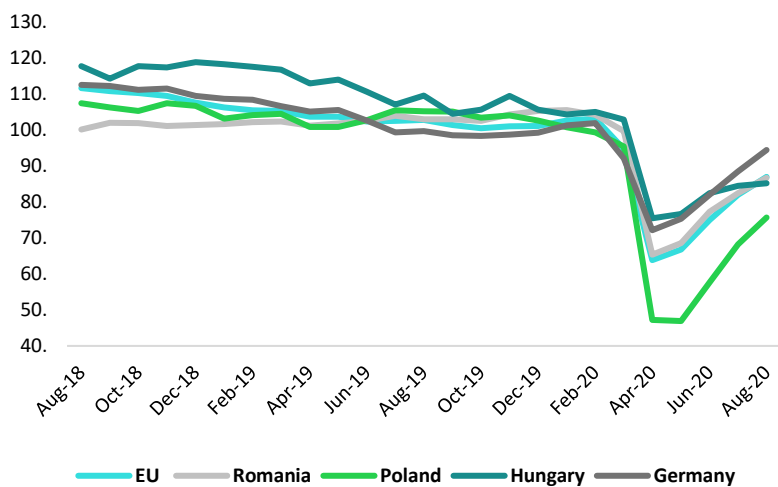
Source: National Institute of Statistics; FSA calculations

Development of current account by main components (million euro)



Source: NBR, FSA calculations

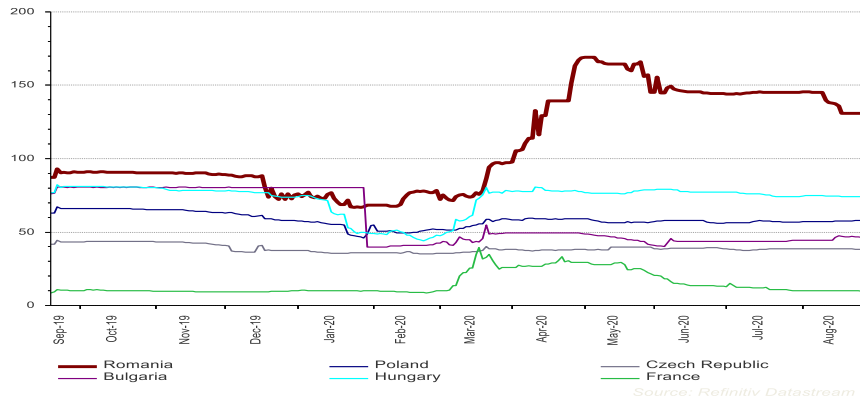
The economic sentiment index in EU



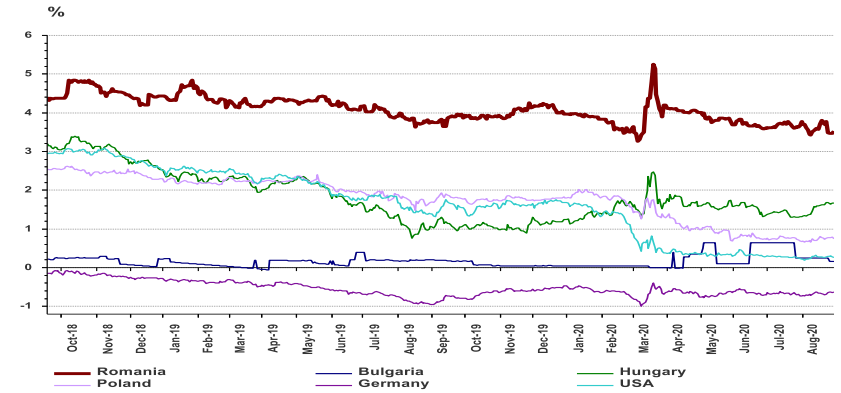
Source: Eurostat

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)

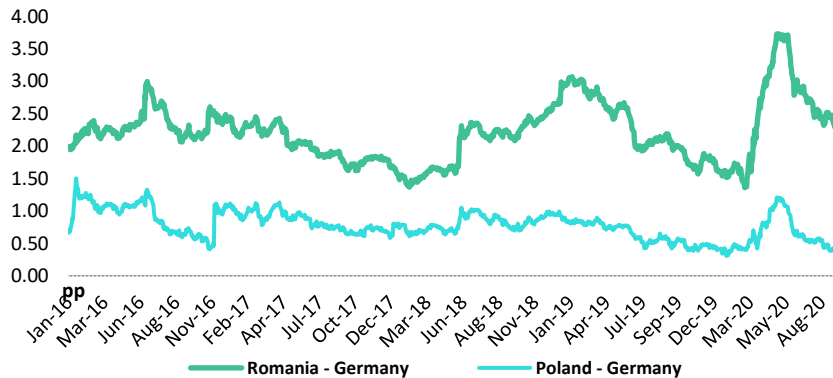


Source: Datastream

Romania 5 - year bond yields decreased by 2.2% in August 2020 compared with the previous month, reaching an average value of 3.59%, while Bulgaria 5 – year bond yields registered a significant decrease of 58%, reaching an average value of 0.23%. Germany 5 – year bond yields remained negative, at very low levels (average value of -0.67% in August).

Romania CDS quotations decreased by 5% in August 2020 compared with the previous month, reaching an average value of 137 bp. French CDS quotations decreased by 14% to 10 bp.

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



Source: Datastream, FSA's calculations

At the end of May 2020, the highest spread in recent years was registered, but in August-September 2020 decreased, still being at a high level. This decrease can also be interpreted as a improvement of investors' perception of sovereign risk of Romania.

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

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	3.40%	6.89%	-1.26%
FR (CAC 40)	3.42%	5.36%	-6.83%
DE (DAX)	5.13%	11.72%	8.87%
IT (FTSE MIB)	2.84%	7.89%	-10.69%
GR (ASE)	2.65%	-2.85%	-11.99%
IE (ISEQ)	5.49%	9.27%	0.58%
ES (IBEX)	1.34%	-1.79%	-20.10%
UK (FTSE 100)	1.12%	-1.86%	-9.38%
US (DJIA)	7.57%	12.00%	11.89%
IN (NIFTY 50)	2.84%	18.86%	1.66%
SHG (SSEA)	2.58%	19.04%	17.91%
JPN (N225)	6.59%	5.77%	9.44%

The European and international stock indices have recorded positive developments (1M). The best performer was DJIA index (US) which increased by 7.57% in August, followed by N225 index (JPN: +6.59%).

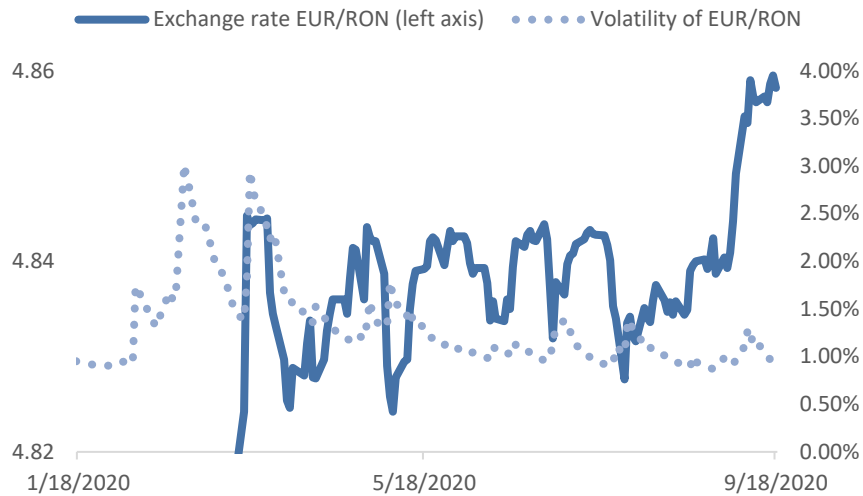
BSE indices	1 M	3 M	6 M
BET	7.39%	3.40%	-1.36%
BET-BK	5.37%	2.24%	-0.66%
BET-FI	-0.61%	-4.99%	-8.08%
BET-NG	8.98%	0.65%	2.05%
BET-TR	7.35%	5.87%	2.72%
BET-XT	6.32%	1.76%	-2.57%
BET-XT-TR	6.32%	4.02%	1.30%
BETPlus	7.22%	3.36%	-1.29%
ROTX	7.51%	2.45%	-2.51%

The BSE stock indices have recorded positive developments (1M), except for the BET-FI index (-0.61%). BET-NG index (8.98%) was the best performer, followed by ROTX index (7.51%).

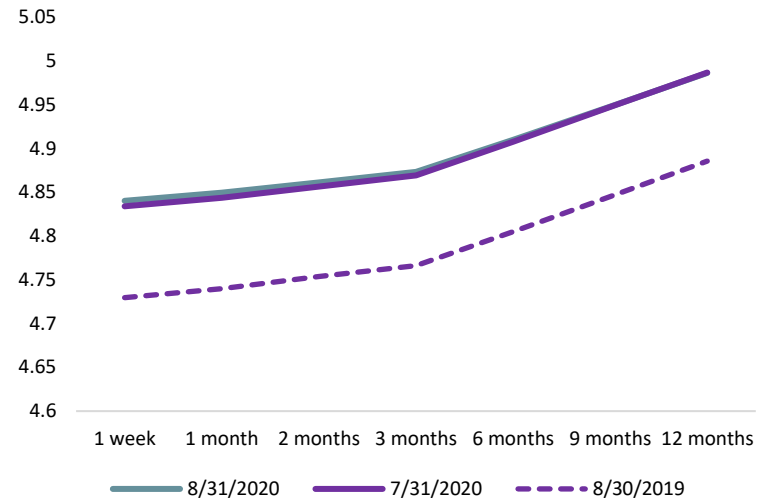
Source: Datastream, FSA's calculations

Note: 1M=08/31/2020 vs. 07/31/2020; 3M=08/31/2020 vs. 05/29/2020; 6M=08/31/2020 vs. 02/28/2020

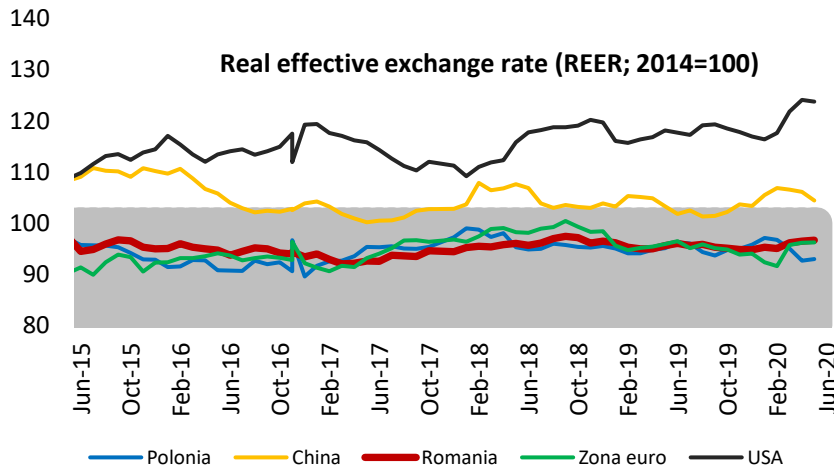
EUR/RON Exchange rate vs volatility



Term structure of EUR/RON forward rate



Source: Datastream, FSA's calculations

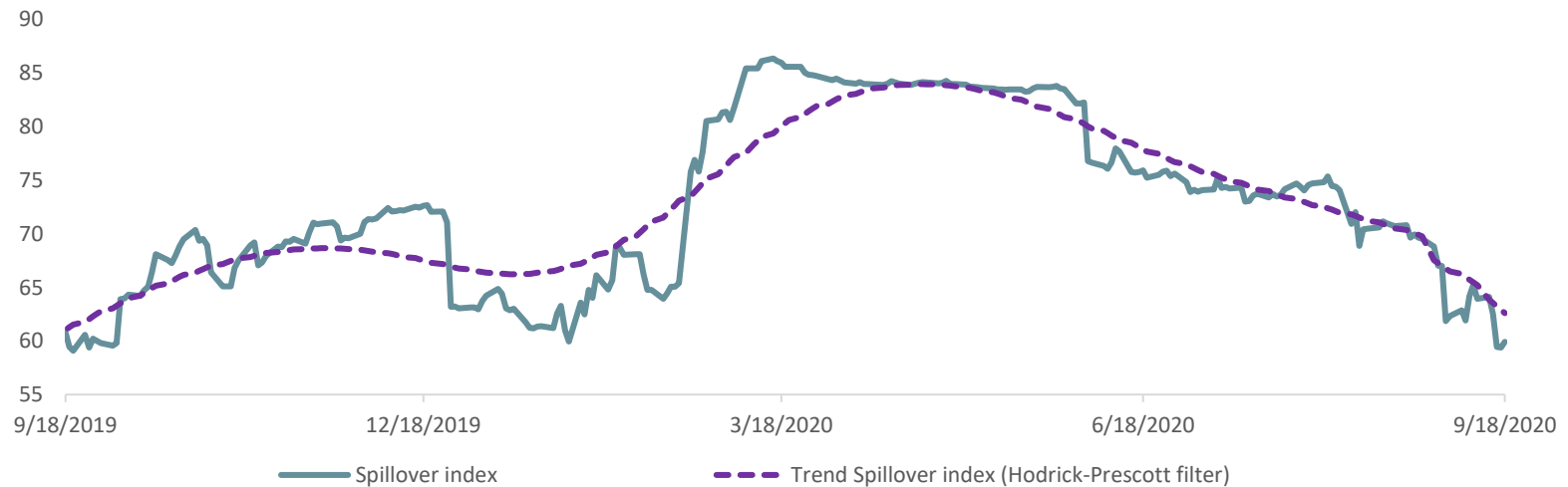


Source: BIS, FSA's calculations

The exchange rate remained around 4.83-4.844 between May and July while the volatility decreased under 2%. **We forecast that the depreciation trend will continue to remain low as the Romanian Central Bank lowered the monetary interest rate to 1.75% 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 September 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 maturities between 1 week and 9 months 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 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.

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 August 2020

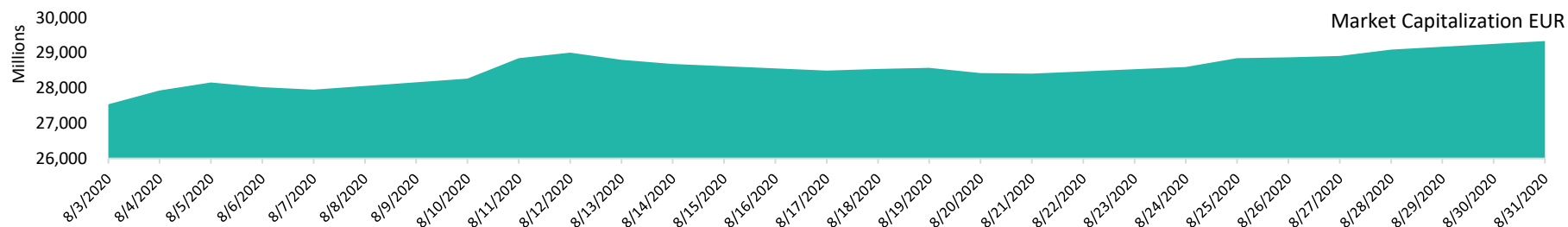
Week/month	No. of transactions	Volume	Value	
			EUR	%
Total 03-07 August 2020	10,421	135,072,017	38,119,122	24.21%
Total 10-14 August 2020	12,520	182,178,929	41,300,980	26.23%
Total 17-21 August 2020	10,757	178,250,510	28,725,915	18.24%
Total 24-28 August 2020	12,600	103,268,909	40,335,440	25.61%
Total 31 August 2020	3,202	30,563,882	8,995,170	5.71%
Total August 2020	49,500	629,334,247	157,476,626	100.00%

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for August 2020 = 4.8372 LEI/EUR

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

Symbol	Main market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
TLV	44,837,976	32.50%	1,117,072	29.13%	45,955,048	29.77%
SNP	18,006,729	13.05%	286,529	7.47%	18,293,259	11.85%
FP	15,800,215	11.45%	0	0.00%	15,800,215	10.23%
BRD	15,022,557	10.89%	0	0.00%	15,022,557	9.73%
SIF5	1,257,371	0.91%	0	0.00%	13,849,396	8.97%
TGN	7,639,453	5.54%	293,558	7.65%	7,933,011	5.14%
SNG	7,924,906	5.74%	0	0.00%	7,924,906	5.13%
EL	5,781,888	4.19%	434,135	11.32%	6,216,023	4.03%
SNN	5,824,255	4.22%	0	0.00%	5,824,255	3.77%
TEL	2,709,313	1.96%	0	0.00%	2,709,313	1.75%
TRP	2,638,507	1.91%	0	0.00%	2,638,507	1.71%
EBS	2,618,445	1.90%	0	0.00%	2,618,445	1.70%
DIGI	586,720	0.43%	1,053,068	27.46%	1,639,788	1.06%
SIF4	1,059,477	0.77%	0	0.00%	1,059,477	0.69%
M	838,055	0.61%	0	0.00%	838,055	0.54%
Top 15 Total					96.08%	

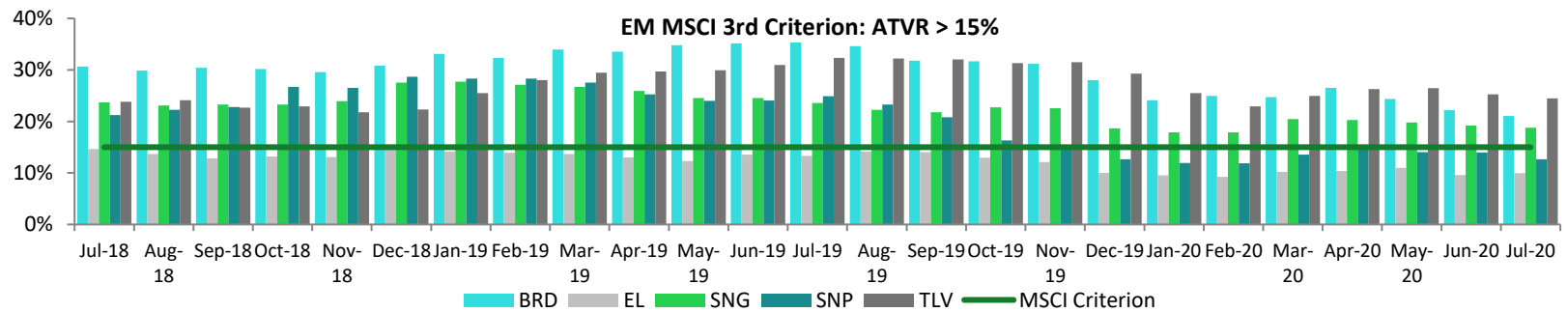
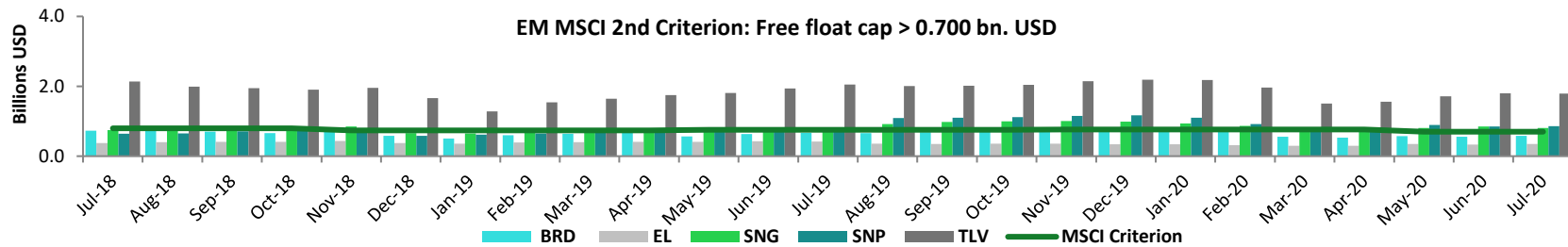
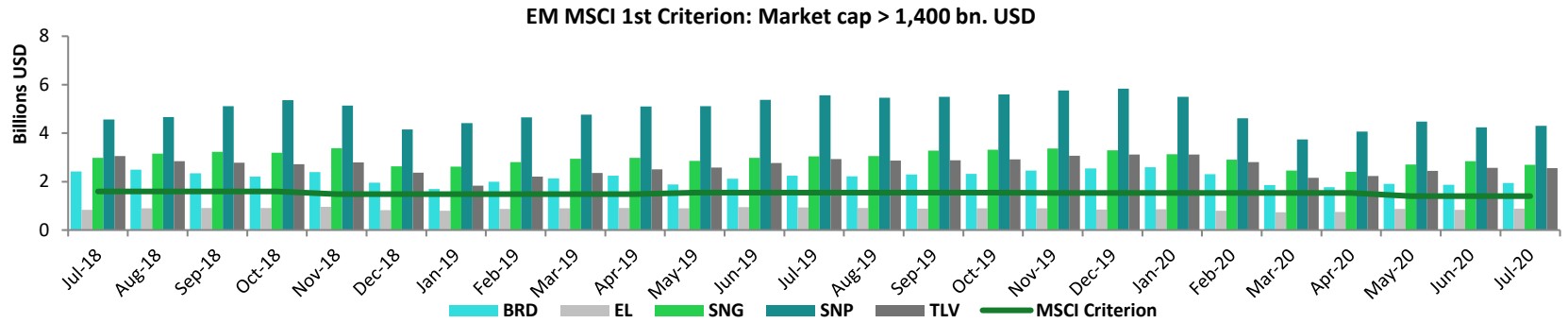
Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for August 2020 = 4.8372 LEI/EUR



Top of intermediaries during August 2020

Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	SWISS CAPITAL S.A.	74,340,932	24.06
2	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	64,299,580	20.81
3	BT CAPITAL PARTNERS	48,834,179	15.8
4	BANCA COMERCIALA ROMANA	46,445,306	15.03
5	TRADEVILLE	16,281,213	5.27
6	VOLTINVEST	13,418,729	4.34
7	SSIF BRK FINANCIAL GROUP S.A.	10,416,898	3.37
8	GOLDRING	5,577,941	1.81
9	RAIFFEISEN CENTROBANK AG	5,158,329	1.67
10	PRIME TRANSACTION	5,135,356	1.66
11	IFB FINWEST	4,921,679	1.59
12	ALPHA FINANCE ROMANIA	4,324,556	1.4
13	ESTINVEST	2,652,470	0.86
14	BRD Groupe Societe Generale	2,591,499	0.84
15	INTERFINBROK CORPORATION	2,471,819	0.8
Top 15 Total			99.31

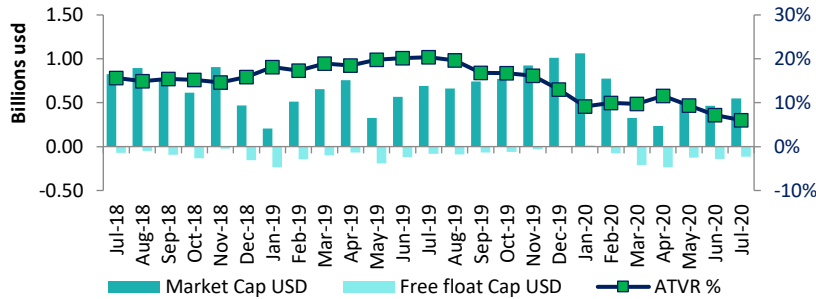
MSCI: Quantitative Indicators for Emerging Market Status



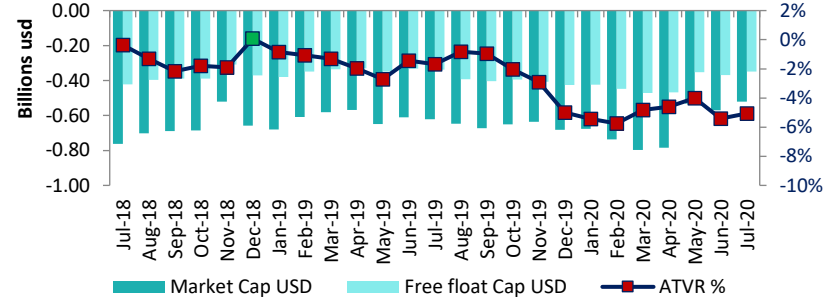
Source: ASF Calculations, July 2020

MSCI: Quantitative Indicators for Emerging Market Status

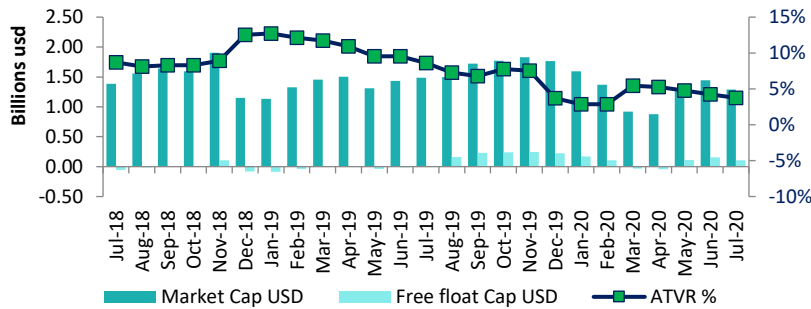
BRD - Indicators' variation to MSCI criterion



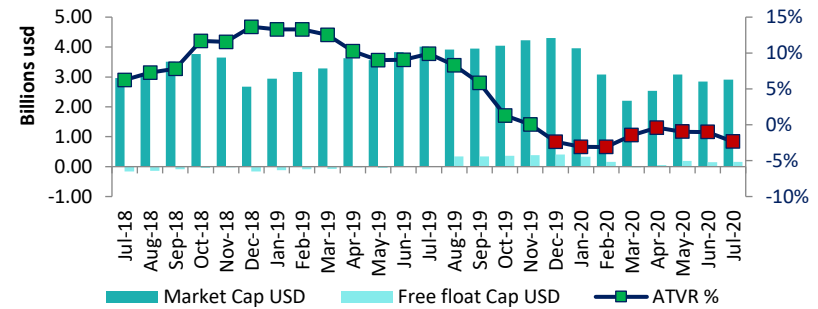
EL - Indicators' variation to MSCI criterion



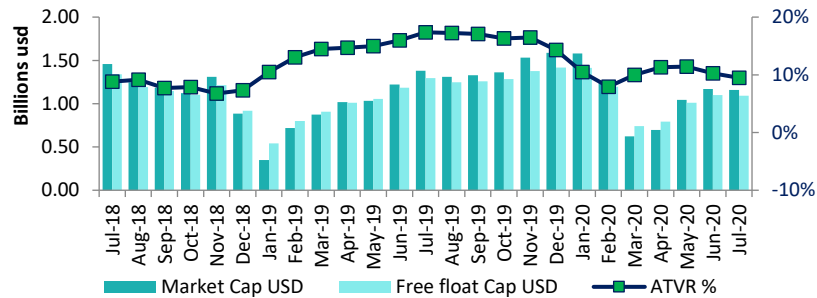
SNG - Indicators' variation to MSCI criterion



SNP - Indicators' variation to MSCI criterion



TLV - Indicators' variation to MSCI criterion



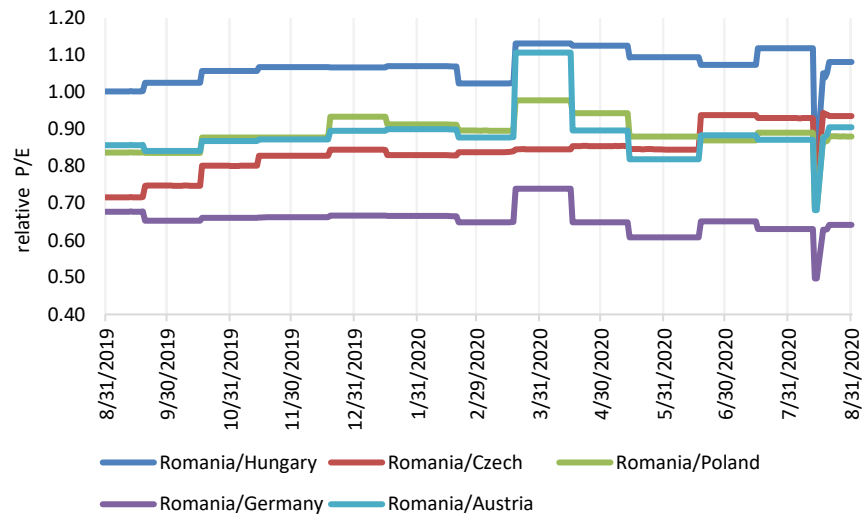
Indicators' variation to MSCI criterion (July 2020)

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	0.55	-0.12	6.04%
EL	-0.52	-0.35	-5.05%
SNG	1.29	0.11	3.77%
SNP	2.91	0.16	-2.35%
TLV	1.16	1.09	9.46%

Source: ASF Calculations, July 2020

Risk assessment and the benefit of diversification

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

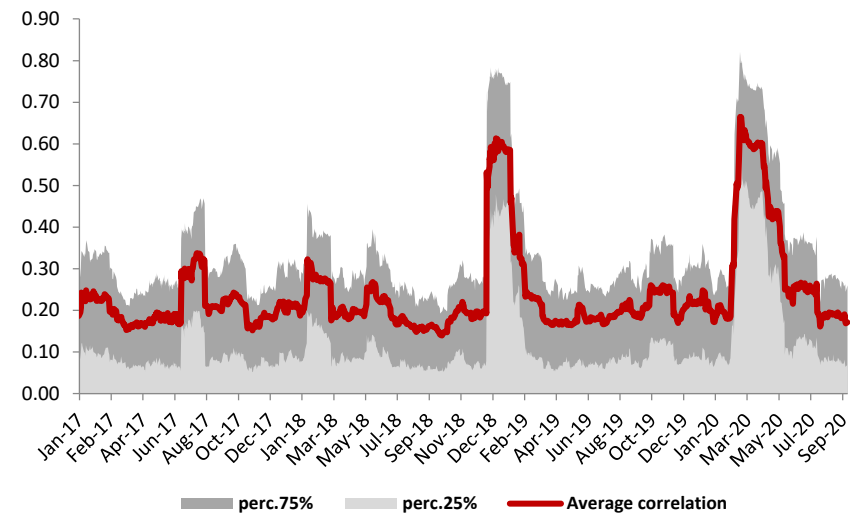


Source: Datastream, FSA's calculations

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.

In August 2020, the ratio was still 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

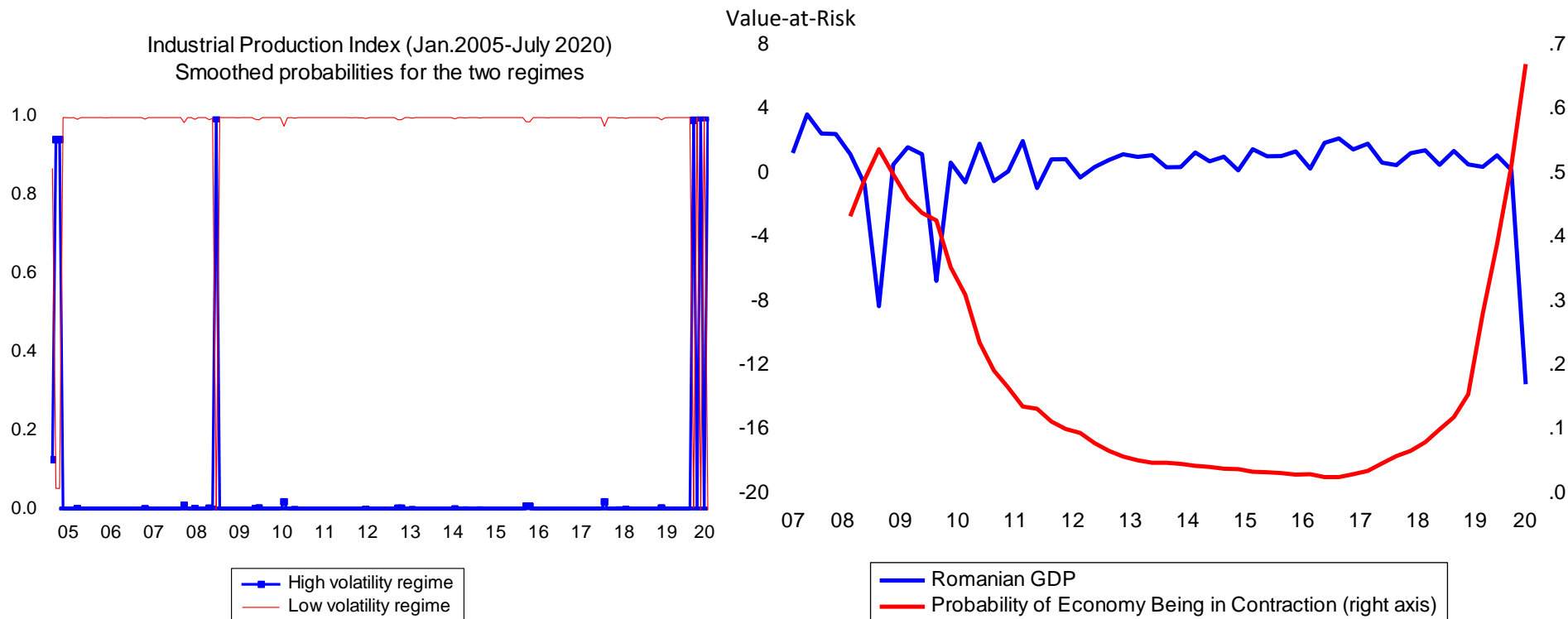


Source: Bloomberg, ASF

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, but in August shows a slight increase.

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.¹ 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.

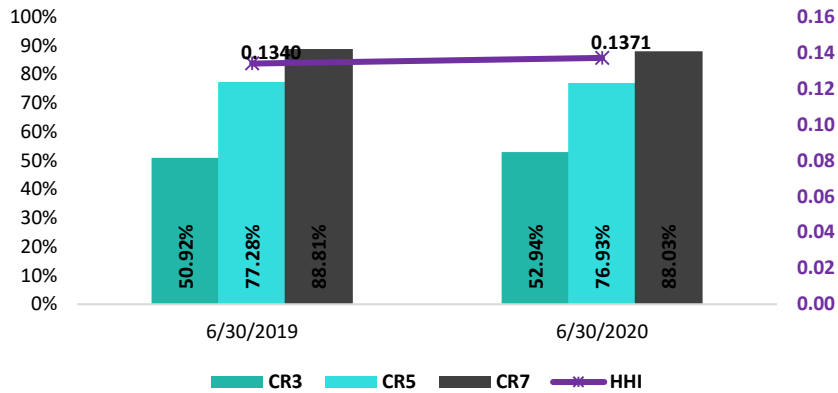


Source: Datastream, FSA's calculations

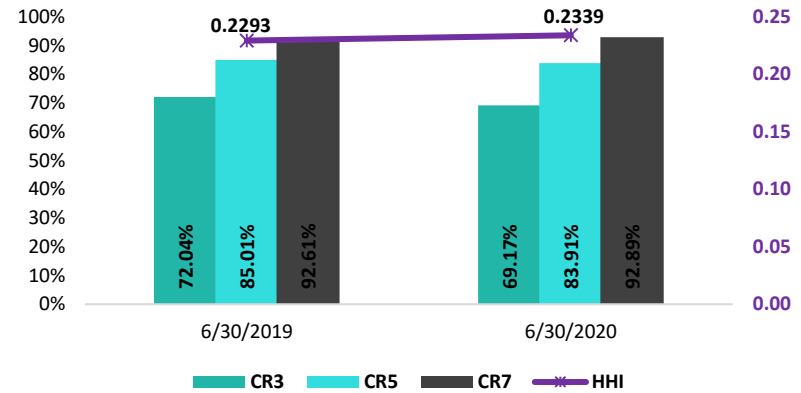
¹ For the monthly Industrial Production Index we have estimated a Hamilton-type Markov switching regression model with intercept and first AR lag changing between regimes.

Concentration risk

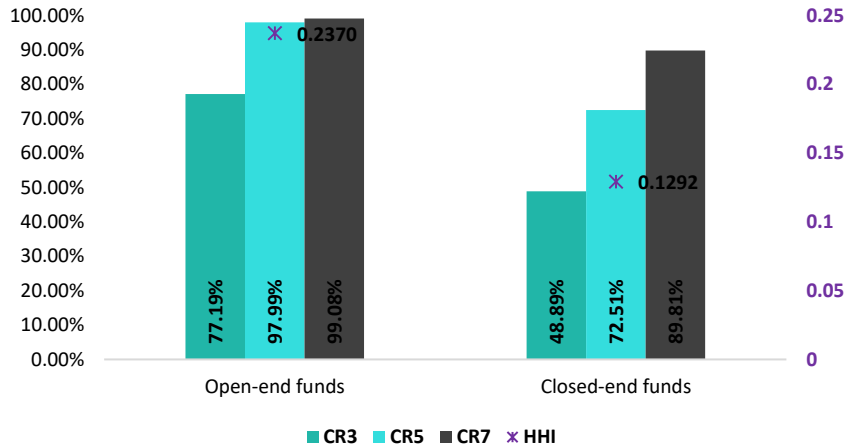
**Concentration risk of non-life insurance undertakings
(by value of GWP at 30 June 2020)**



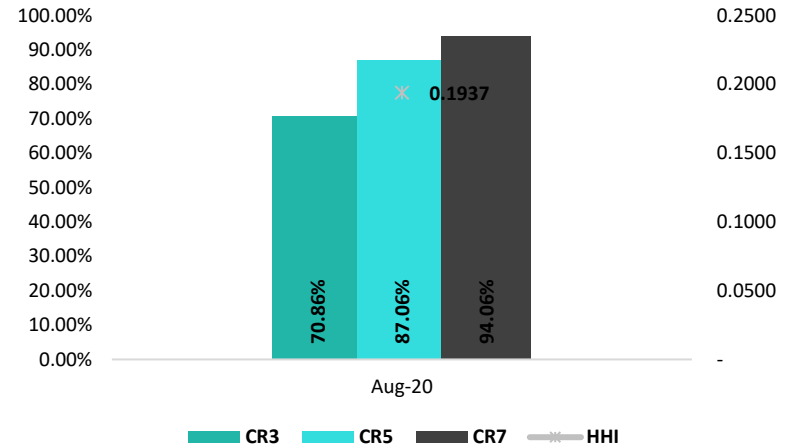
**Concentration risk of life insurance undertakings
(by value of GWP at 30 June 2020)**



**Concentration risk of investment funds in Romania
(by net assets – 31 March 2020)**



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

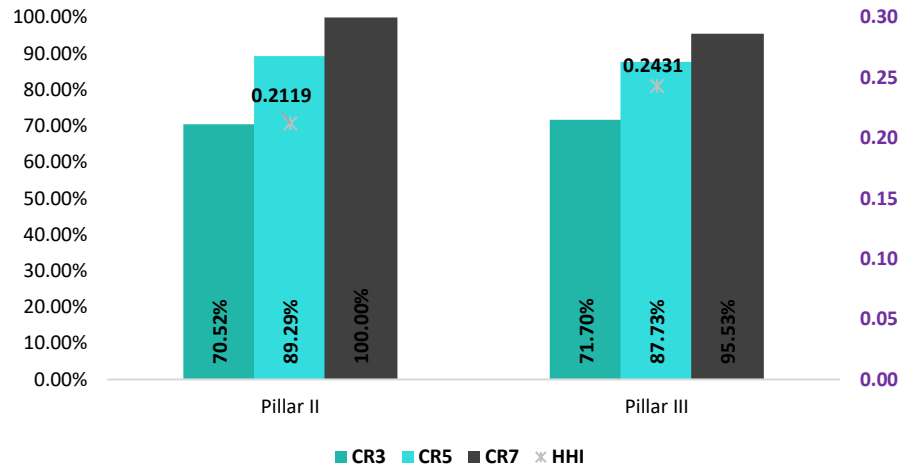


Source: FSA

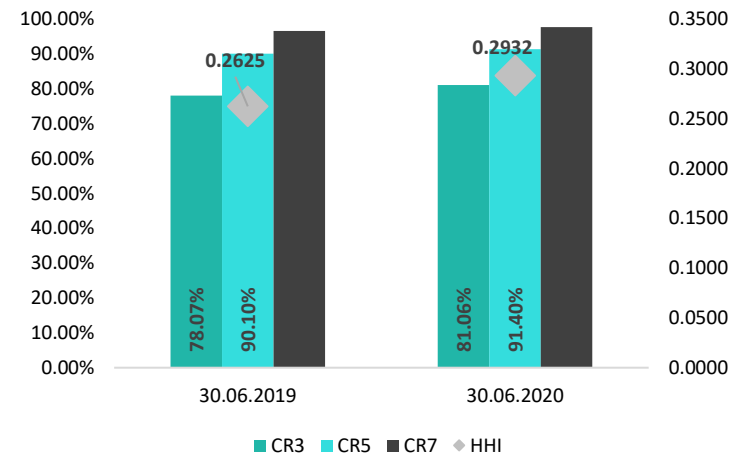
Source: FSA

Concentration risk

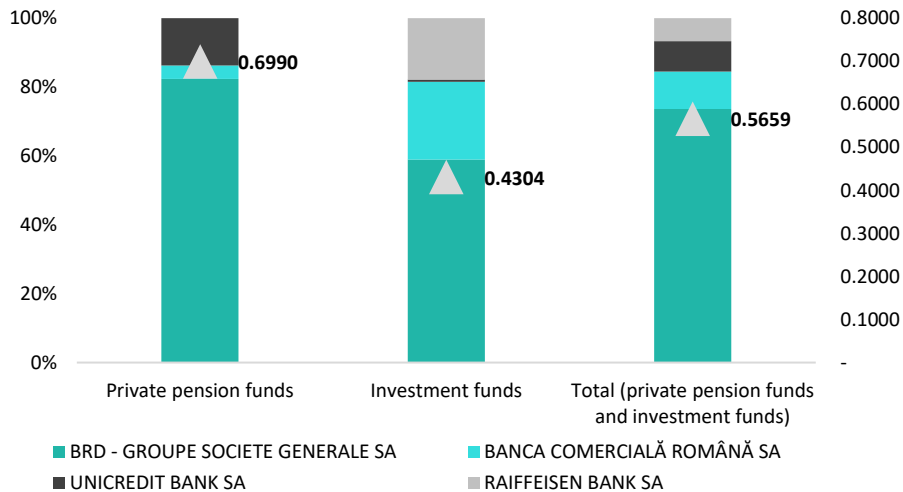
Concentration risk of private pension funds (by net assets at 8/31/2020)



The degree of concentration of insurance companies in the MTPL market



Concentration risk of private pension funds (by net assets at 8/31/2020)



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.

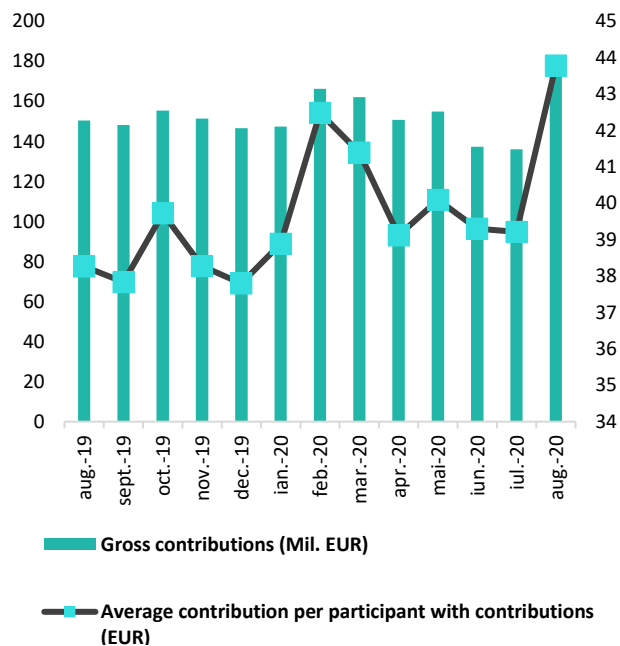
Also on the capital market, the concentration degree is medium to high for OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE due to the fact that top market participants sum up a significant share of the total assets.

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 August 2020 (EUR)	Participants (persons) August 2020	Rate of return August 2020
ARIPI*	1,244,904,922	782,213	4.59%
AZT VIITORUL TAU	3,051,127,967	1,604,883	4.34%
BCR	967,652,254	684,736	5.01%
BRD	549,020,938	467,822	3.90%
METROPOLITAN LIFE	1,991,383,306	1,058,793	4.72%
NN	4,942,853,188	2,031,823	4.51%
VITAL	1,413,249,747	948,470	4.91%
Total	14,160,192,321	7,578,740	n/a

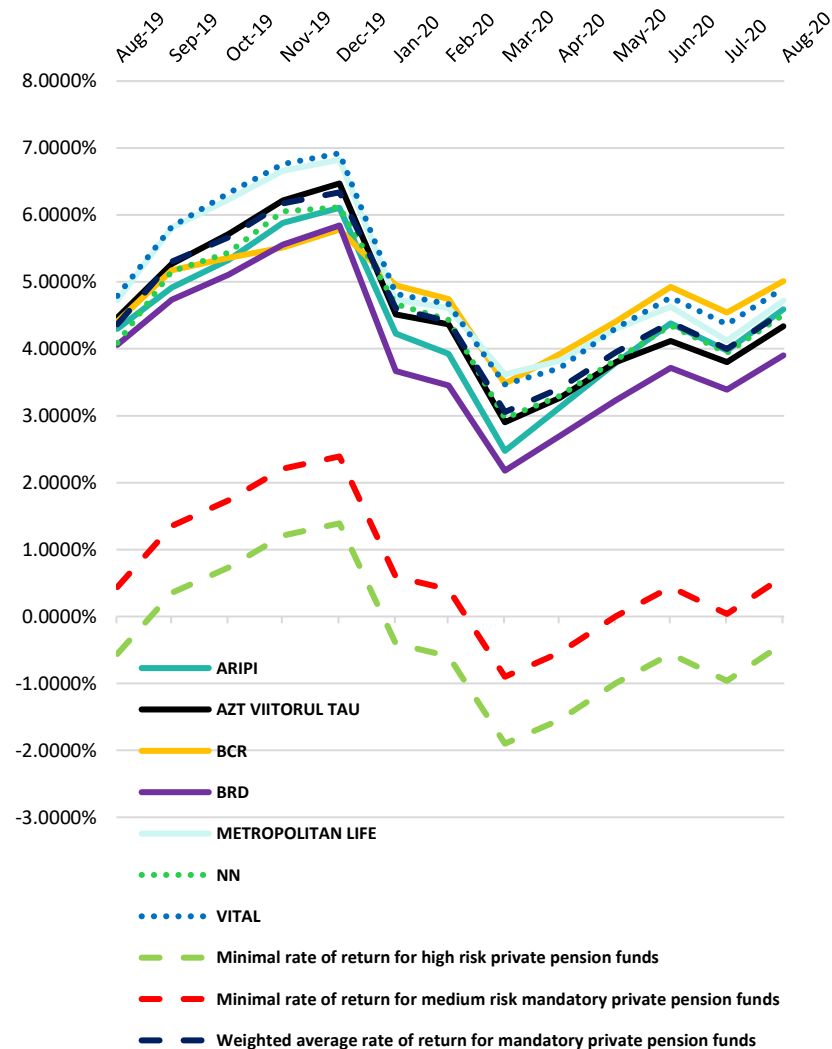
Evolution of gross contributions



New participants (persons) in 2nd Pillar

**10,474
persons**

Rate of return for mandatory pension funds



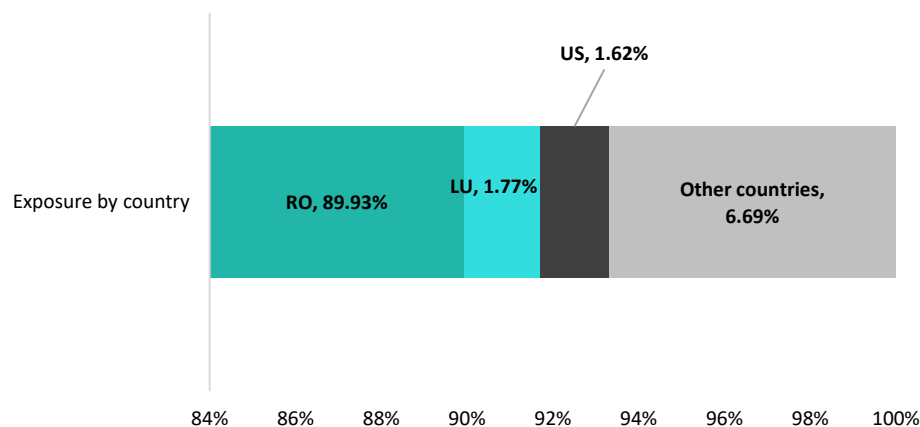
Source: FSA

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

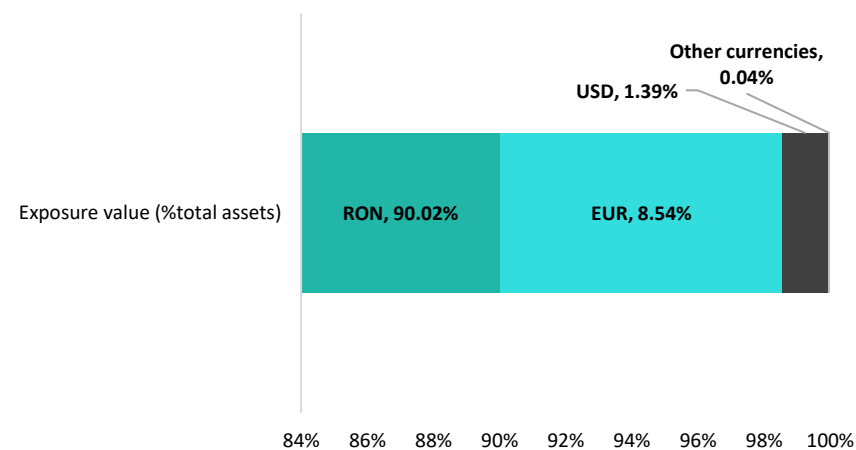
Mandatory pension fund's portfolio at 31 August 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	9,420,779,999	66.53%
Equity	2,804,072,282	19.80%
Corporate bonds	621,464,536	4.39%
Bank deposits	521,162,262	3.68%
Investment funds	426,945,917	3.02%
Supranational bonds	303,985,719	2.15%
Municipal bonds	37,750,841	0.27%
Metal funds	21,095,991	0.15%
Other assets	2,934,774	0.02%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



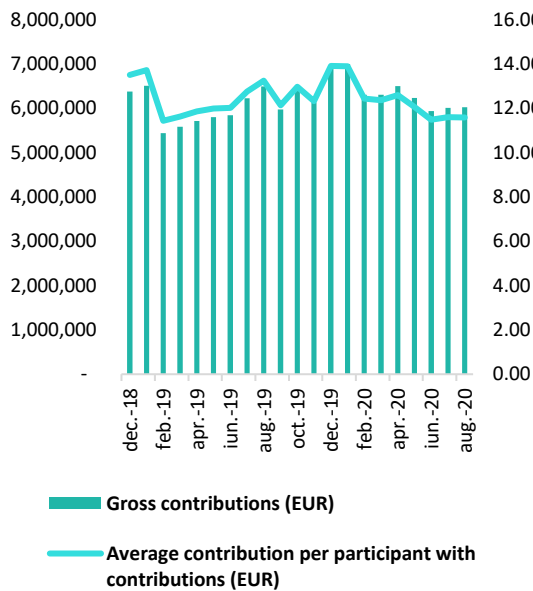
Source: FSA

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

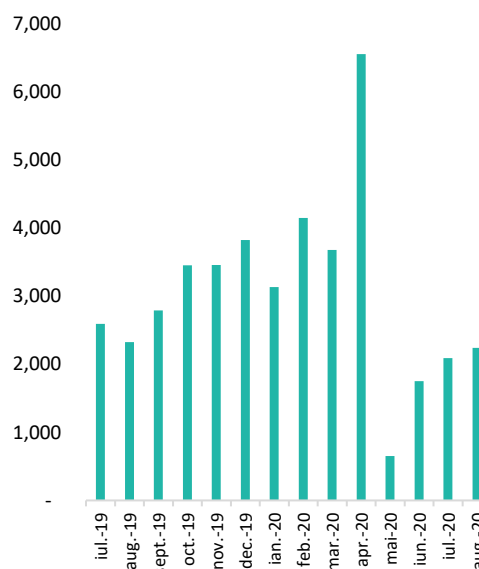
Total assets (EUR), number of participants and return rates

Voluntary pension fund	Total assets (EUR), 31 August 2020	Participants (persons) August 2020	Rate of return August 2020
AEGON ESENTIAL	1,840,799	3,855	4.6742%
AZT MODERATO	59,249,242	39,322	4.5486%
AZT VIVACE	22,026,542	20,201	4.4847%
BCR PLUS	99,914,599	138,761	4.0211%
BRD MEDIO	29,882,104	32,238	3.4580%
GENERALI STABIL	5,439,308	5,441	4.3382%
NN ACTIV	63,245,854	53,915	2.9214%
NN OPTIM	235,711,865	195,724	3.0955%
PENSIA MEA	17,616,641	15,479	3.2496%
RAIFFEISEN ACUMULARE	21,362,597	14,567	4.4393%
Total	556,289,550	519,503	n/a

Evolution of gross contributions

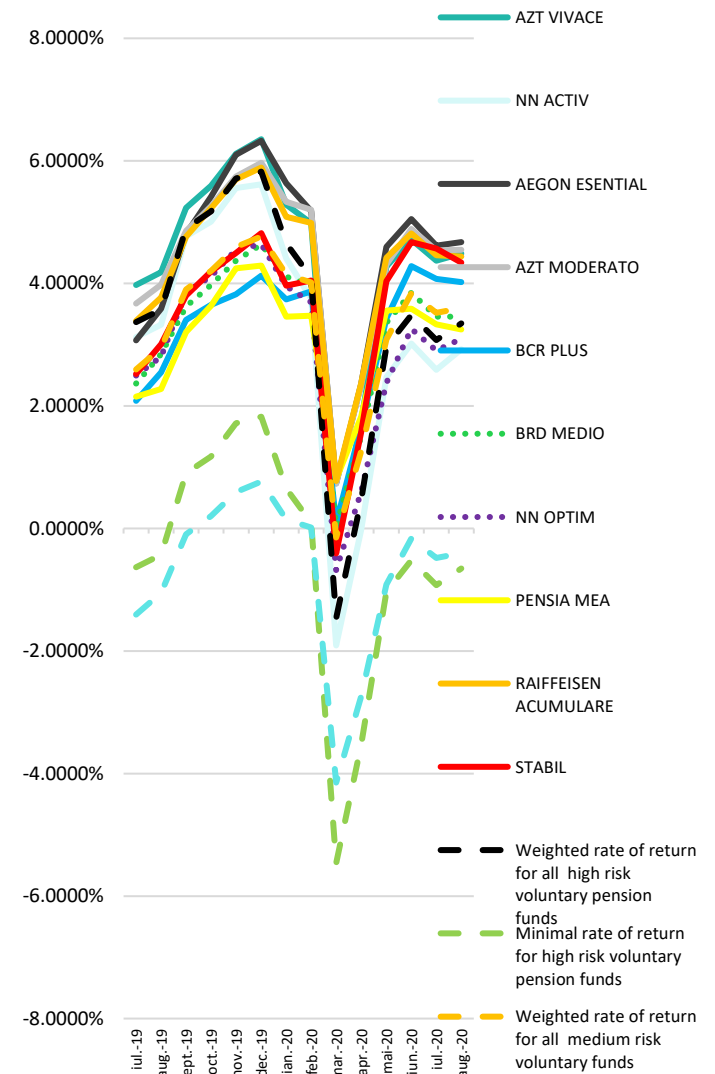


New participants in 3rd Pillar



Source: FSA

Evolution of total assets and net value of an individual account



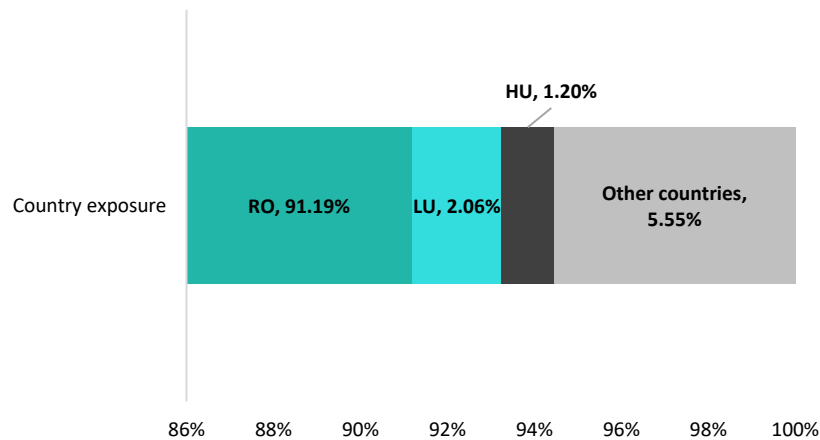
Current evolutions in optional private pension funds (3rd Pillar)

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

Assets category	Assets value (EUR)	% Total assets
Government Bonds	349,463,979	62.82%
Equity	133,952,378	24.08%
Bank Deposits	19,423,827	3.49%
Corporate Bonds	18,449,200	3.32%
Investment Funds	16,923,939	3.04%
Supranational Bonds	11,084,100	1.99%
Municipal Bonds	4,724,566	0.85%
Metal funds	2,173,507	0.39%
Oher assets	94,055	0.02%

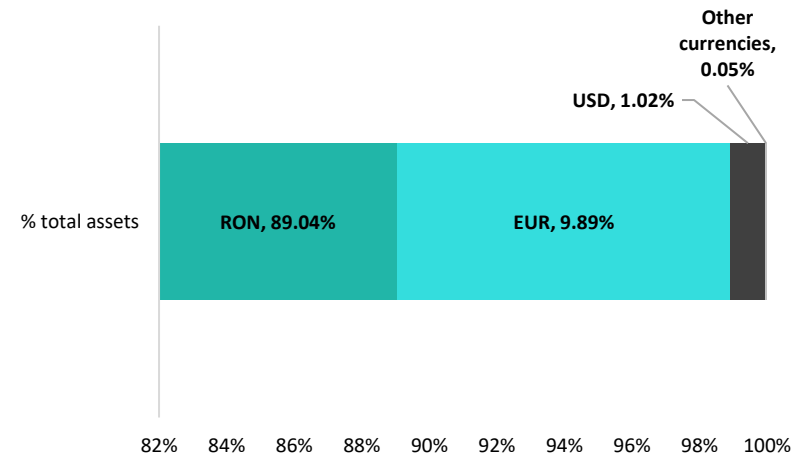
Source: FSA

Country exposure of optional fund's assets



Source: FSA

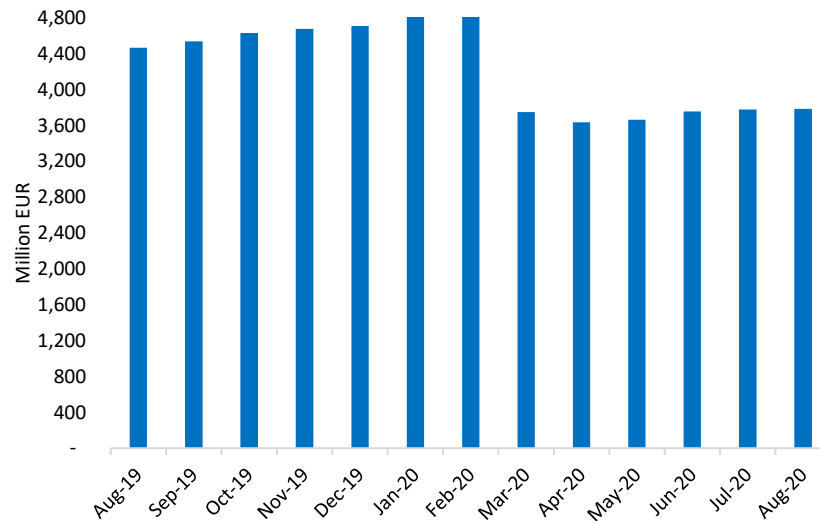
Currency exposure of optional fund's assets



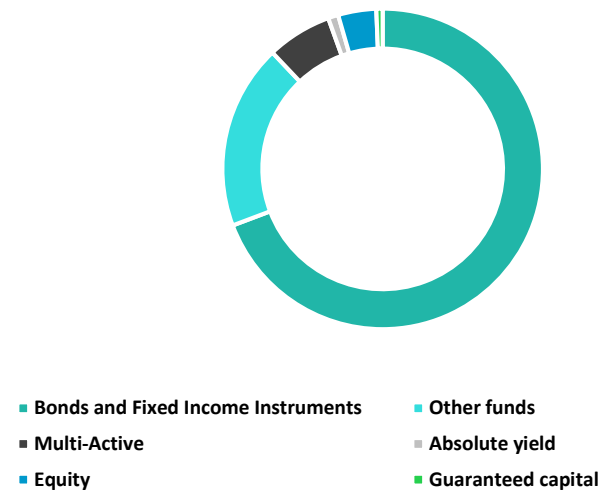
Source: FSA

Specific developments in the investment funds sector

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



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



Source: AAF

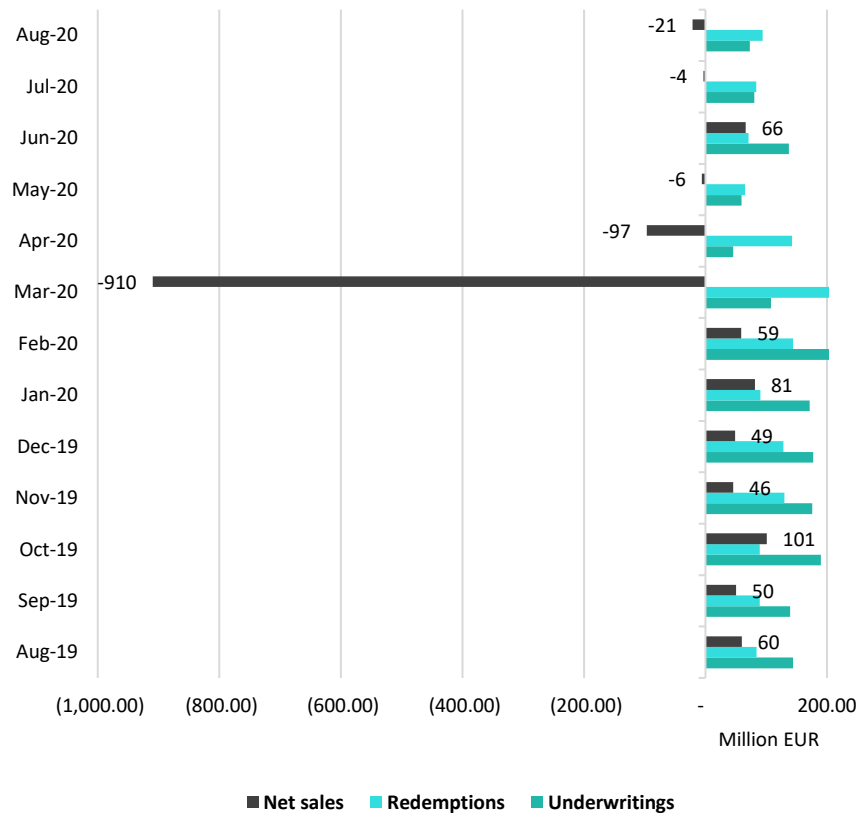
According to data published by AAF, the net assets of open-end investment funds (OeIF) reached a value of EUR 3.78 billion, an increase of only 0.1% compared to the previous month. Net assets of open-end bond and fixed income instruments funds, which account for about 69% of the local OeIF industry, decreased by 0.4% compared with the previous month.

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

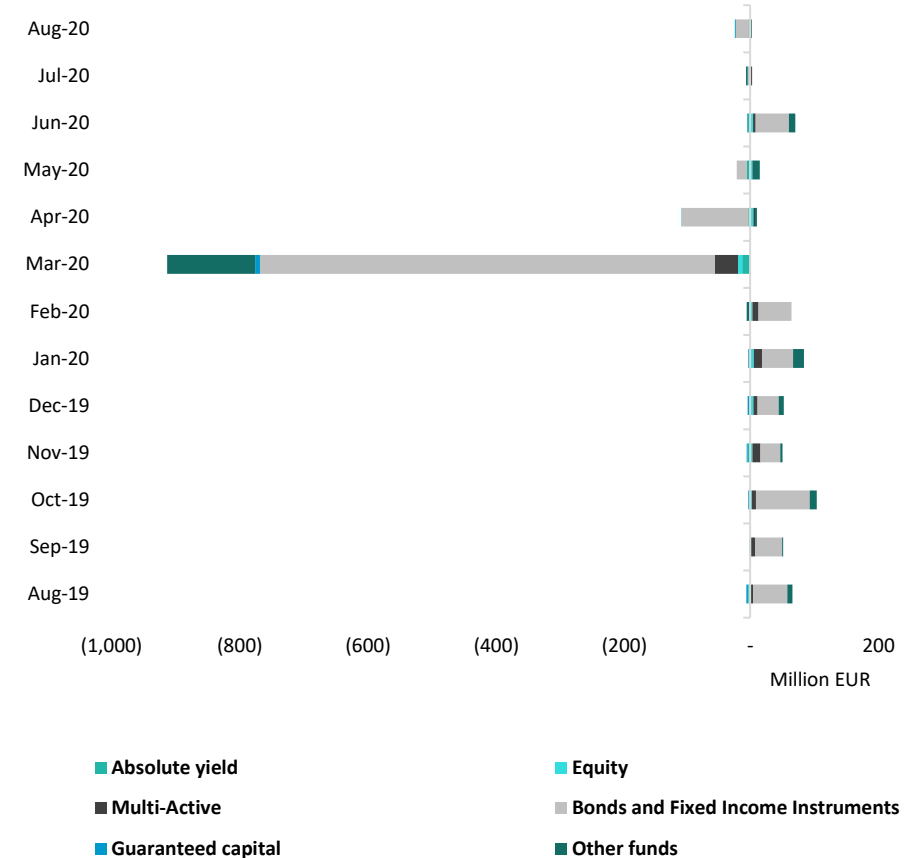
² There was a change in Open end investment funds' classification

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)



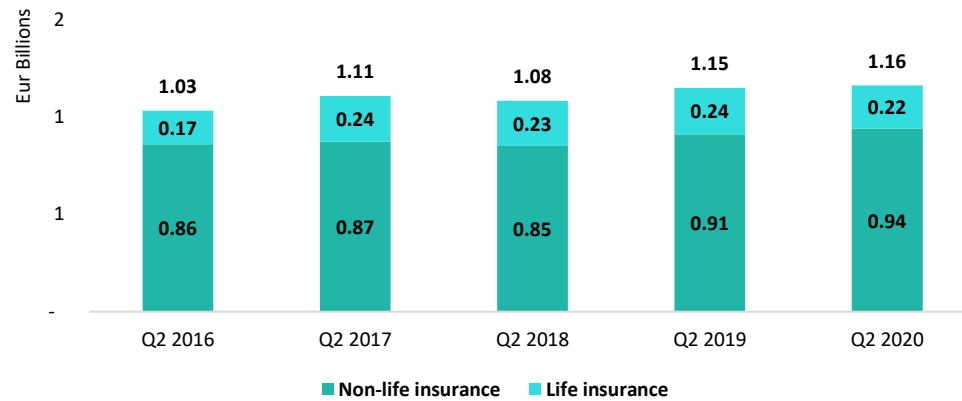
Source: AAF

In August 2020, a month in which many COVID-19 containment measures have been lifted, local open-end investment funds recorded net outflows of EUR 21 million. Net outflows of bond funds amounted to EUR 19.8 million, while the other funds category recorded net inflows of EUR 2 million.

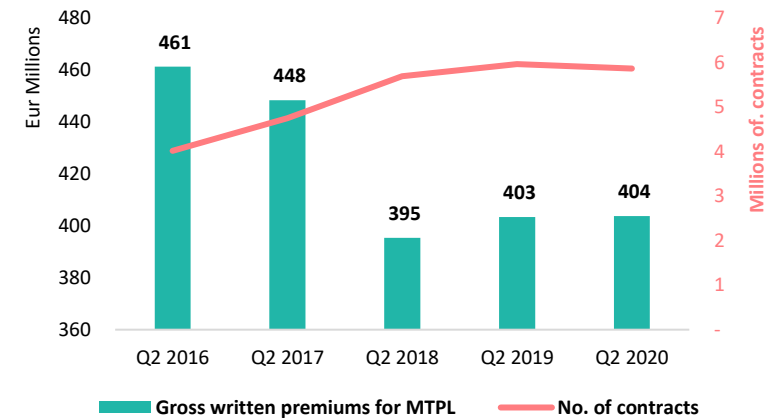
Specific developments in the insurance market in Romania

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

Gross written premiums (total)

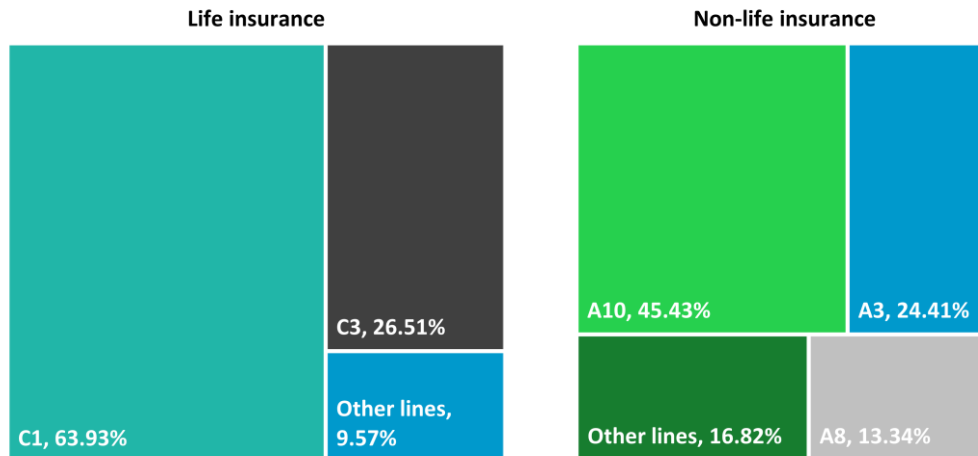


MTPL gross written premiums



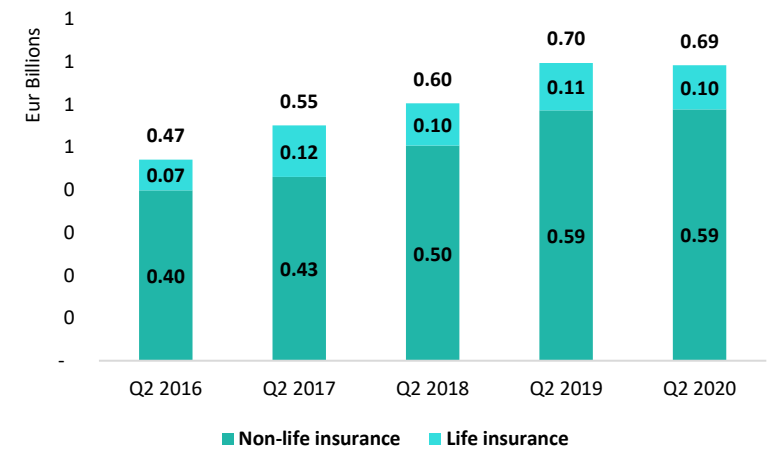
Source: FSA

Share of main insurance classes by GWP



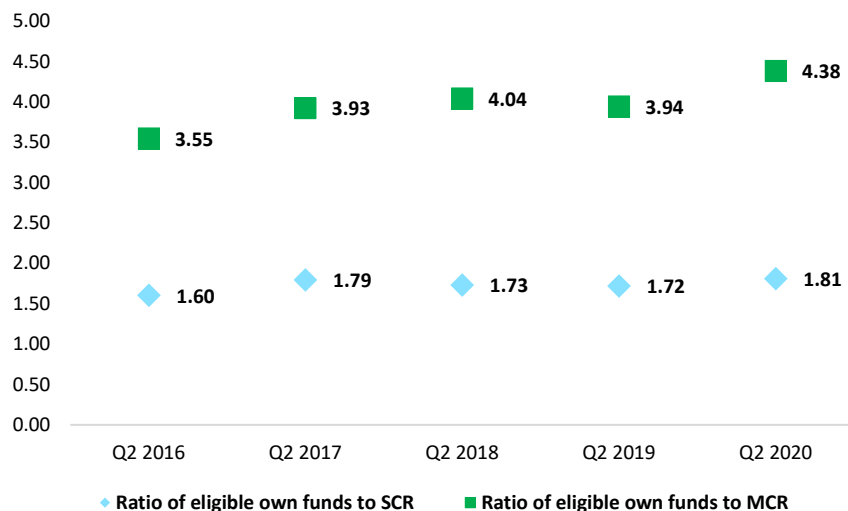
Source: FSA

Gross claims paid

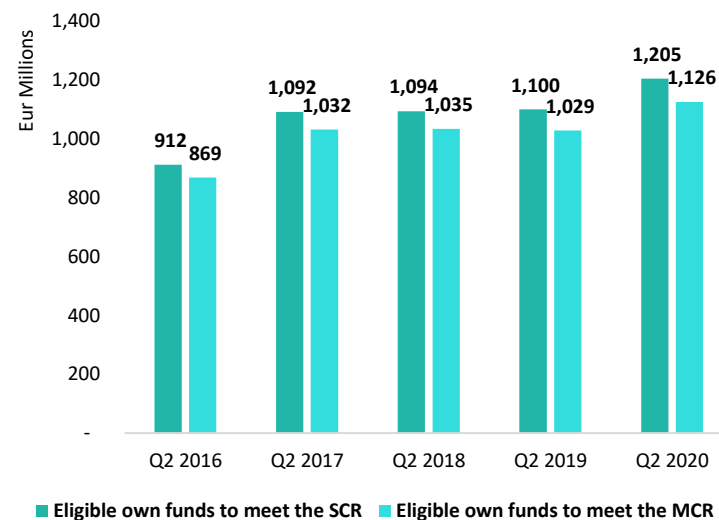


Specific developments in the insurance market in Romania

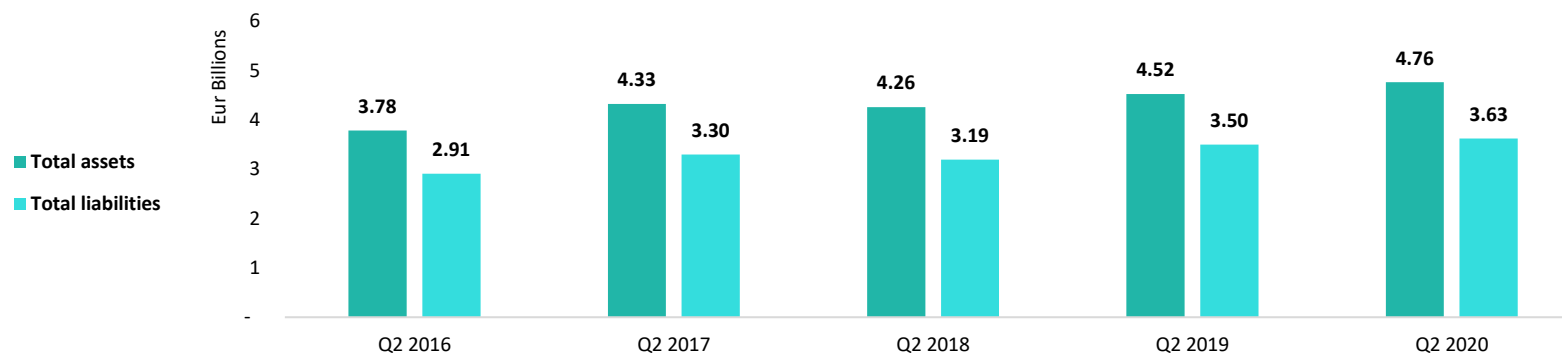
Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR



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 May 2020

ESMA	<ul style="list-style-type: none">• 19 August: ESMA recommends priority topics in AIFMD review.
EIOPA	<ul style="list-style-type: none">• 14 August: EIOPA finalises the regulation of the pan-European Personal Pension Product.• 17 August: EIOPA publishes its updated Risk Dashboard based on the first quarter of 2020 Solvency II data.
IOSCO	<ul style="list-style-type: none">• 11 August: IOSCO examines the evolution of liquidity provision in equity securities markets.