



Governments have adopted various fiscal measures to reduce the impact of Covid-19 crisis, which will trigger an increase in budget deficits and government debt

**ASF nr.
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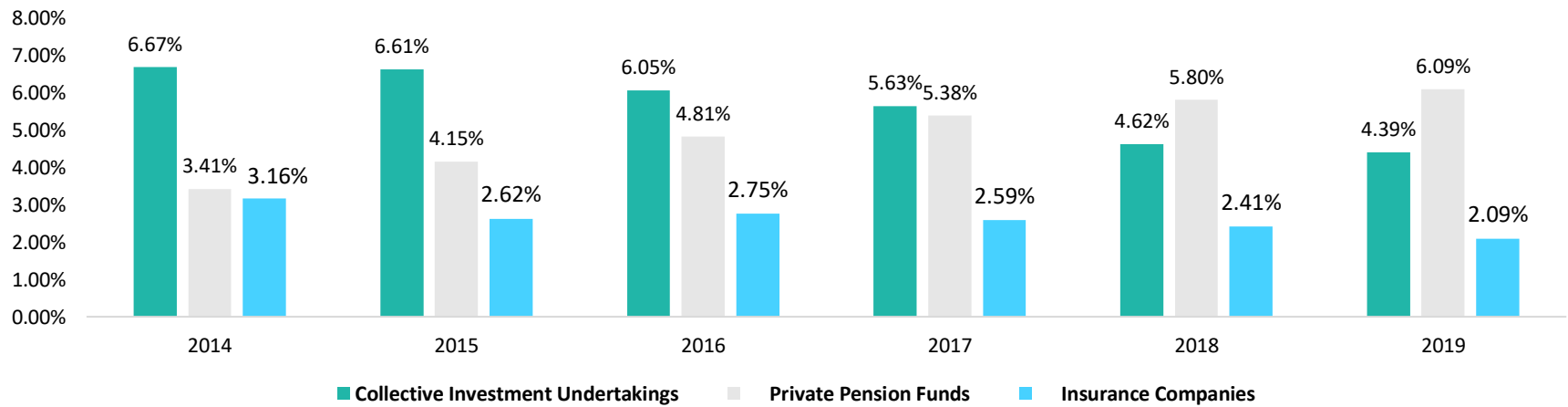
- **The National Commission for Strategy and Forecast estimates that the impact of Covid-19 on the Romanian economy will be reflected in a contraction of 1.9% of GDP in 2020, while International Monetary Fund predicts a deeper decrease of 5%**
- **In March 2020, the net outflows of open-end investment funds in Romania amounted to EUR 910 million. The most affected were bond funds and fixed income instruments, which recorded net outflows of EUR 709 million**
- **The speed of the contagion on financial markets was the greatest in the last 10 years, indicating how fast the fear and uncertainty have impaired the financial stability of international markets**

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
Banking financial system (% GDP)	68.61%	66.80%	62.61%	59.52%	56.83%	50.35%
Non-banking financial system (% GDP)	13.24%	13.38%	13.61%	13.59%	12.82%	12.57%
Collective Investment Undertakings	6.67%	6.61%	6.05%	5.63%	4.62%	4.39%
Private Pension Funds	3.41%	4.15%	4.81%	5.38%	5.80%	6.09%
Insurance Companies	3.16%	2.62%	2.75%	2.59%	2.41%	2.09%

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



Source: NBR, NIS, FSA

In order to reduce the impact of the Covid-19 crisis, governments have adopted various fiscal measures, which will lead to an increase in budget deficits and government debt. According to the IMF, health care spending and implementing fiscal measures to support affected individuals and businesses will have direct fiscal costs estimated at \$3.3 trillion globally. In addition, public sector loans and equity injections (\$1.8 trillion) and guarantees and other contingent liabilities (\$2.7 trillion) also generate fiscal risks. However, substantial fiscal stimulus is needed to encourage economic growth.

According to the IMF, global growth is projected to contract by -3% in 2020, well below the level of 2009, during the financial crisis. Under the assumptions that containment measures will be gradually lifted during the second half of 2020, IMF expects a recovery of the global economy in 2021 (+5.8%). Advanced economies will also have negative growth rates (-6.1%), while emerging market and developing economies are projected to contract by -1% in 2020.

World Economic Outlook Projections (%)

Region/country	2019	Projections	
		2020	2021
Global	2,9	-3,0	5,8
Advanced economies	1,7	-6,1	4,5
Emerging markets and developing economies	3,7	-1,0	6,6
USA	2,3	-5,9	4,7
Euro Zone	1,2	-7,5	4,7
Romania	4,1	-5,0	3,9

The lowest values among the analyzed regions are projected for the euro area, for which the IMF estimates a negative growth of around -7.5% in 2020. The impact of Covid-19 on the economy of some developed countries is significant, Italy (-9.1%), Spain (-8.0%), France(-7.2%) and Germany (-7.0%) are among the most affected countries in terms of socio-economic effects, which led to more pessimistic estimates of the IMF regarding the economic growth of this area.

The International Monetary Fund projects a 5% decline for Romania's economy in 2020, followed by a 3.9% growth in 2021. According to the IMF, the unemployment rate could reach a level of 10.1%, and the current account deficit would deepen to an estimated 5.5% of GDP in 2020.

Source: IMF, *World Economic Outlook*, april 2020

The National Commission for Strategy and Forecast (NCSF) estimates that the impact of Covid-19 on the Romanian economy will be reflected in a contraction of 1.9% of GDP in 2020, a decrease of 6pp compared to the winter forecast (+4.1%). Thus, according to NCSF, the activity in the industry will continue to decrease in 2020 (-4.2% compared to 2019), a trend manifested in the previous year as well. On the demand side, investments will also be affected by the crisis generated by Covid-19; in 2020 gross fixed capital formation is expected to decrease by 2.6% compared to 2019. NCSF estimates a lower negative impact on private consumption and an increase in government consumption as a result of the measures implemented in order to reduce the socio-economic impact of the Covid-19 pandemic.

According to the spring forecast of NCSF, the largest decrease would be registered in the second quarter of 2020 (-14% compared to the same period of the previous year). Starting with the third quarter, NCSF expects a moderate recovery (+ 1.2%), respectively a slight acceleration (+ 2.3%) at the end of the year.

NCSF estimates an adjustment of up to 4.1% of GDP of the current account deficit in 2020 (4.5% of GDP in the previous forecast), following the reduction of the trade deficit from -18.6 billion euros in the previous estimate (winter forecast) to -16.8 billion euros.

Fiscal and Monetary Policy Responses to Covid-19.

European Central Bank

In March 2020, the ECB decided to implement a series of measures to provide liquidity in the financial system and to support favorable financing conditions:

- establishing more favorable conditions for targeted quarterly longer-term refinancing operations (TLTRO III);
- launching new additional longer-term refinancing operations (LTROs) to cover the period until the TLTRO III operation (in June 2020);
- the introduction of a new asset purchase package of EUR 120 billion by the end of 2020.

The interest rates and the deposit facility remained unchanged.

ECB has also launched a new asset purchase programme of private and public sector securities – **the Pandemic Emergency Purchase Programme (PEPP)** – which will have an overall envelope of EUR 750 billion and will be conducted until the end of 2020.

Federal Reserve

In order to support economic activity and favorable labor market conditions, the Federal Reserve (FED) has decided to reduce the target range for the federal funds rate to **0-0.25%**.

FED also announced the introduction of other measures to ensure the functioning of the market, including **the purchase of treasury securities and agency mortgage-backed securities (MBS)**.

To support the US economy, the Federal Reserve has taken additional steps **to provide up to \$2.3 trillion in loans**, thereby supporting households and employers and strengthening the capacity of state and local governments to provide critical services during the Covid-19 pandemic.

National Bank of Romania

The NBR decided to **reduce the monetary policy interest rate** from 2.5% **to 2%** (starting March 23, 2020) and to **purchase RON-denominated government securities** on the secondary market in order to strengthen the financing of real economy and public sector.

European Commission

In order to counter the significant economic impact of Covid-19, the EC has launched a **EUR 37 billion Coronavirus Response Investment Initiative**, which aims to support Small and Medium Enterprises (SMEs), labor markets and health care systems and, thus, complements the measures adopted at national level.

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
Italy	135.6	136.1	136.2	134.8	136.4	137.8	137.1	134.8
France	99.0	99.0	99.2	98.4	99.6	99.6	100.4	98.4
Spain	99.2	98.6	98.9	97.6	98.6	98.6	97.5	95.5
Euro zone	87.7	87.3	87.1	85.9	86.5	86.3	86.0	84.2
UE – 28	82.0	81.5	81.4	80.4	81.0	80.4	80.1	79.4
Hungary	73.2	73.5	72.0	70.2	69.5	68.2	68.1	66.3
Germany	64.1	63.0	62.7	61.9	61.7	61.1	61.1	59.8
Poland	51.2	50.5	49.5	49.0	49.2	48.1	47.5	46.1
Romania	34.5	34.1	33.9	34.7	33.8	33.8	35.2	35.2
Bulgaria	24.0	23.5	22.8	22.3	20.9	20.4	20.6	20.4

Source: Eurostat

The debt-to-GDP ratio is 84.2% in the euro area in the fourth quarter of 2019, slightly lower compared to the level recorded in the third quarter of 2019 (86%). At EU level, there is a considerable heterogeneity in debt level, the share of public debt in GDP ranging from 8.4% (Estonia) to 176.6% (Greece).

Romania is among the EU member states with a low level of indebtedness (35.2%), below the indebtedness of the EU member states of 79.4% of GDP.

According to the NBR, the direct investments of non-residents in Romania (FDI) amounted to 409 million euros in January-February 2020 (compared with EUR 1.4 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 325 million euros, compared to 176 million euros in January-February 2019. The evolution of the current account was accompanied by an increase in total external debt by 4.75 billion euros in January and February 2020 to EUR 110.6 billion.

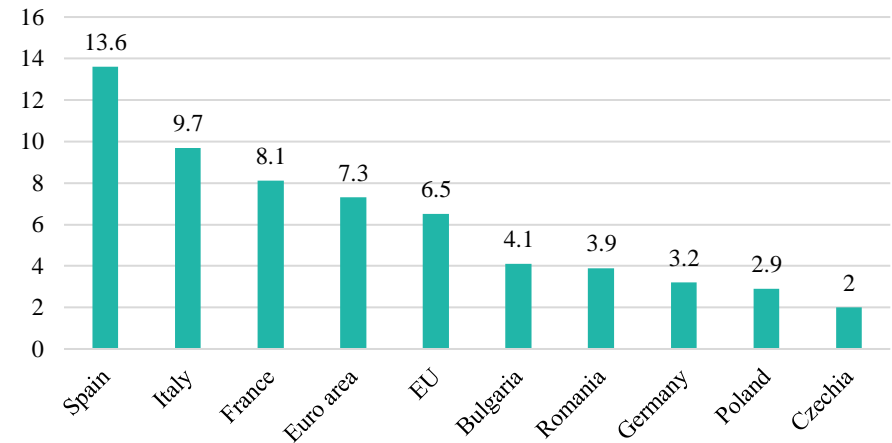
Romania's international position is favorable because of low external and government debt in GDP compared to EU countries, but in an area that needs an external deficit reduction.

The seasonally-adjusted unemployment rate in the euro area stood at 7.3% in February 2020, down compared with February 2019 (7.8%), which is also, the lowest rate recorded in the euro area since March 2008. The EU unemployment rate was 6.5% in February 2020, the lowest rate recorded in the EU since February 2000, according to the latest figures published by Eurostat.

The highest unemployment rates in the EU were recorded in Greece (16.3% - December 2019) and Spain (13.6%), while the lowest rates were recorded in Czechia (2%), Netherlands and Poland (2.9%) and Germany (3.2%).

Romania's unemployment rate remained unchanged in February 2020 (3.9%) compared with the previous month. The unemployment rate of men (4.3%) is higher than the unemployment rate of women (3.3%).

Unemployment rates in February 2020 (%)

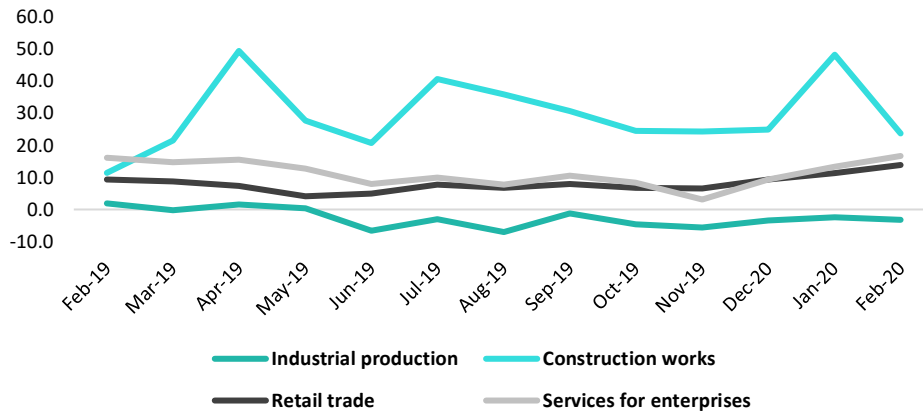


Source: Eurostat

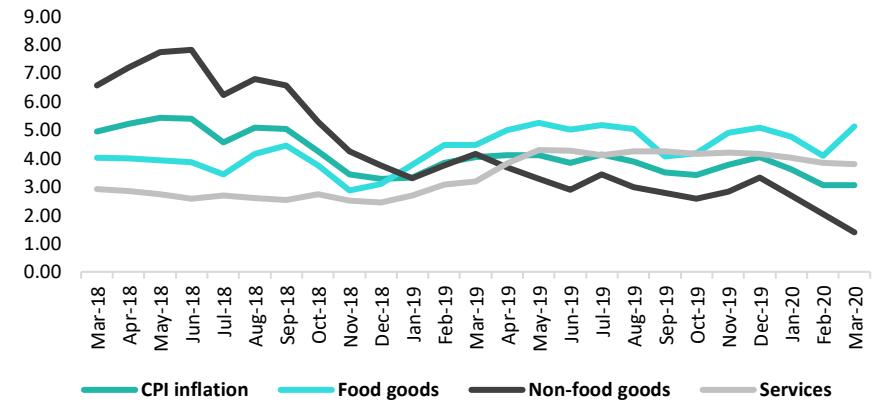
The scenario presented is updated with the newest forecasts published, which are based on normal economic development conditions. In case of a contagion / pandemic, we expect the Romanian economy to be affected along with other European economies. However, depending on the size of the epidemic and the solutions promoted, the impact on Romania may be smaller than in the countries most affected by coronavirus.

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

Main sector indicators (annual rate of change, %)

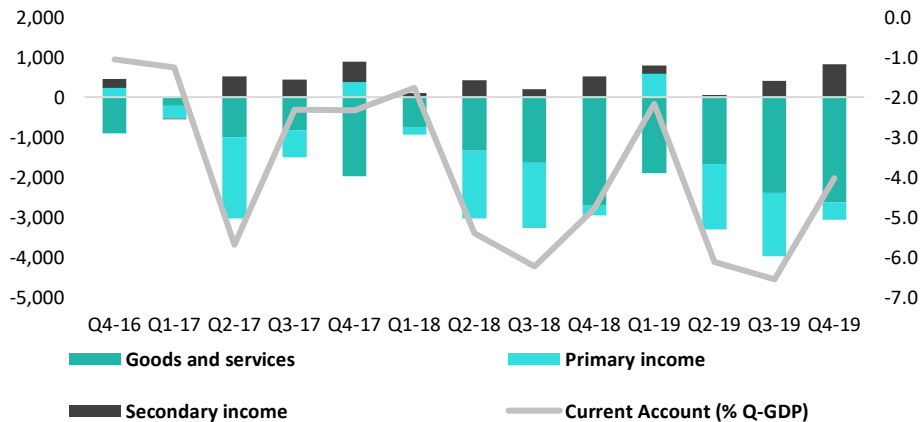


Inflation, monthly data (annual rate of change)



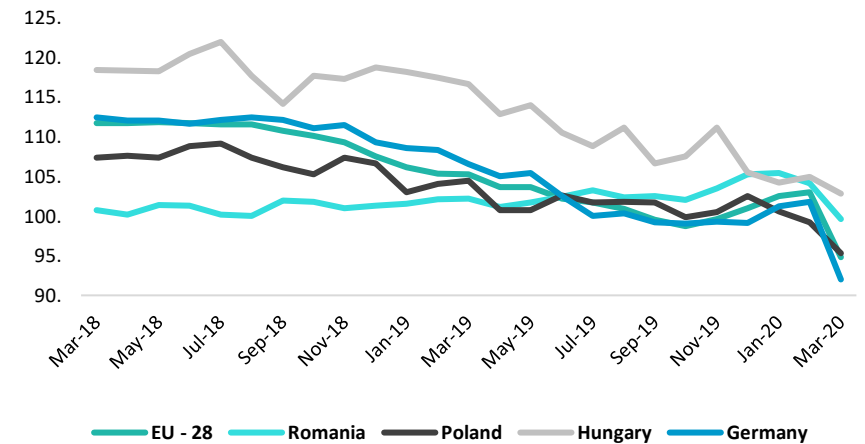
Source: National Institute of Statistics; FSA calculations

Development of current account by main components (million euro)



Source: NBR, FSA calculations

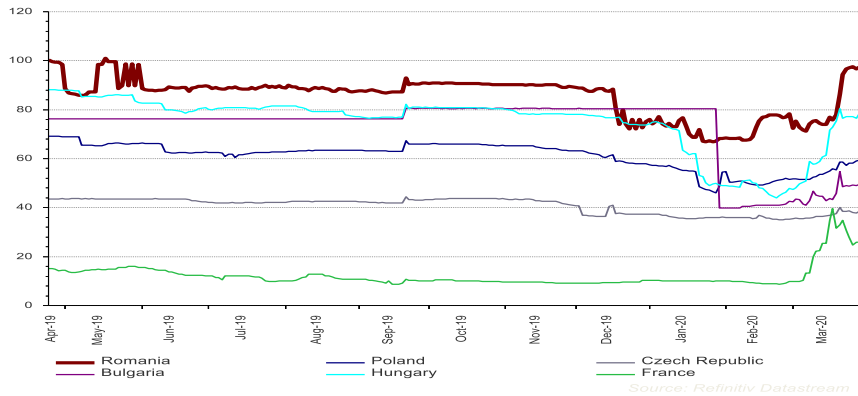
The economic sentiment index in EU



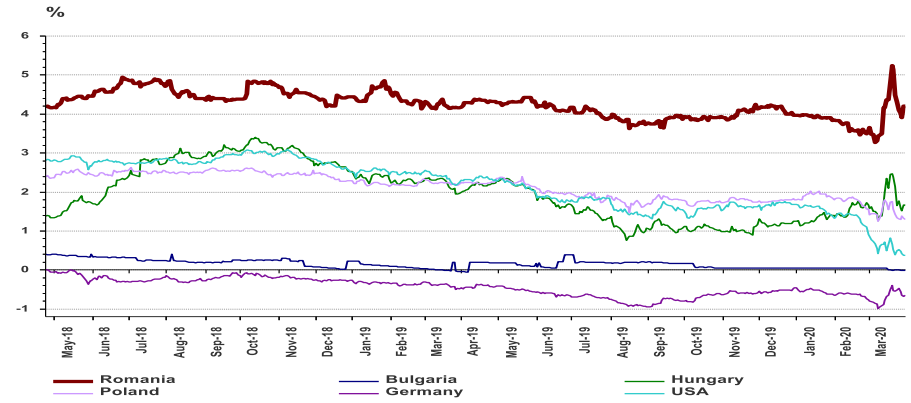
Source: Eurostat

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

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

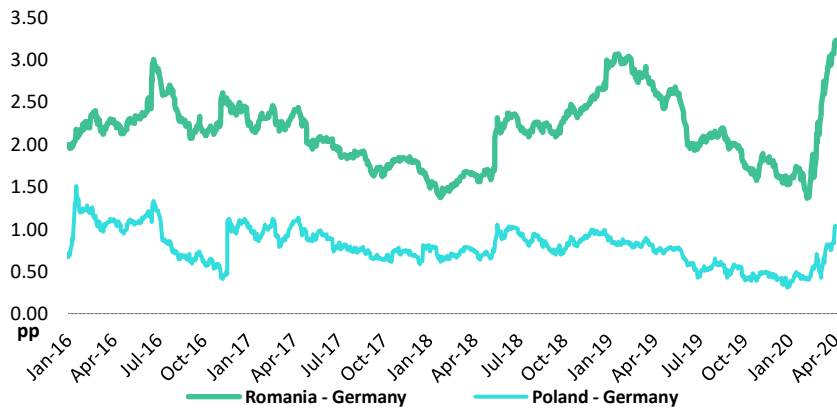


Government bond yields (5Y, LC)



Romania 5 - year bond yields increased by 11% in March 2020 as compared with the previous month, reaching an average value of 4.04% (February 2020: 3.65%), while Germany 5 – year bond yields fell to an average value of -0.7% in March, after reaching a record low of -1% (9th of March). Romania CDS quotations increased in March 2020 compared with the previous month, reaching an average value of 82 bp (February 2020: 72.95 bp), while French CDS quotations jumped to 23.53 bp, the largest increase among the analyzed countries.

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



In March 2020 and April 2020, the yield differential continued to grow. This growth can also be interpreted as a worsening of investors' perception of sovereign risk of Romania.

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

International indices	1 M	3 M	6 M	BSE indices	1 M	3 M	6 M
EA (EUROSTOXX)	-16.98%	-24.95%	-21.09%	BET	-16.40%	-23.57%	-20.36%
FR (CAC 40)	-17.21%	-26.46%	-22.57%	BET-BK	-16.84%	-23.34%	-18.22%
DE (DAX)	-16.44%	-25.01%	-20.05%	BET-FI	-13.45%	-17.05%	-7.44%
IT (FTSE MIB)	-22.44%	-27.46%	-22.87%	BET-NG	-14.30%	-26.16%	-25.03%
GR (ASE)	-22.50%	-39.09%	-35.71%	BET-TR	-16.39%	-23.56%	-20.34%
IE (ISEQ)	-19.44%	-28.26%	-17.47%	BET-XT	-15.90%	-23.24%	-18.88%
ES (IBEX)	-22.21%	-28.94%	-26.60%	BET-XT-TR	-15.89%	-23.23%	-18.80%
UK (FTSE 100)	-13.81%	-24.80%	-23.44%	BETPlus	-16.34%	-23.40%	-20.11%
US (DJIA)	-13.74%	-23.20%	-18.57%	ROTX	-16.24%	-23.76%	-20.18%

Source: Datastream, FSA's calculations

Note: 1M=03/31/2020 vs. 02/28/2020; 3M=03/31/2020 vs. 12/31/2019; 6M=03/31/2020 vs. 09/30/2019

The international stock indices have recorded negative developments (1M). The worst performer was ASE index (GR) which decreased by 22.50% in March, followed by FTSE MIB index (IT: -22.44%).

The BSE stock indices have recorded negative developments (1M). BET-BK index (-16.84%) was the worst performer, followed by BET index (-16.40%).

In April 2020, markets continued to fall, as the coronavirus pandemic spread, uncertainty increased, and contagion became more severe while volatility surged.

Current trends and headlines on Romanian markets

Romanian stock indices evolution in 2020 (31.12.2019 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
4/21/2020	-22.61%	-21.94%	-17.17%	-24.95%	-22.59%

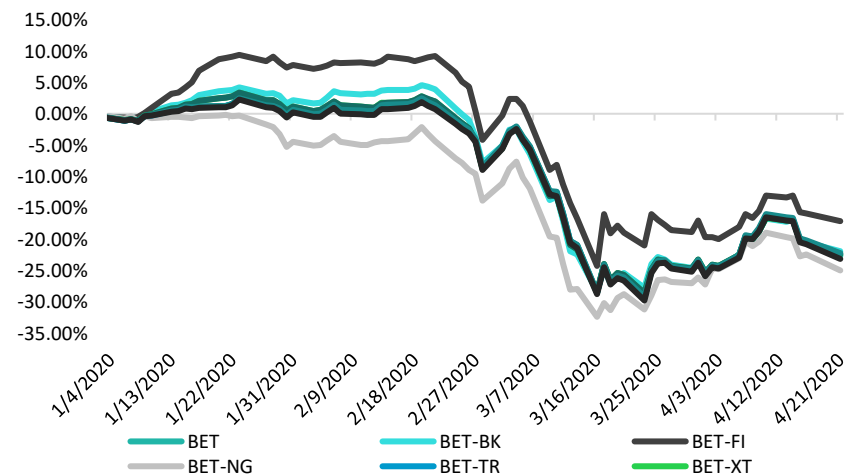
Date	BET-XT	BET-XT-TR	BETPlus	ROTX
4/21/2020	-22.40%	-22.39%	-22.29%	-23.11%

In March 2020, local investment funds recorded subscriptions amounting to approximately EUR 108 million, while the value of redemptions increased significantly, exceeding the level of EUR 1 billion. Thus, in March, the net outflows of open-end investment funds in Romania amounted to EUR 910 million. The most affected were bond funds and fixed income instruments, which recorded net outflows of EUR 709 million, followed by other funds (EUR 137 million).

Net capital flows of Open-end Investment Funds (million EUR) in Romania

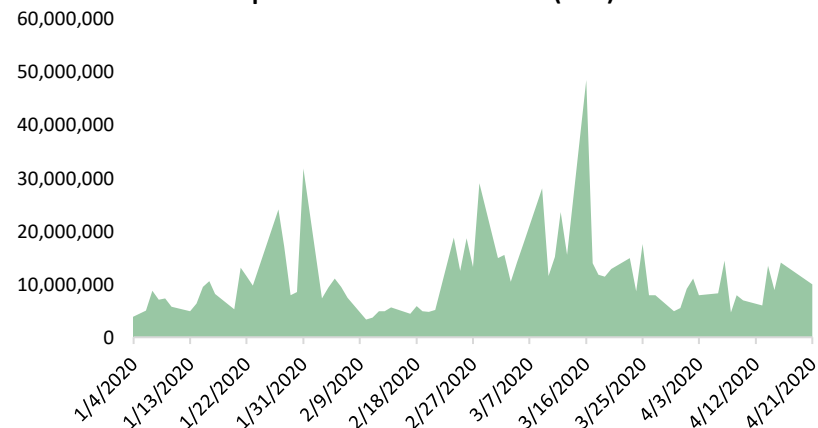
Open End Investment Funds Type	Mar-20
Absolute yield	-12.54
Equity	-6.48
Multi-Active	-36.46
Bonds and Fixed Income Instruments	-709.23
Guaranteed capital	-7.81
Other funds	-137.17
Net sales	-909.69

Evolution of local stock indices



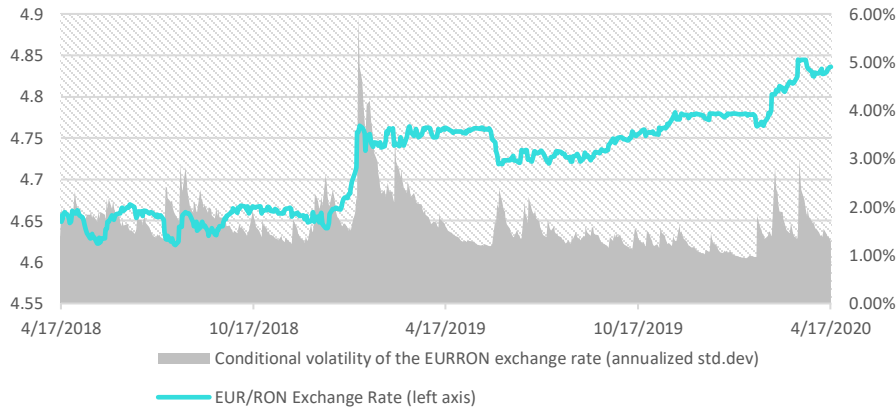
Source: BSE; FSA calculations

Equities traded value on BSE (EUR)

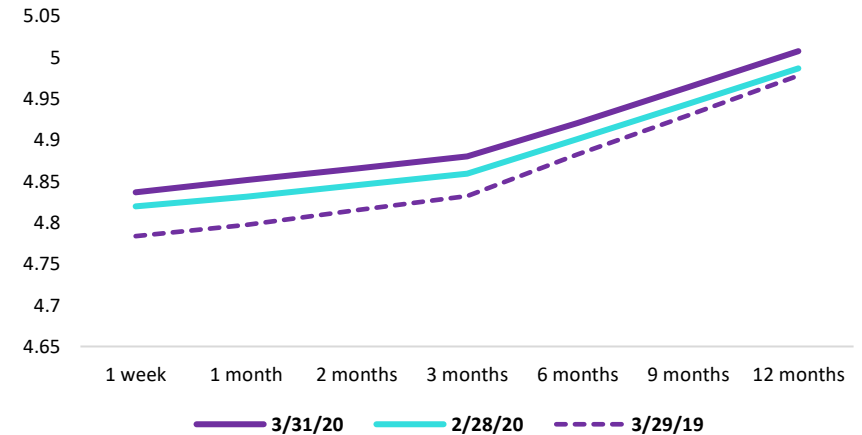


Market risk: volatility of Romanian government bond yields and the EURRON currency rate

EUR/RON Exchange rate vs volatility

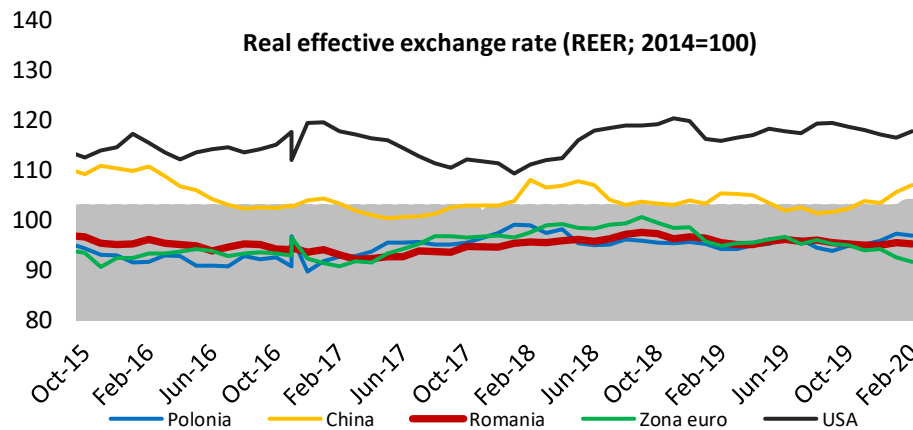


Term structure of EUR/RON forward rate



Source: Datastream, FSA's calculations

Real effective exchange rate (REER; 2014=100)



Source: BIS, FSA's calculations

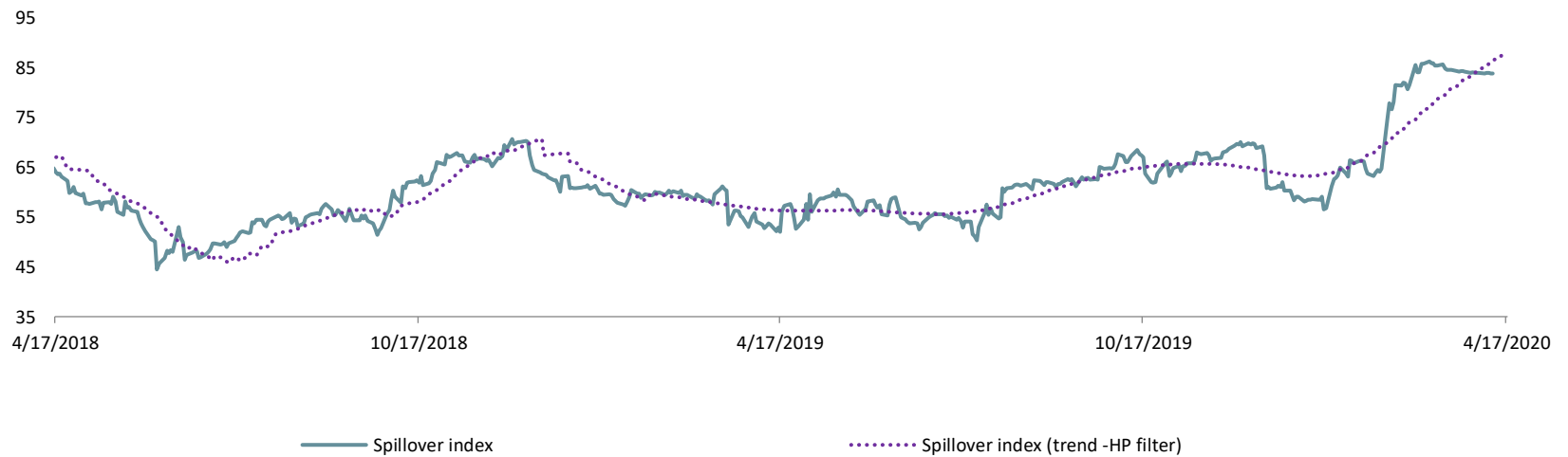
The exchange rate remained around 4.84 in April while the volatility spiked up to 3%. **We forecast that the depreciation trend will continue to remain low as the Romanian Central Bank lowered the monetary interest rate to 2% to fight the impending recession** and managed the interbank liquidity as to avoid any speculative attack on Romanian currency.

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).

The depreciation trend of EUR/RON exchange rate comes mainly through the trade channel since the Real Effective Exchange Rate has continued to decline since 2014. Romania has a floating monetary regime with some exchange rate interventions.

Market risk: financial markets fragility

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 Polish and Austrian stock markets 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 Bucharest Stock Exchange.

The contagion has increased in February and March due to the outbreak of COVID-19 pandemic and remained high as the uncertainty on the financial markets has not declined. **The speed of the contagion was the greatest in the last 10 years**, indicating how fast the fear and uncertainty have impaired the financial stability of international markets.

The IMF updated in April its global economy growth forecast from **0.1% to -3%** which is a deeper decline than during the financial crisis of 2009 when growth contracted by 0.7%. The economic downturn generated by the COVID19 pandemic will be the worst since the Great Depression due to the interconnectedness of global economy.

Liquidity risk on Romanian Stock Exchanges

The BSE Trading Activity (all the Segments) during March 2020

Week/month	No. of transactions	Volume	Value	
			EUR	%
Total 02-06 March 2020	24,279	236,754,352	72,314,687	21.80%
Total 09-13 March 2020	45,419	358,846,127	93,607,449	28.22%
Total 16-20 March 2020	32,085	367,391,606	98,477,658	29.69%
Total 23-27 March 2020	24,033	195,689,235	57,011,557	17.19%
Total 30-31 March 2020	5,166	34,469,257	10,322,161	3.11%
Total March 2020	130,982	1,193,150,577	331,733,511	100.00%

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for March 2020 = 4,8263 LEI/EUR

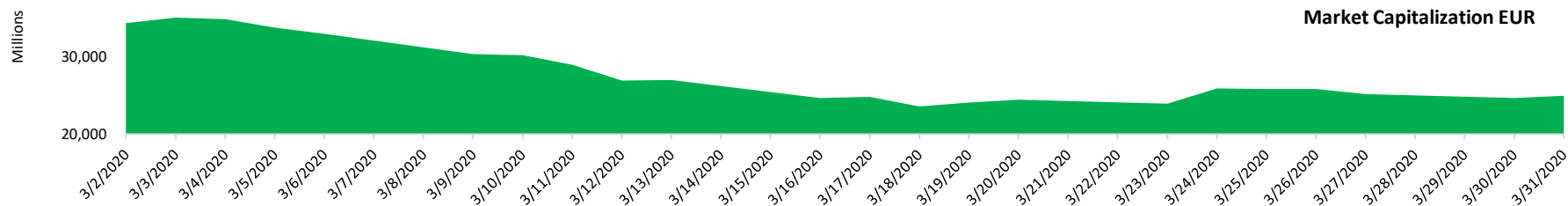
The BSE's Most Traded Companies during March 2020 (Only the Main Segment)

Symbol	Main market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
TLV	83,596,233	29.66%	534,949	7.22%	84,131,182	28.95%
FP	55,095,247	19.55%	2,906,299	39.25%	58,001,547	19.96%
SNG	31,840,551	11.30%	0	0.00%	31,840,551	10.96%
BRD	24,730,849	8.77%	0	0.00%	24,730,849	8.51%
SNP	20,655,743	7.33%	0	0.00%	20,655,743	7.11%
SNN	12,284,490	4.36%	0	0.00%	12,284,490	4.23%
M	4,317,608	1.53%	3,449,848	46.59%	7,767,456	2.67%
EBS	5,996,680	2.13%	0	0.00%	5,996,680	2.06%
EL	5,465,586	1.94%	0	0.00%	5,465,586	1.88%
TGN	5,214,896	1.85%	0	0.00%	5,214,896	1.79%
TRP	3,511,141	1.25%	0	0.00%	3,511,141	1.21%
DIGI	3,329,034	1.18%	0	0.00%	3,329,034	1.15%
SIF1	2,755,783	0.98%	0	0.00%	2,755,783	0.95%
SIF5	2,744,449	0.97%	0	0.00%	2,744,449	0.94%
TEL	2,728,466	0.97%	0	0.00%	2,728,466	0.94%
Top 15 Total					93.30%	

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for March 2020 = 4,8263 LEI/EUR

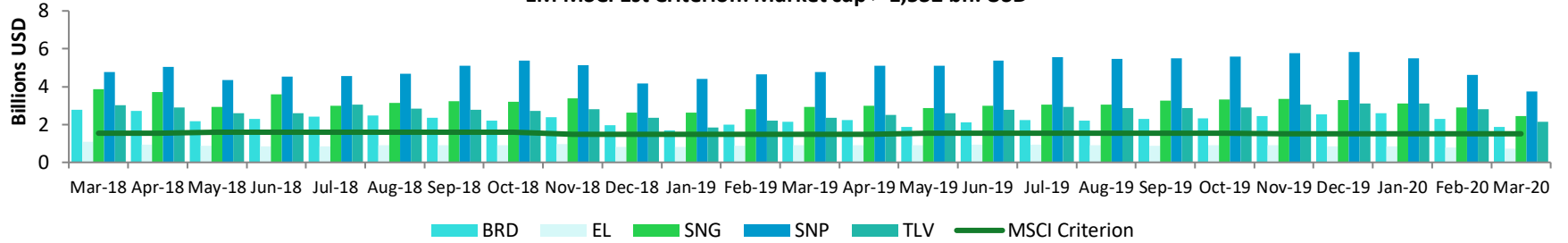
Top of intermediaries during March 2020

Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	SWISS CAPITAL S.A.	147,629,334	22.58
2	BT CAPITAL PARTNERS	110,444,474	16.89
3	BANCA COMERCIALA ROMANA	73,551,281	11.25
4	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	58,147,728	8.89
5	TRADEVILLE	54,941,364	8.4
6	ALPHA FINANCE ROMANIA	30,477,120	4.66
7	SSIF BRK FINANCIAL GROUP S.A.	28,071,463	4.29
8	RAIFFEISEN CENTROBANK AG	24,954,994	3.82
9	PRIME TRANSACTION	24,458,661	3.74
10	BRD Groupe Societe Generale	24,222,183	3.7
11	IFB FINWEST	19,504,831	2.98
12	GOLDRING	15,838,781	2.42
13	ESTINVEST	12,002,349	1.84
14	CONCORDE SECURITIES LTD	10,165,367	1.55
15	INTERFINBROK CORPORATION	6,647,918	1.02
Top 15 Total			98.03

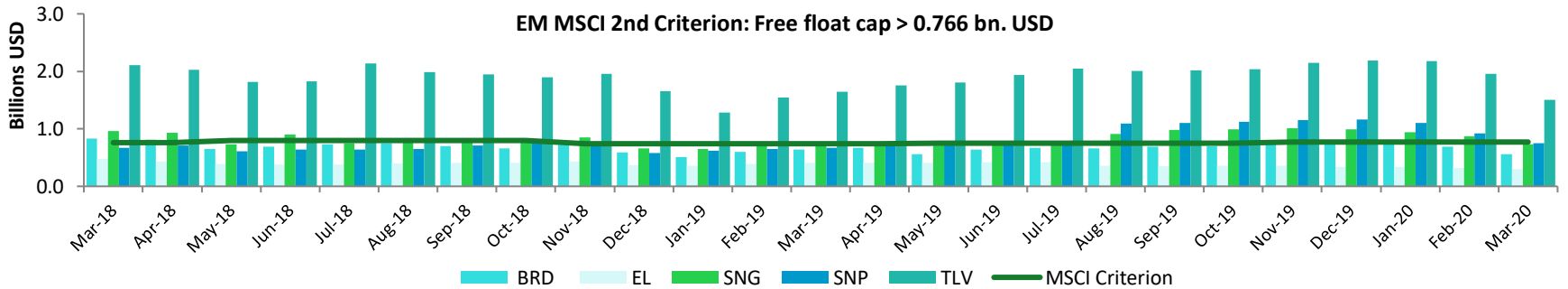


MSCI: Quantitative Indicators for Emerging Market Status

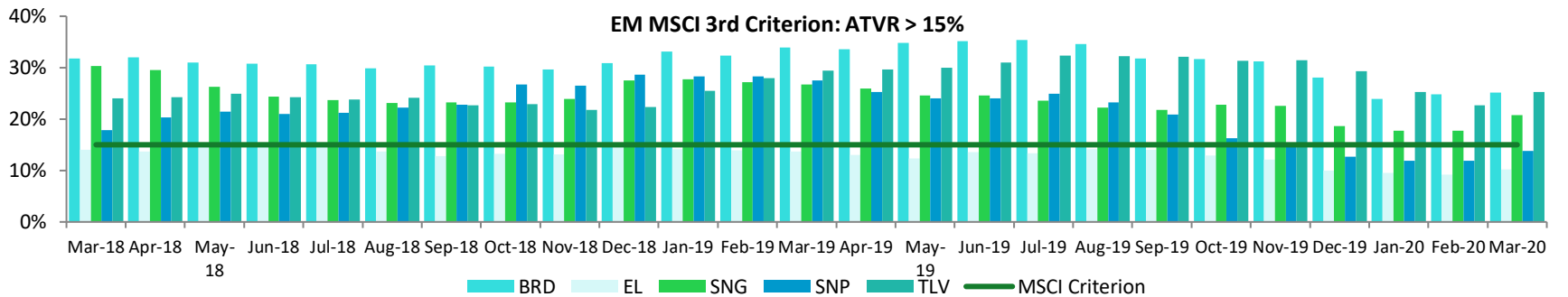
EM MSCI 1st Criterion: Market cap > 1,532 bn. USD



EM MSCI 2nd Criterion: Free float cap > 0.766 bn. USD

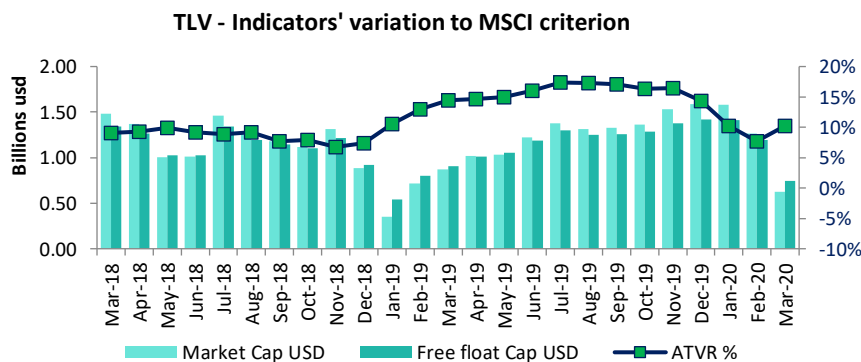
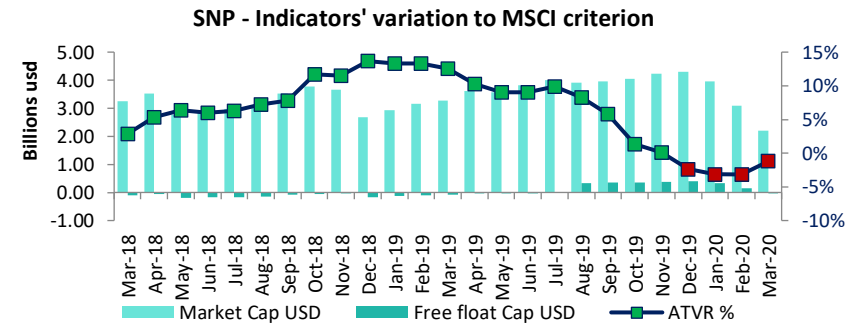
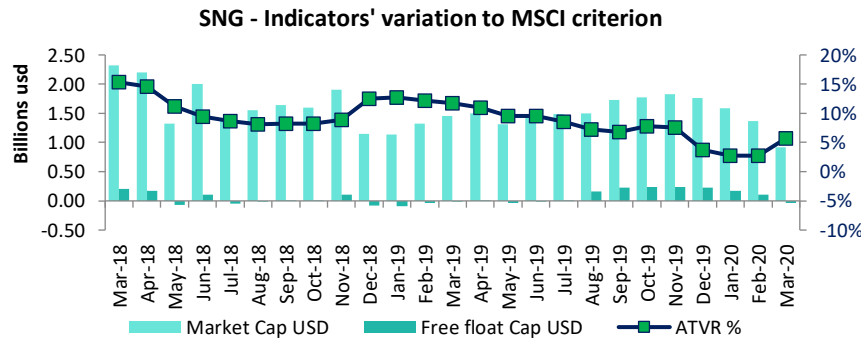
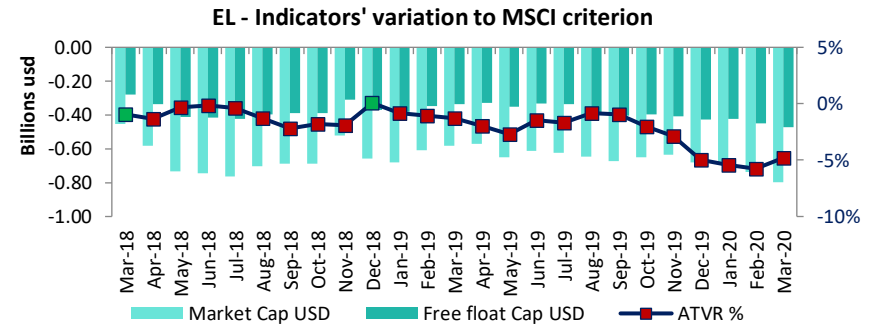
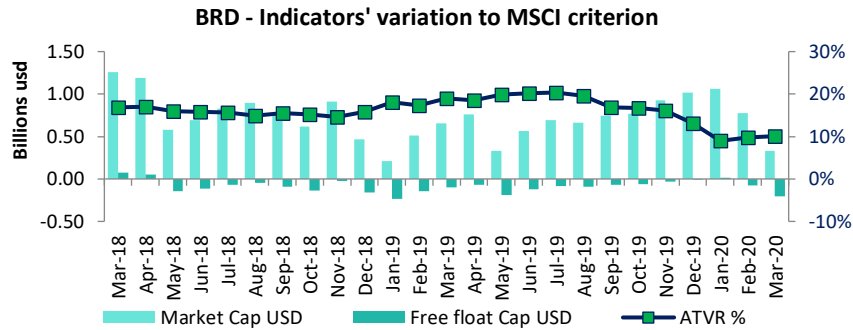


EM MSCI 3rd Criterion: ATVR > 15%



Source: ASF Calculations, January 2020

MSCI: Quantitative Indicators for Emerging Market Status



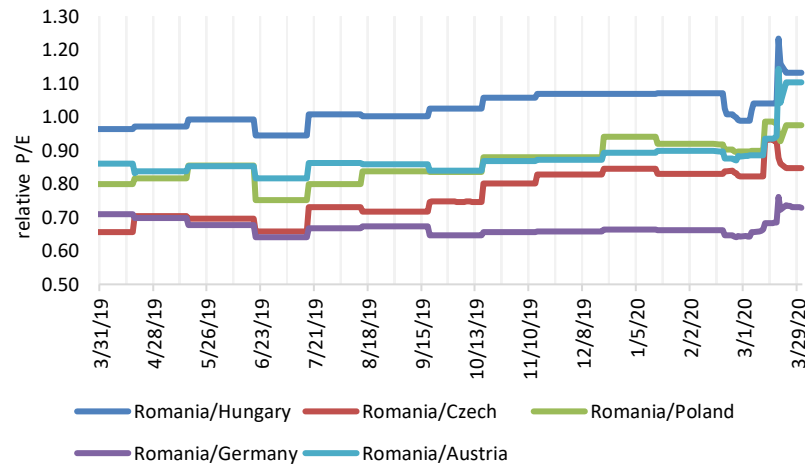
Indicators' variation to MSCI criterion (mar. 2020)

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	0,78	-0,07	10,10%
EL	-0,74	-0,45	-4,83%
SNG	1,37	0,10	5,75%
SNP	3,08	0,16	-1,18%
TLV	1,27	1,19	10,24%

Source: ASF Calculations, March 2020

Risk assessment and the benefit of diversification

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

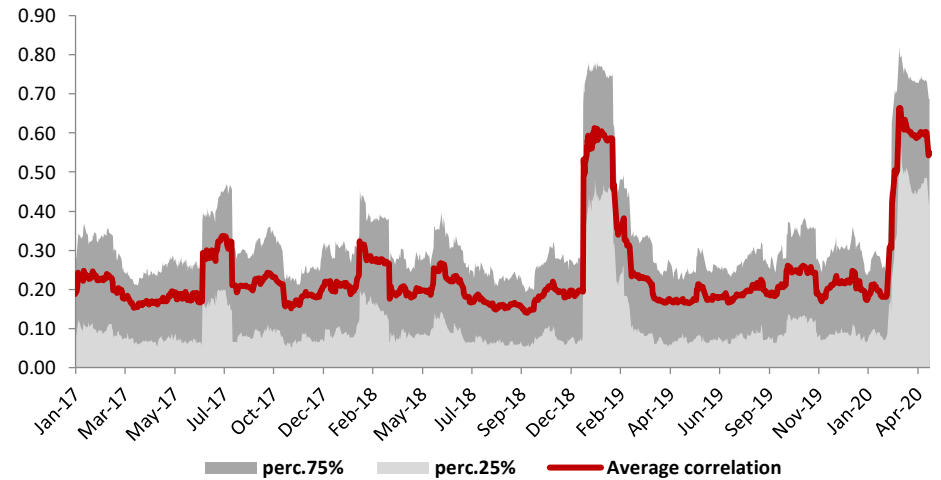


Source: Datastream, FSA's calculations

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 March 2020, the ratio was still lower than 1 (except for Romania/Hungary and Austria) 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 beginning of April 2020, the correlations between the daily yields of the 25 most liquid companies from Bucharest Stock Exchange decreased significantly, but in February 2020 is marked by an increase.

Risk assessment and the benefit of diversification

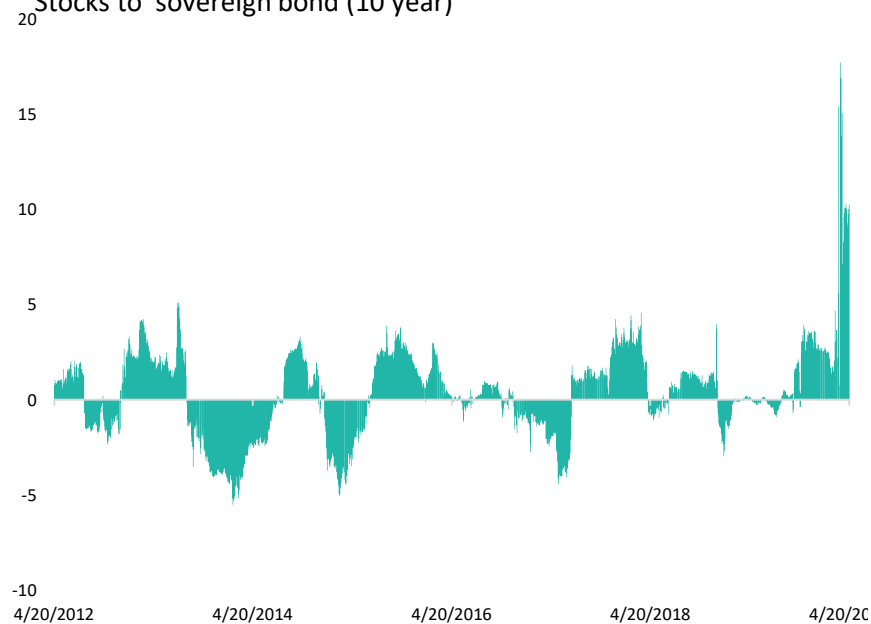
A net spillover index is the difference between the returns shocks transmitted to other asset classes and the returns shocks received from them. If the net index is positive it means it has transmitted more than it has received.

The net spillover indices presented above show that the investors sold equity on Romanian capital market and bought long-term sovereign bonds (left chart) and euro (right chart). Due to the measures taken by the Romanian Central Bank, the exchange rate (Eur/Ron) underwent only a small depreciation.

The empirical analysis shows that the **Romanian capital market and the European market are currently perturbed by external events and do manifest unsustainable price reduction due to a spiral down of asset prices.**

Net spillover from stock to other asset classes

Stocks to sovereign bond (10 year)



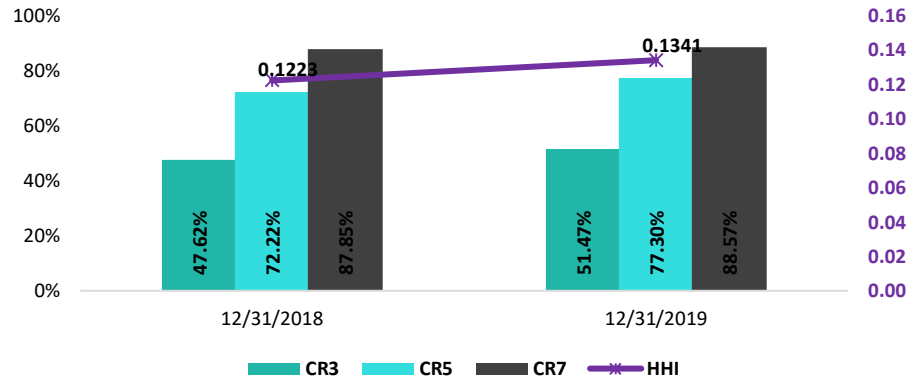
Stocks to FX (eur/ron)



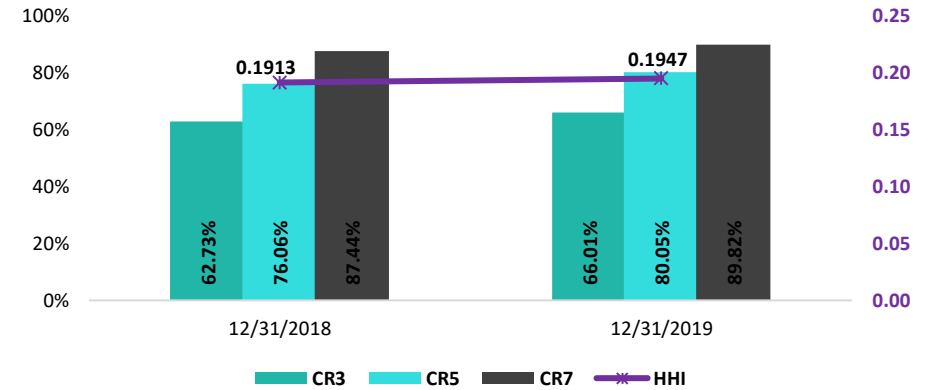
Source: Datastream, FSA's calculations

Concentration risk

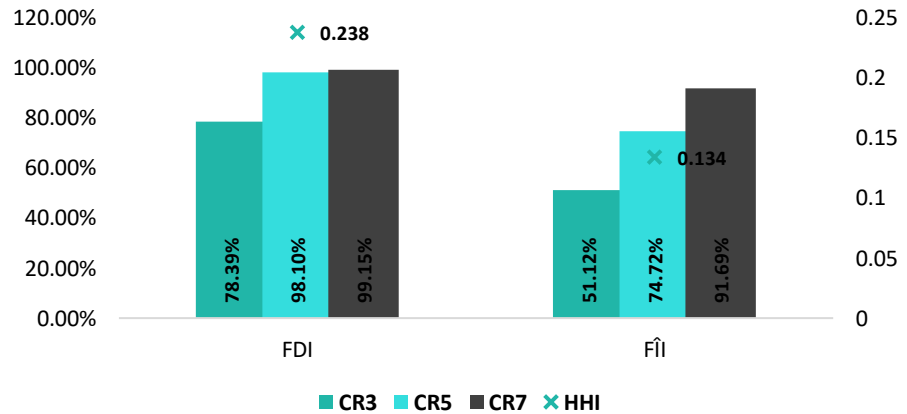
**Concentration risk of non-life insurance undertakings
(by value of GWP at 31 December 2019)**



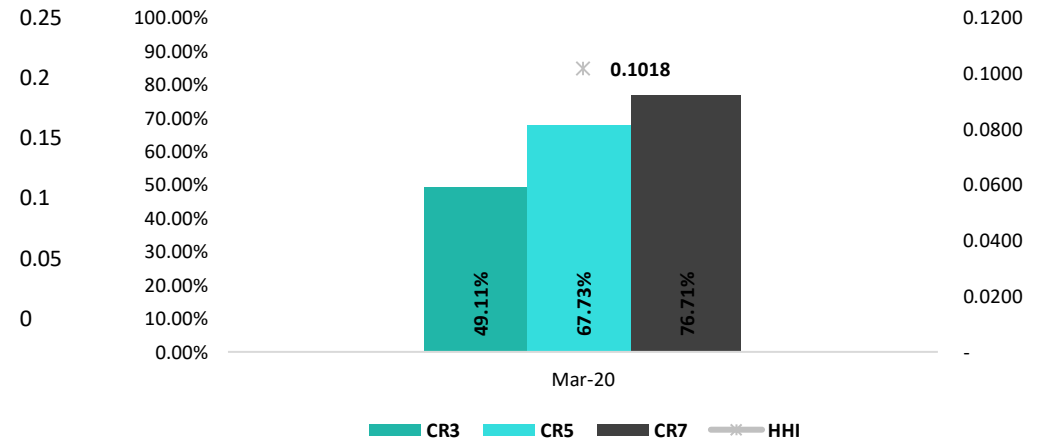
**Concentration risk of life insurance undertakings
(by value of GWP at 31 December 2019)**



**Concentration risk of investment funds in Romania
(by net assets – 31 December 2019)**



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

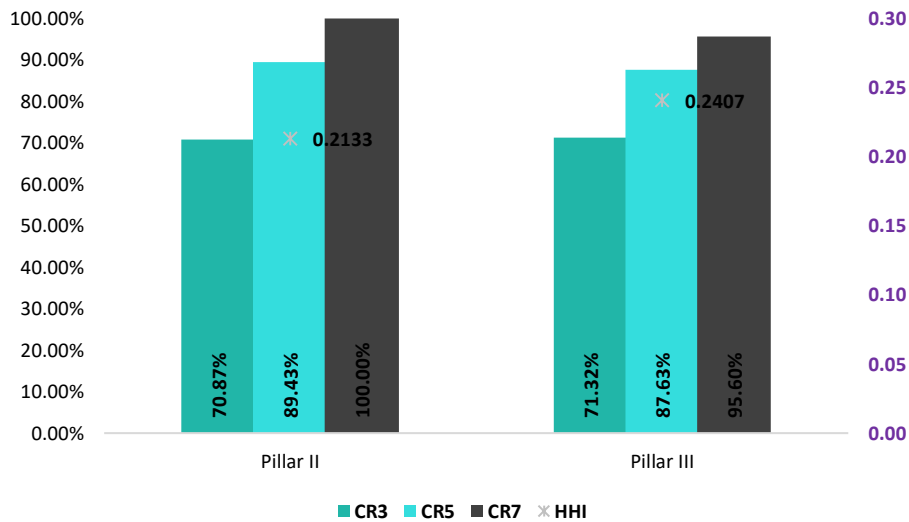


Source: FSA

Source: FSA

Concentration risk

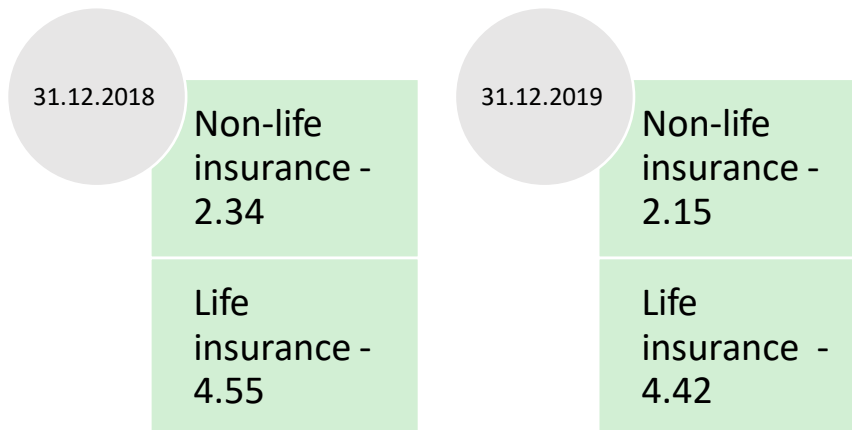
Concentration risk of private pension funds (by net assets at 3/31/2020)



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.



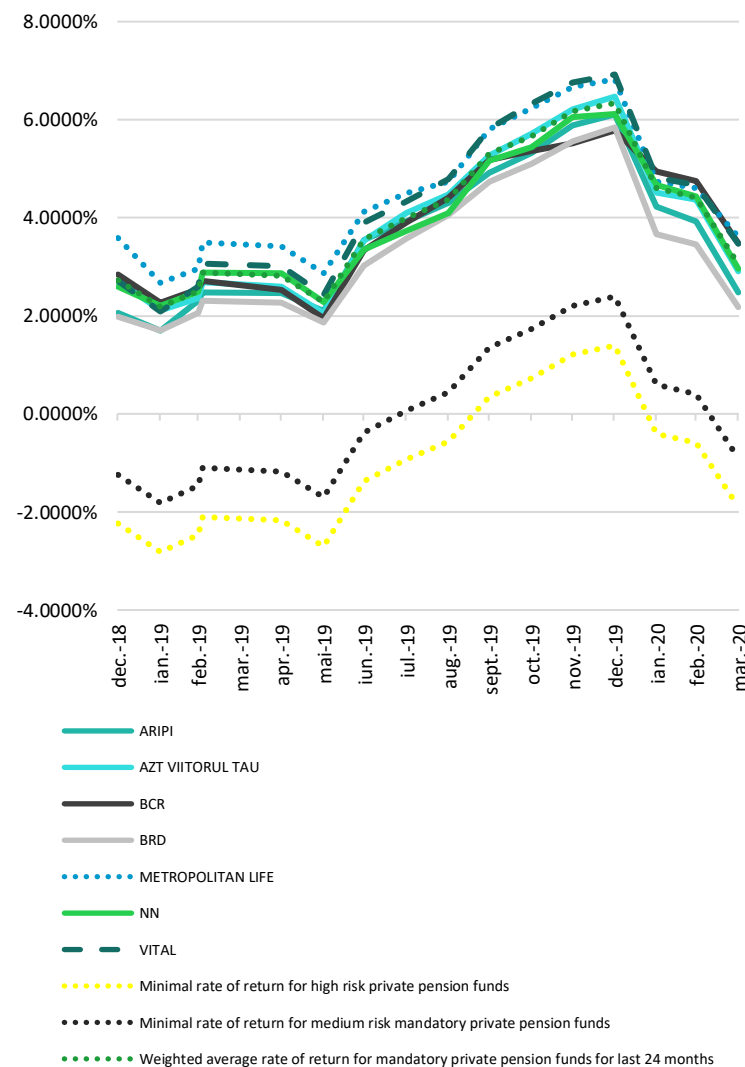
Liquidity coefficient evolution in insurance market shows a slight reduction in December 2019 compared to previous year. However, the levels are well above the minimum.

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

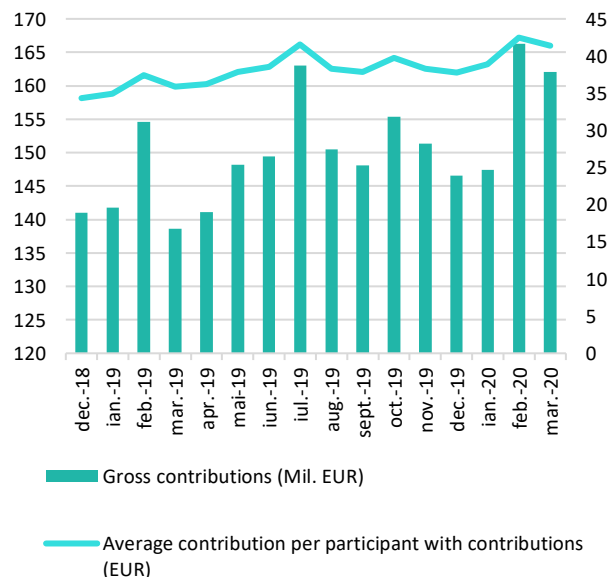
Total assets (EUR), number of participants and return rates

Mandatory pension fund	Total Assets 31 March 2020 (EUR)	Participants (persons) March 2020	Annualized 24 months return rate Mar. 2020
ARIPI*	1.074.815.011	774.529	2,47%
AZT VIITORUL TAU	2.690.129.283	1.597.675	2,90%
BCR	846.089.604	676.815	3,48%
BRD	476.149.406	459.513	2,18%
METROPOLITAN LIFE	1.781.854.088	1.051.221	3,62%
NN	4.358.127.658	2.024.524	2,96%
VITAL	1.242.539.644	940.808	3,47%
Total	12.469.704.693	7.525.085	n/a

Rate of return for mandatory pension funds



Evolution of gross contributions



**New participants (persons) in 2nd Pillar
in March 2020**

18,921

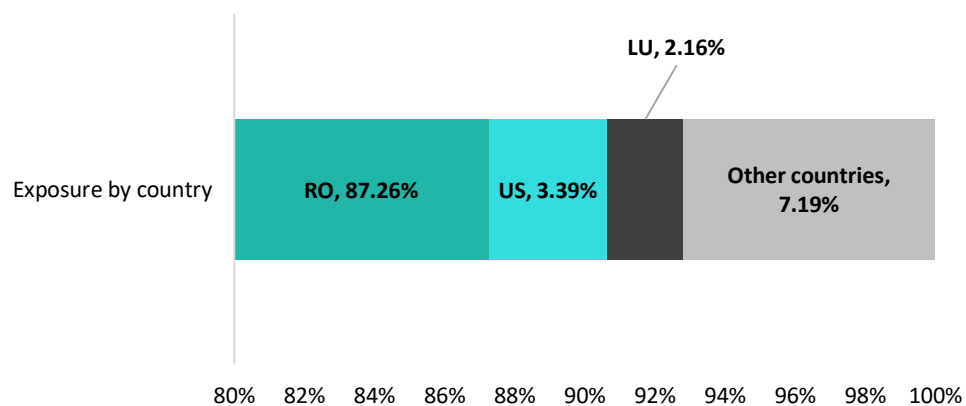
Source: FSA

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

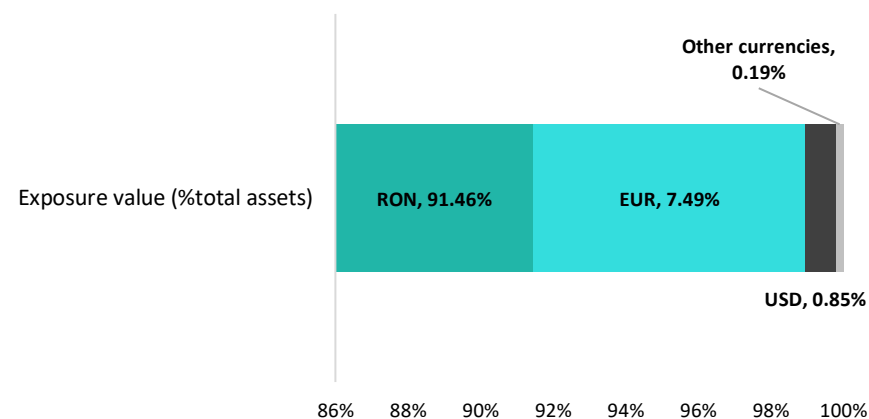
Mandatory pension fund's portfolio at 31 March 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	8,058,545,280	64.62%
Equity	2,294,978,684	18.40%
Corporate bonds	962,820,356	7.72%
Bank deposits	532,224,503	4.27%
Investment funds	329,160,580	2.64%
Supranational bonds	263,994,829	2.12%
Municipal bonds	63,378,517	0.51%
Metal funds	12,733,647	0.10%
Other assets	(48,131,703)	-0.39%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



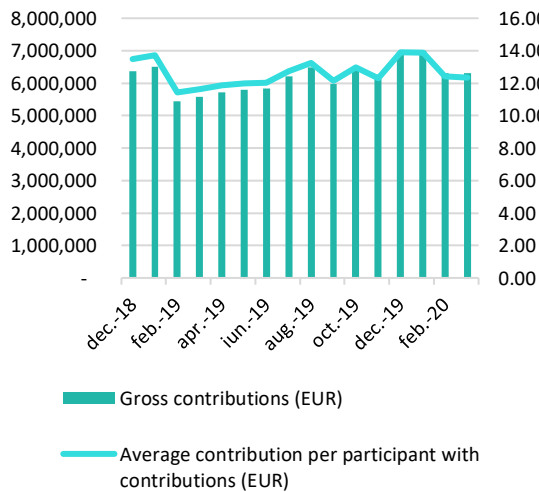
Source: FSA

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

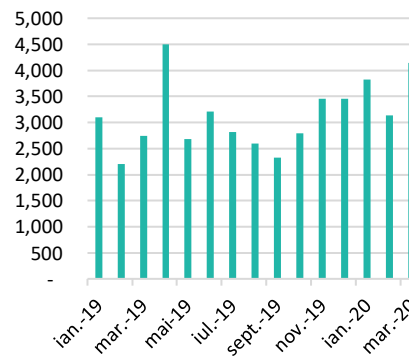
Total assets (EUR), number of participants and return rates

Voluntary pension fund	Total assets (EUR), 31 March 2020	Participants (persons) March 2020	Annualized 24 months return rate Mar. 2020
AEGON ESENTIAL	1,657,242	3,843	0.7386%
AVIVA PENSIA MEA	15,629,011	9,503	0.8025%
AZT MODERATO	53,722,102	39,340	0.7293%
AZT VIVACE*	19,835,664	20,270	-0.3081%
BCR PLUS	89,144,517	138,811	0.0899%
BRD MEDIO	26,742,442	31,259	0.0311%
GENERALI STABIL	4,767,667	5,414	-0.4074%
NN ACTIV*	54,835,615	53,354	-1.9094%
NN OPTIM	208,007,286	193,851	-0.6789%
RAIFFEISEN ACUMULARE	19,176,028	14,467	0.7743%
Total	493,517,572	510,112	n/a

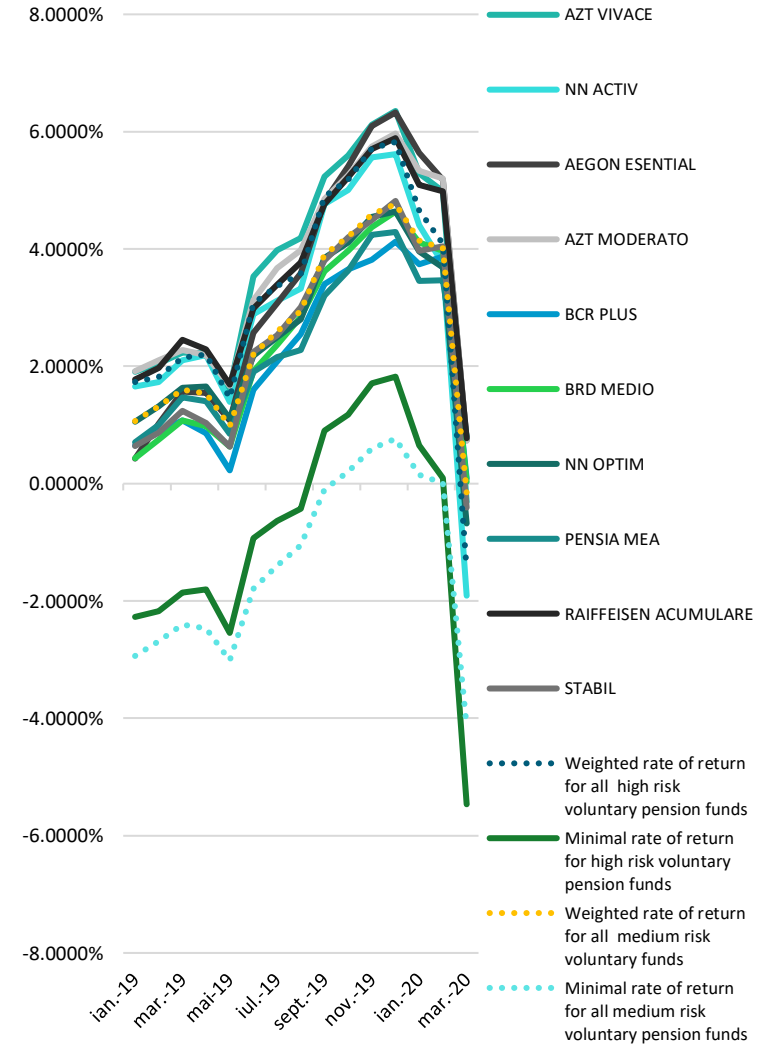
Evolution of gross contributions



New participants in 3rd Pillar



Evolution of total assets and net value of an individual account



Source: FSA

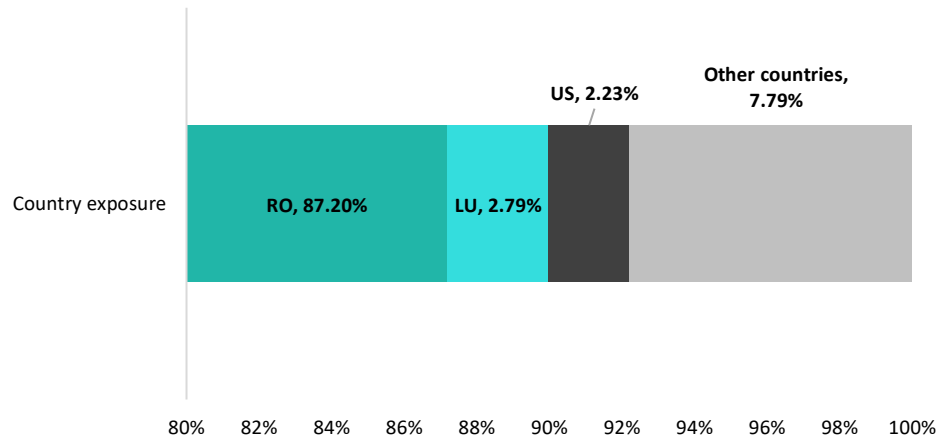
Current evolutions in optional private pension funds (3rd Pillar)

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

Assets category	Assets value (EUR)	% Total assets
Government Bonds	297,046,809	60.19%
Equity	111,881,817	22.67%
Corporate Bonds	40,179,797	8.14%
Investment Funds	13,537,478	2.74%
Municipal Bonds	10,833,252	2.20%
Bank Deposits	10,470,861	2.12%
Supranational Bonds	8,573,043	1.74%
Metal funds	1,408,987	0.29%
Oher assets	(414,474)	-0.08%

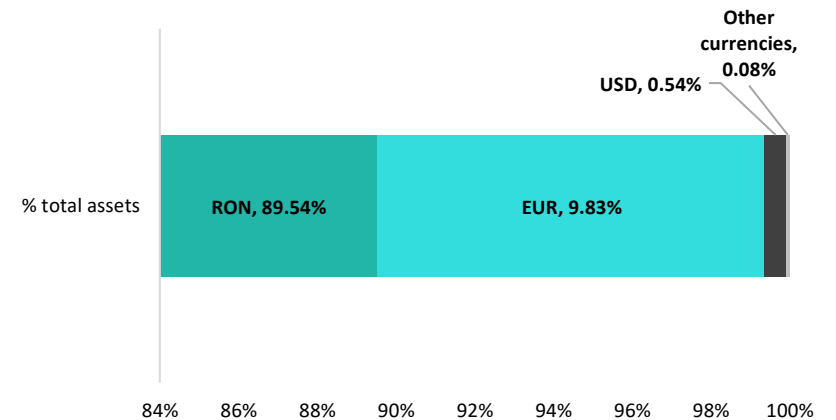
Source: FSA

Country exposure of optional fund's assets



Source: FSA

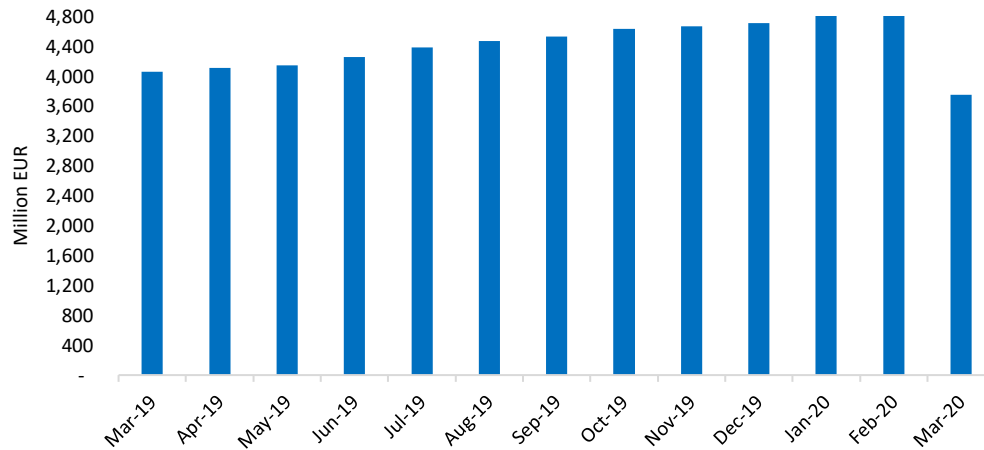
Currency exposure of optional fund's assets



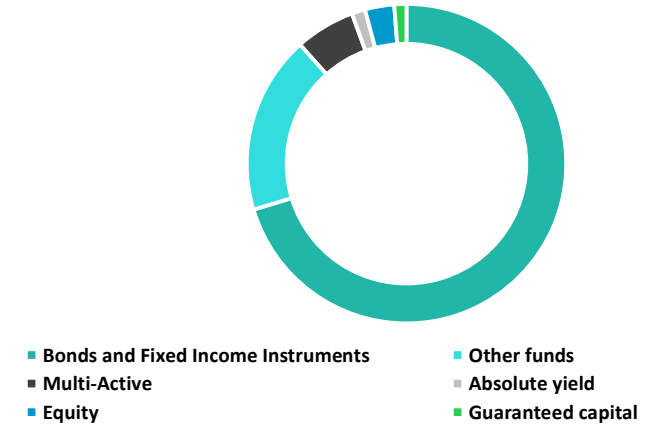
Source: FSA

Specific developments in the investment funds sector

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



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



Source: AAF

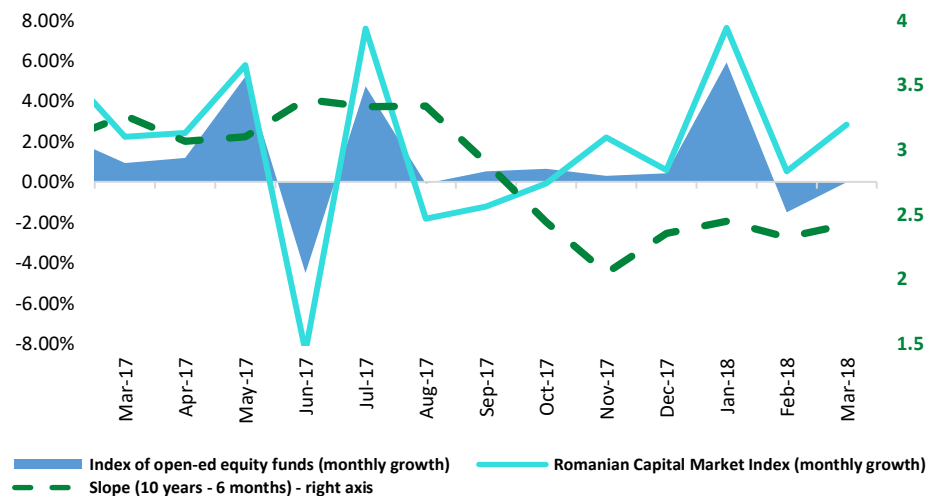
According to data published by AAF, the net assets of open-end investment funds (OeIF) decreased by 22% at the end of March 2020 compared with the previous month, amid the adverse effects of the Covid-19 pandemic, reaching a value of EUR 3.75 billion. Open-end bonds and fixed income instruments funds and other funds, which account for about 88% of the local OeIF industry, decreased by 24% and 17% compared with the previous month.

In March 2020, *open-end bond and fixed income instruments funds* hold the largest share in total net assets of OeIF (around 70%¹), while the "other funds" type has a market share of approximately 18%.

¹ There was a change in Open end investment funds' classification

Specific developments in the investment funds sector

Index of open-end equity funds vs. Romanian Capital Market Index



Source: FSA, Datastream, FSA's calculations

The yield curve slope is the difference between long-term (10 years) and short-term Treasury yields (6 months). When the slope is positive it means that the yields tend to increase as the maturity increase and describe a normal economy, while a negative slope describes an inverted yield curve.

The credit risk had increased in 2017 fueled by increases in inflation expectations, residential house prices and household and corporate loans, which led to a spike in short-term interbank interest rate. The slope of the Treasury entered on a descendent trend in the fourth quarter as the short-term yields increased faster than the long-term ones. The short-term rate peaked in March to a 3-year maximum and it is expected to further increase.

In March 2020, local investment funds recorded subscriptions amounting to approximately EUR 108 million, while the value of redemptions increased significantly, exceeding the level of EUR 1 billion. Thus, in March, the net outflows of open-end investment funds in Romania amounted to EUR 910 million. The most affected were bond funds and fixed income instruments, which recorded net outflows of EUR 709 million, followed by other funds (EUR 137 million).

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

	Underwritings	Redemptions	Net sales
Mar-17	119,887,462	141,192,222	-21,304,760
Mar-18	80,161,747	170,213,549	-90,051,802
Mar-19	84,292,900	81,531,839	2,761,061
Mar-20	107,893,904.13	1,017,585,122	-909,691,218

Source: AAF

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

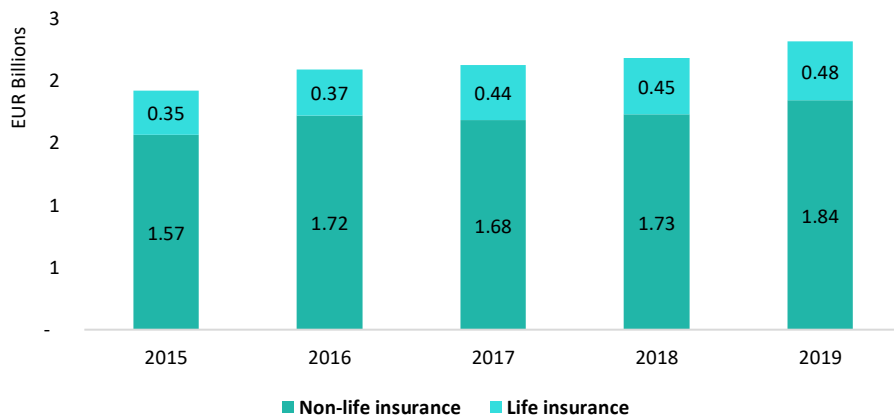
OeIF	Mar-17	Mar-18	Mar-19	Mar-20
Absolute yield	-0.84	-0.52	-1.05	-12.54
Equity	1.01	1.27	0.21	-6.48
Multi-Active	9.75	1.72	0.71	-36.46
Bonds and Fixed Income Instruments	-21.87	-74.86	2.02	-709.23
Guaranteed capital	-0.87	-2.62	-2.49	-7.81
Monetary	0.86	-0.18	0.00	0.00
Other funds	-9.35	-14.87	3.36	-137.17
Net sales	-21.30	-90.05	2.76	-909.69

Source: AAF

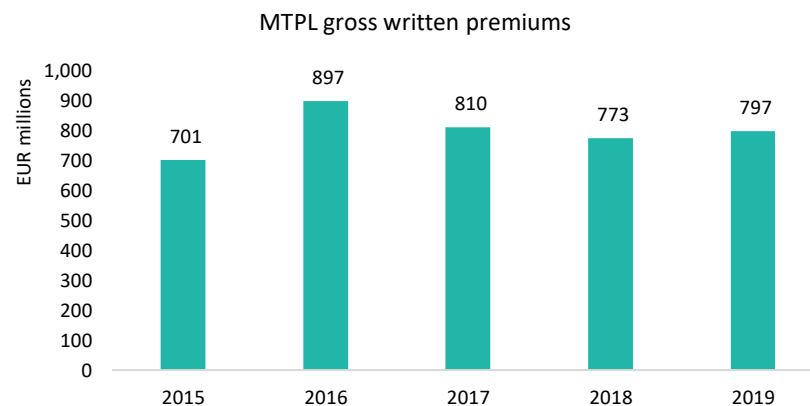
Specific developments in the insurance market in Romania

Evolution of the insurance market (31th of December 2019)

Gross written premiums (total)

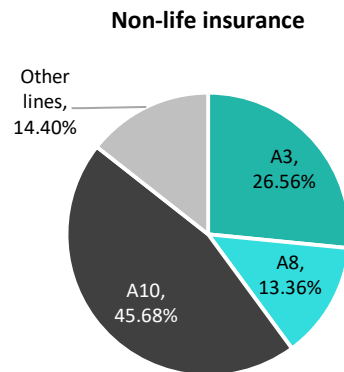
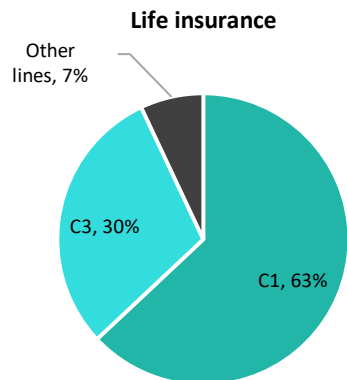


MTPL gross written premiums



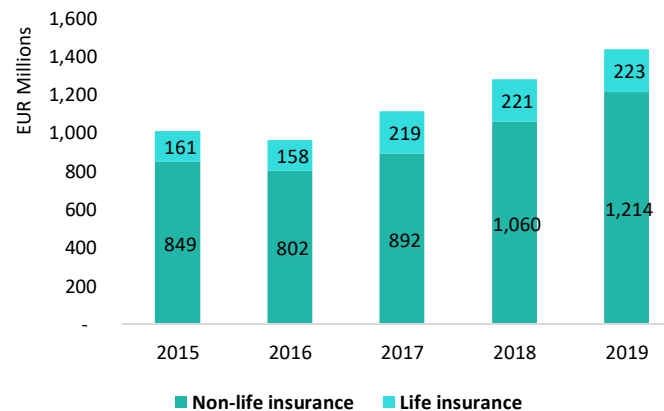
Source: FSA

Share of main insurance classes by GWP



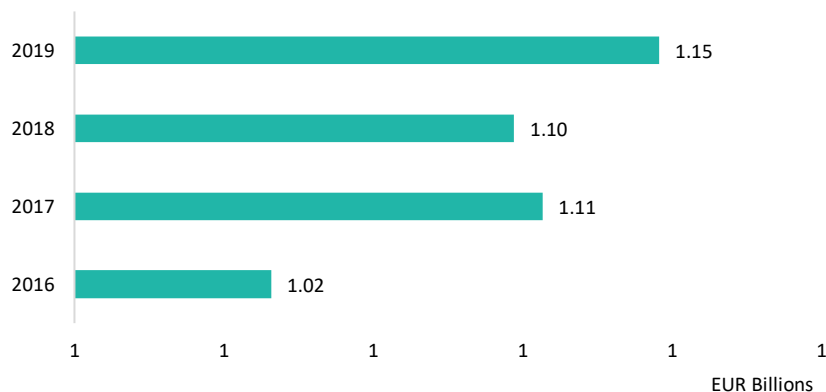
Source: FSA

Gross claims paid



Specific developments in the insurance market in Romania

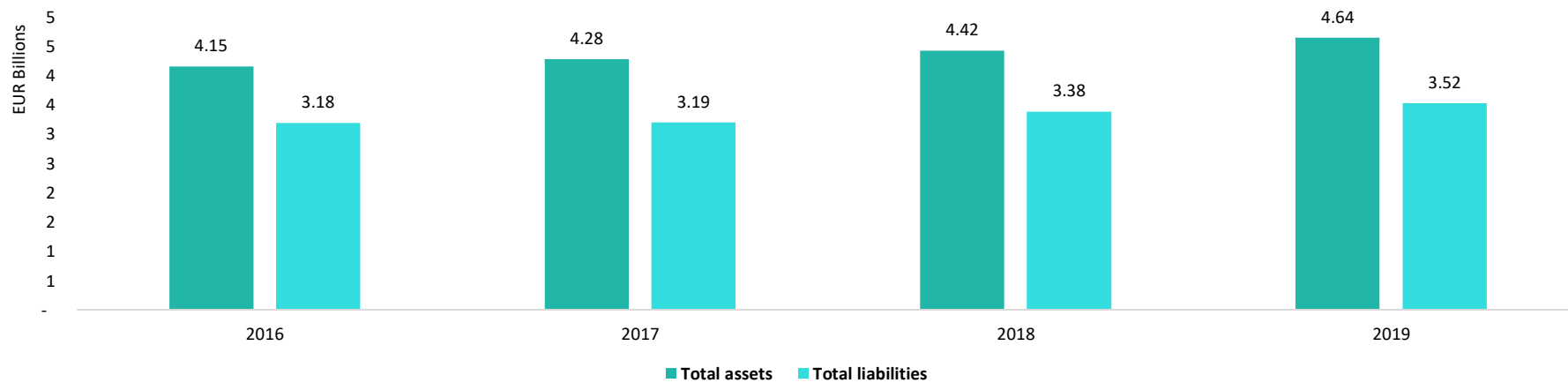
Total eligible own funds to cover the Solvency Capital Requirement (SCR)



Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)



Total assets and total liabilities



Source: FSA

On 31st of December 2019, eligible own funds to meet the SCR were mainly composed of unrestricted Tier 1 (94%) and Tier 2 items (3%). In terms of own fund items, there were no significant changes in the last four years.

Press releases and publications of European and international financial institutions in February 2020

EUROPEAN UNION	<ul style="list-style-type: none"> • 13 March: Commission sets out European coordinated response to counter the economic impact of the Coronavirus. • 16 March: Eurogroup Statement on COVID-19 economic policy response.
ESMA	<ul style="list-style-type: none"> • 11 March: ESMA recommends action by financial market participants for COVID-19 impact. • 16 March: ESMA requires net short position holders to report positions of 0.1% and above. • 19 March: ESMA sets out approach to SFTR Implementation. • 20 March: ESMA clarifies position on call taping under MiFID II. • 20 March: ESMA sets out approach on MiFIR tick-size regime for systematic internalisers. • 25 March: ESMA issues guidance on accounting implications of COVID-19.
EIOPA	<ul style="list-style-type: none"> • 17 March: EIOPA Statement on actions to mitigate the impact of COVID-19 on the insurance sector. • 20 March: Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure.
IOSCO	<ul style="list-style-type: none"> • 25 March: Securities regulators coordinate responses to COVID-19 through IOSCO.
IAIS	<ul style="list-style-type: none"> • 27 March: IAIS takes steps to address impact of COVID-19 on the insurance sector.
ECB	<ul style="list-style-type: none"> • 12 March: ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus. • 12 March: ECB adopted a package of measure to provide immediate liquidity support to the euro area financial system. • 18 March: ECB announces €750 billion Pandemic Emergency Purchase Programme.
US FED	<ul style="list-style-type: none"> • 3 March: US FED lowered the target range for the federal funds rate to 1-1,25%. • 15 March: US FED decided to lower the target range for the federal funds rate to 0-0,25% and launched a asset purchase programme of \$700 billion.
WB	<ul style="list-style-type: none"> • 3 March: WB announces up to \$ 12 billion immediate support for COVID-19 Country Response.