

The increased contagion between markets suggests an instantaneous and unanimous response of investors in the capital markets expecting medium-term assets low returns given that the economic effects caused by the pandemic COVID-19 cannot be solved in the short term

ASF nr.
03/30.03.2020

- National Bank of Romania lowered the interest rate and announced further measures to help the economy during coronavirus pandemic
- National Institute of Statistics surveys showed that one of 5 Romanian managers expected a contraction of 25% at the end of March, while uncertainty further increases as the epidemics spreads. The most affected are expected to be SMEs, where it is estimated a reduction of 50% and even failures.
- The gross written premiums in insurance market reached 2.32 bn. EUR, while the sector remained well capitalized.

Macroeconomic background and current context

The outbreak and spread of COVID-19 are expected to have significant impact on public health and economic activity, therefore the coronavirus pandemic is a real source of worldwide concern at the moment. The adverse consequences are significant: supply chain disruptions and significant declines in tourism. The European Central Bank projects a real GDP growth of 0.8% in 2020, respectively 1.3% in 2021 for the euro area, down from the previous estimate (1.2% in 2020) amid the spread of COVID-19. ECB projections predict a slowdown in the economic activity in the first half of 2020, due to the impact of containment measures along with a decrease in confidence, followed by an improvement in the second half of the year if the COVID-19 pandemic is contained.

According to the IMF, the outlook for the global economy is negative for 2020, but recovery is expected in 2021.

According to S&P, although the spread of coronavirus appears to be stabilizing in China, the restrictions imposed by states in Europe and the U.S. affect markets, increasing risk aversion, while views on economic activity are deteriorating sharply. S&P is forecasting a global recession this year. For the U.S., S&P expects a contraction in the first quarter of 2020, while the more significant hit will be in the second quarter (at least -12%). In Europe, on the other hand, they expect a larger decline in the first quarter than the second.

Morgan Stanley and Bank of America also expect COVID-19 to cause a global recession in 2020. Morgan Stanley estimates an overall growth of only 0.9% for 2020, with a more significant decrease in the second quarter of 2020 and a recovery starting with the third quarter of 2020.

<p>S&P Mar 24, 2020</p>	<ul style="list-style-type: none"> - global recession in 2020 - U.S.: the more significant hit will be in the second quarter of 2020 - Europe: larger decline in the first quarter of 2020 - China's GDP contracted 13% (annualized) in the first quarter but should begin to grow again in the second quarter. 																
<p>Goldman Sachs, Mar 24, 2020</p>	<ul style="list-style-type: none"> - U.S.: -3.8% (full-year GDP forecast); expect -24% economic growth in Q2 (qoq). - Japan: -2.1% (full-year GDP forecast); 3 consecutive quarters of negative economic growth - Euro area: -9% (full-year GDP forecast); budget deficits likely to reach 10% in Italy& Spain and 7% in France. - China: 3% (full-year GDP forecast), Q1: -42% qoq annualized growth 																
<p>Morgan Stanley Mar 17, 2020</p>	<ul style="list-style-type: none"> - global recession in 2020 - global GDP: 0.9% <table border="1" data-bbox="871 1136 1995 1201"> <thead> <tr> <th>Q1 2020</th> <th>Q2 2020</th> <th>Q3 2020</th> <th>Q4 2020</th> </tr> </thead> <tbody> <tr> <td>-0.3%</td> <td>-0.6%</td> <td>+1.8%</td> <td>+2.5%</td> </tr> </tbody> </table> - U.S. economy: <table border="1" data-bbox="871 1250 1995 1315"> <thead> <tr> <th>Q1 2020</th> <th>Q2 2020</th> <th>Q3 2020</th> <th>Q4 2020</th> </tr> </thead> <tbody> <tr> <td>+1.8%</td> <td>+0.3%</td> <td>+0.2%</td> <td>+0.2%</td> </tr> </tbody> </table> 	Q1 2020	Q2 2020	Q3 2020	Q4 2020	-0.3%	-0.6%	+1.8%	+2.5%	Q1 2020	Q2 2020	Q3 2020	Q4 2020	+1.8%	+0.3%	+0.2%	+0.2%
Q1 2020	Q2 2020	Q3 2020	Q4 2020														
-0.3%	-0.6%	+1.8%	+2.5%														
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+1.8%	+0.3%	+0.2%	+0.2%														
<p>BofA Mar 19, 2020</p>	<ul style="list-style-type: none"> - U.S. economy: Q1: +0.5%; Q2: -12%; 2020: -0.8% 																

Current trends and headlines on Romanian markets

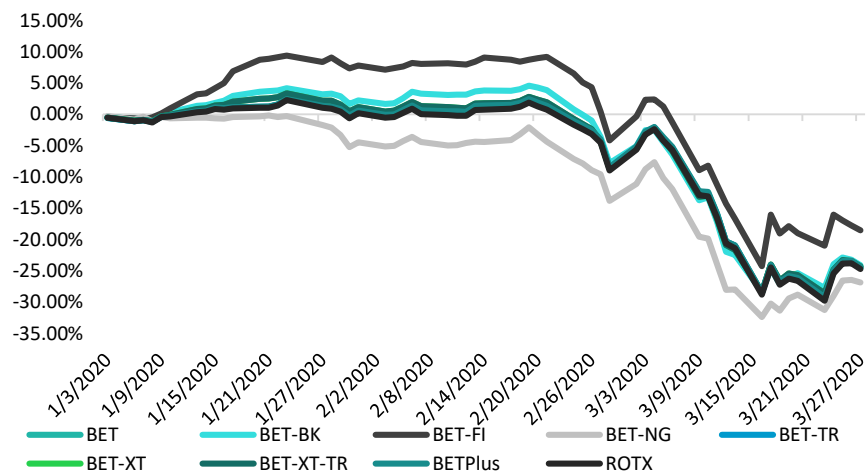
Romanian stock indices evolution in 2020 (31.12.2019 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
3/27/2020	-24.54%	-24.12%	-18.55%	-26.84%	-24.53%

Date	BET-XT	BET-XT-TR	BETPlus	ROTX
3/27/2020	-24.29%	-24.28%	-24.37%	-24.72%

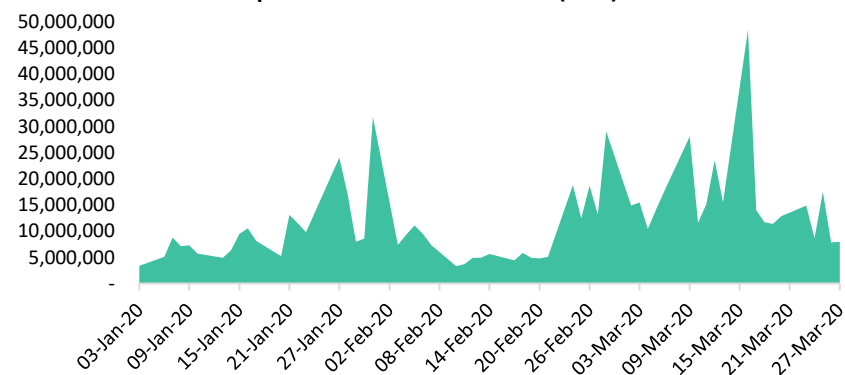
On March 20, 2020, the **NBR met in an emergency meeting and adopted a package of measures** designed to mitigate the impact of the situation generated by the coronavirus epidemic on the Romanian population and companies: **(1)** reducing the monetary policy interest rate by 0.50 percentage points, from 2.5 percent, to 2.0 percent as of March 23, 2020; **(2)** narrowing the symmetrical corridor formed by the rates interest rates of permanent facilities around the monetary policy interest rate at ± 0.5 percentage points from ± 1 percentage point. So, as of March 23, 2020, the interest rate for the deposit facility is maintained at 1.50 percent, and the interest rate for the deposit facility lending (Lombard) is reduced to 2.50 percent, from 3.50 percent; **(3)** providing liquidity to credit institutions through operations repo (reversible transactions with government securities) to ensure the smooth functioning of the money market and other segments of the financial market; **(4)** the purchase of government bonds in the secondary market in order to strengthen the structural liquidity of the contributing banking system when financing the real economy and the public sector in good conditions.

Evolution of local stock indices (% , 31.12.2019 = 100)



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
Italy	135.5	136	136.1	134.8	136.5	138.	137.3
France	99.4	99.	99.4	98.4	99.7	99.6	100.5
Spain	99.2	98.6	98.9	97.6	98.9	98.9	97.9
Euro zone	87.8	87.3	87.1	85.9	86.5	86.4	86.1
UE – 28	82	81.5	81.4	80.4	81	80.4	80.1
Hungary	73.2	73.5	72	70.2	69.5	68.3	68.2
Germany	64.1	63.	62.7	61.9	61.7	61.1	61.2
Poland	51.2	50.5	49.5	48.9	49.2	48.1	47.4
Romania	34.5	34.1	33.9	34.7	33.8	33.9	35.4
Bulgaria	24	23.5	22.8	22.3	20.9	20.4	20.6

Source: Eurostat

The debt-to-GDP ratio is 86.1% in the euro area in the third quarter of 2019, slightly lower compared to the level recorded in the second quarter of 2019. At EU level, there is a considerable heterogeneity in debt level, the share of public debt in GDP ranging from 9.2% (Estonia) to over 178.2% (Greece).

Romania is among the EU member states with a low level of indebtedness(35.4%), below the indebtedness of the EU member states of 86.1% of GDP.

According to the NBR, the direct investments of non-residents in Romania (FDI) amounted to 451 million euros in January 2020, down by 9.6% compared with the same period of the previous year. On the other hand, the current account of the balance of payments registered a surplus of 149 million euros, compared to 322 million euros in January 2019. The evolution of the current account was accompanied by an increase of the total external debt.

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 in order to position itself in the medium term below 4% of GDP.

The unemployment rate (seasonally adjusted) in the euro area stood at 7.4% in January 2020, a level similar to that registered in January 2020, respectively lower than in January 2019 (7.8%), which is also, the lowest rate recorded in the euro area since May 2008. At the EU27 level, the unemployment rate was 6.6% in January 2020, as in the previous month, but decreasing compared to January 2019 (6,9%).

Romania's unemployment rate stood at 3.9%. The unemployment rate of men (4.3%) is higher than the unemployment rate of women (3.3%).

According to a preliminary estimate published by Eurostat, in the fourth quarter of 2019, GDP (seasonally adjusted data) increased by 0.1% both in the euro area and in European Union (EU) compared to the previous quarter. However, there is a slowdown in economic growth for both the euro area and the EU compared to the evolution recorded in the third quarter of 2019 (+ 0.3% for both areas).

Seasonally adjusted GDP increased by 1% in the euro area, respectively by 1.2% in the EU28 in the fourth quarter of 2019 compared to the same period of 2018. Also, an estimate published by Eurostat shows an annual growth of 1.2% in the euro area, respectively 1.5% in the EU in 2019.

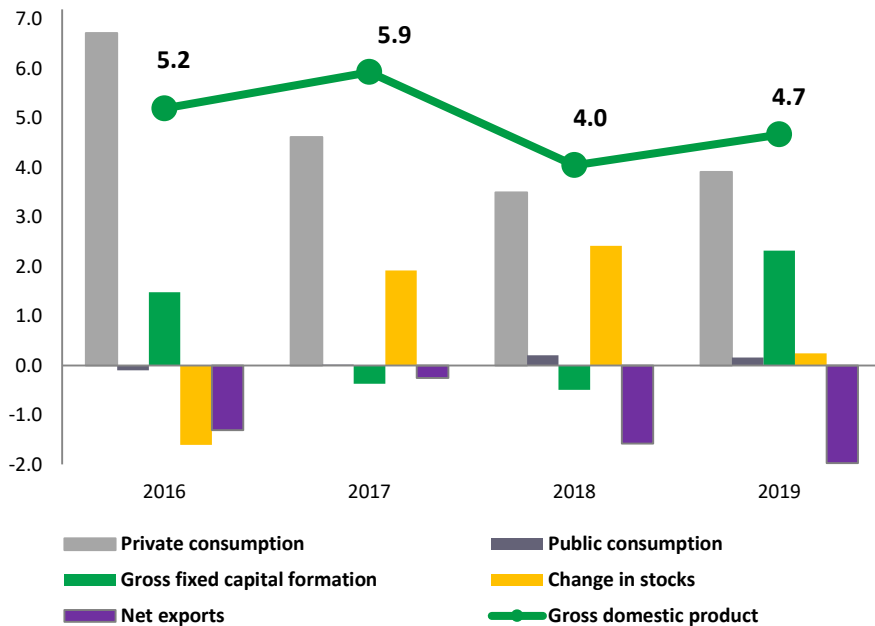
	Q1_19	Q2_19	Q3_19	Q4_19	2018	2019
EU - 28	1,7	1,4	1,5	1,2	2,0	1,5
Euro area	1,4	1,2	1,3	1,0	1,9	1,2
Romania	5,0	4,4	3,2	4,2	4,4	4,1
Bulgaria	3,8	3,5	3,2	3,1	3,1	3,4
Hungary	5,3	5,1	4,8	4,6	5,1	4,9
Poland	4,7	4,1	4,0	3,7	5,1	4,1
Czech Republic	2,7	2,6	2,4	1,8	2,8	2,4
Germany	1,0	0,3	0,6	0,5	1,5	0,6
United Kingdom	2,0	1,3	1,2	1,1	1,3	1,4
France	1,3	1,5	1,5	0,9	1,7	1,3
Spain	2,2	2,0	1,9	1,8	2,4	2,0
Italy	0,2	0,4	0,5	0,1	0,8	0,3

Source: Eurostat - Percentage change compared with the same quarter of the previous year-seasonally adjusted data; European Commission, Autumn and Winter forecast 2019

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.

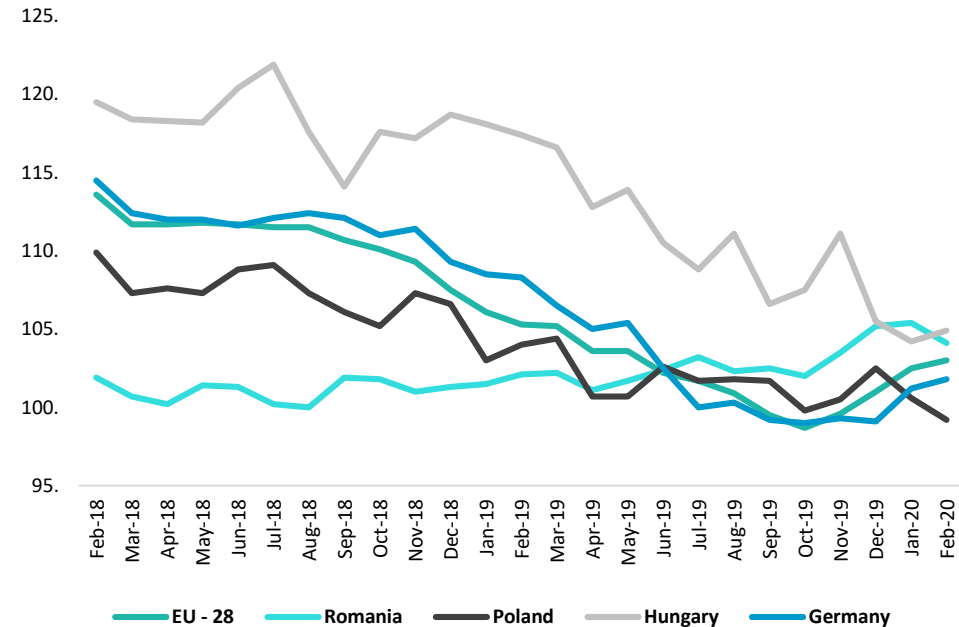
Macroeconomic background in Romania: development of the real sector, inflation and labor market

Contribution to real GDP growth (demand side) in S1-2016-2019



Source: National Institute of Statistics; FSA calculations

The economic sentiment index in EU



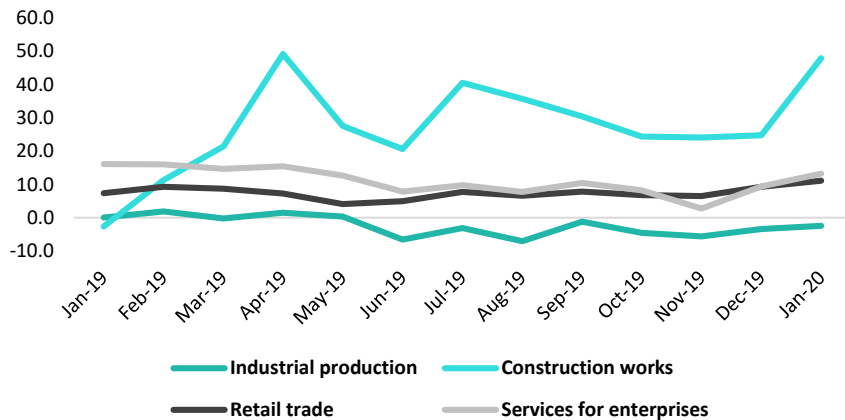
Source: Eurostat

In February 2020, the Economic Sentiment Indicator (ESI) slightly increased in the EU by 0.6 points, from 101.2 (January 2020) to 101.8. In Romania the Economic Sentiment Indicator decreased by 1.1 points to 104.1 (January 2020: 105.4).

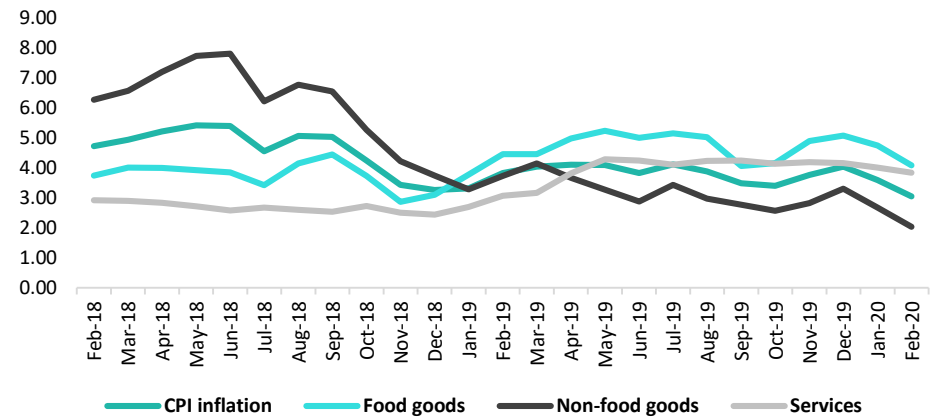
According to NIS, the volume of industrial production recorded a decrease in annual terms in December (-3.4%), as a result of the decreases recorded in the production and supply of electricity and heat, gas, hot water and air conditioning (-9.1%), the extractive industry (-2.4%) and the industry manufacturing (-2.2%). The dominant factors remain the international trade disputes that affected the European market, as well as the vulnerabilities related to the competitiveness and costs of the domestic activities producing intermediary and consumer goods.

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

Main sector indicators (annual rate of change, %)

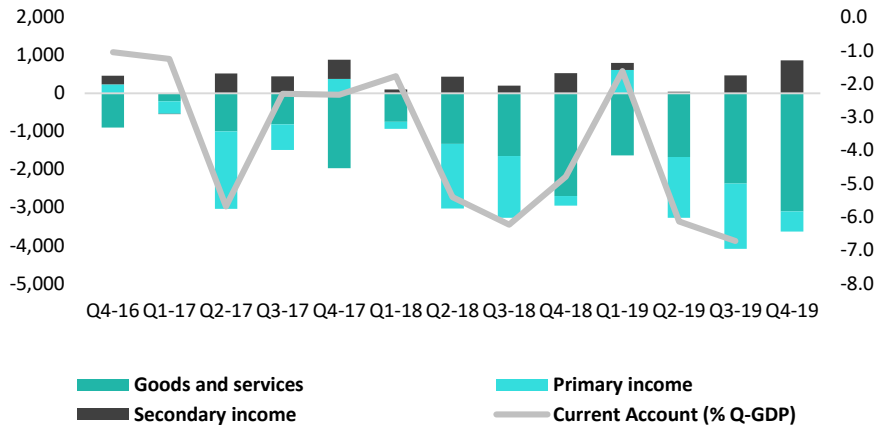


Inflation, monthly data (annual rate of change)



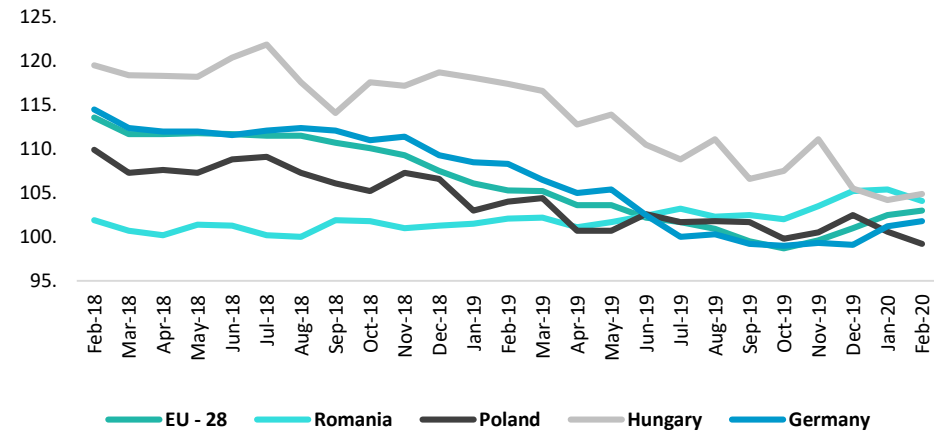
Source: National Institute of Statistics; FSA calculations

Development of current account by main components (million euro)



Source: NBR, FSA calculations

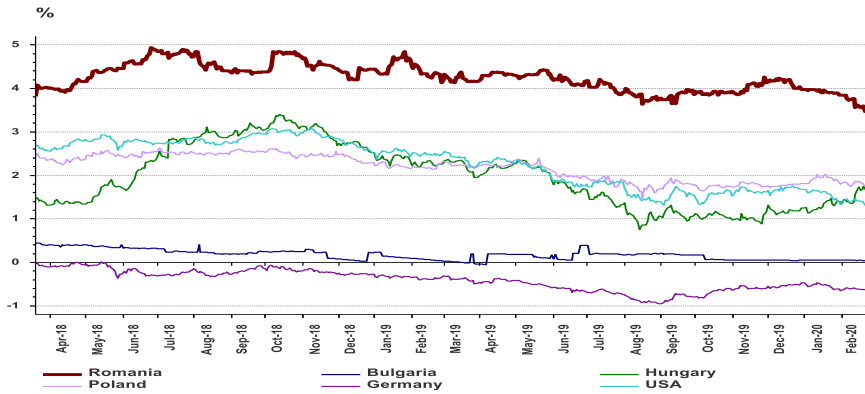
The economic sentiment index in EU



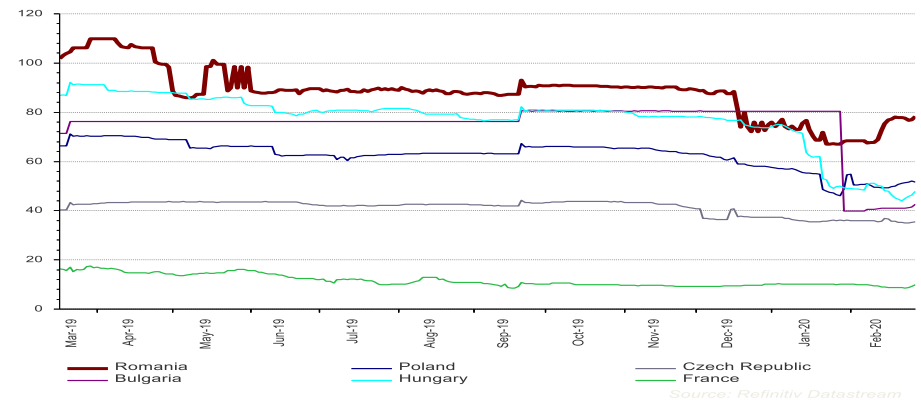
Source: Eurostat

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

Government bond yields (5Y, LC)



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

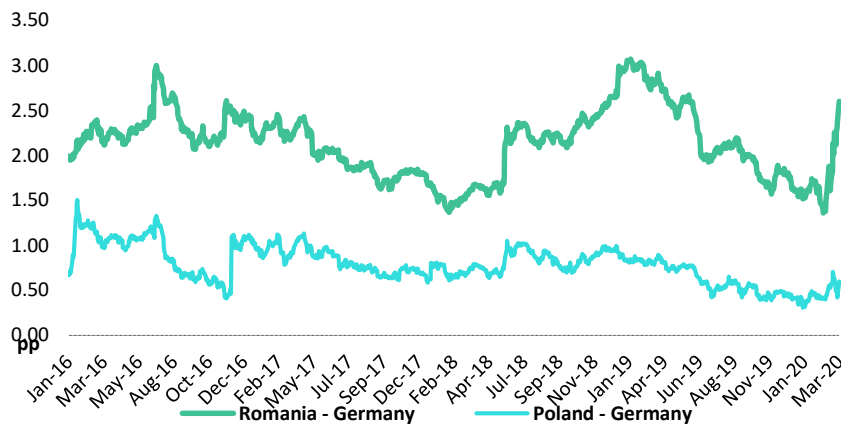


Source: Datastream

Romania 5 - year bond yields decreased by 7.11% in February 2020 as compared with the previous month, reaching an average value of 3.65% (January 2020: 3.93%), while Hungary 5 – year bond yields reached an average value of 1.55% (January 2020: 1.30%).

Romania CDS quotations increased in February 2020 compared with the previous month, reaching an average value of 72.95 bp (January 2020: 71.62 bp).

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



Source: Datastream, FSA's calculations

In the first part of 2019 there was a higher value of yield differential between sovereign bonds (10Y) issued by Germany and other non-euro area countries (e.g. Romania), and in the second part of the year decreased to the level of 2018.

In February 2020 and March 2020, there is a increase in yield differential. 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 February 2020

International indices	1 M	3 M	6 M	BSE indices	1 M	3 M	6 M
EA (EUROSTOXX)	-7.93%	-8.55%	-1.54%	BET	-9.04%	-7.74%	-1.24%
FR (CAC 40)	-8.55%	-10.08%	-3.11%	BET-BK	-9.80%	-6.72%	1.85%
DE (DAX)	-8.41%	-10.17%	-0.41%	BET-FI	-11.08%	-3.00%	11.18%
IT (FTSE MIB)	-5.39%	-5.48%	3.10%	BET-NG	-9.80%	-14.77%	-8.83%
GR (ASE)	-20.92%	-20.10%	-17.02%	BET-TR	-9.04%	-7.74%	-1.23%
IE (ISEQ)	-8.59%	-8.58%	8.81%	BET-XT	-9.75%	-7.89%	0.10%
ES (IBEX)	-6.88%	-6.72%	-1.02%	BET-XT-TR	-9.75%	-7.88%	0.19%
UK (FTSE 100)	-9.68%	-10.43%	-8.69%	BETPlus	-9.00%	-7.54%	-1.03%
US (DJIA)	-10.07%	-9.42%	-3.76%	ROTX	-9.15%	-8.20%	-1.21%

Source: Datastream, FSA's calculations

Note: 1M=02/29/2020 vs. 01/31/2020; 3M=02/29/2020 vs. 11/30/2019; 6M=02/29/2020 vs. 08/31/2019

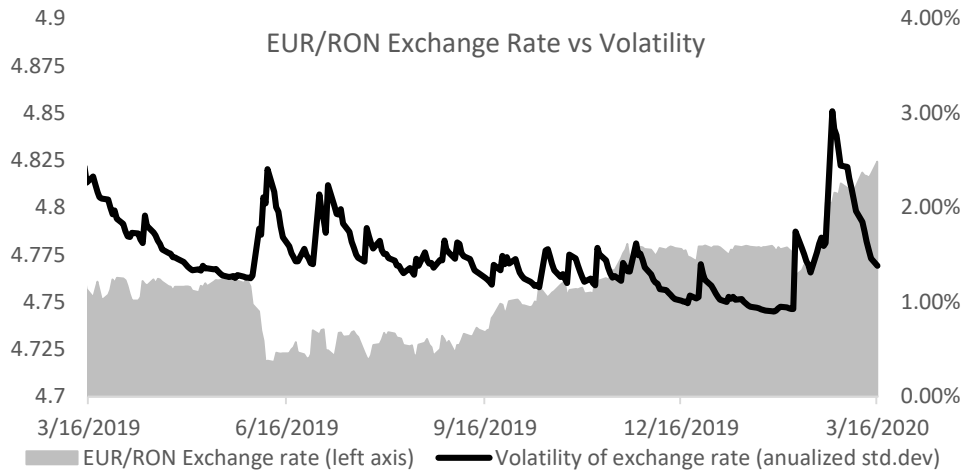
The international stock indices have recorded negative developments (1M). The worst performer was ASE index (GR) which decreased by 20.92% in February, followed by DJIA index (US: -10.07%).

The BSE stock indices have recorded negative developments (1M). BET-FI index (-11.08%) was the worst performer, followed by BET-BK index (-9.80%).

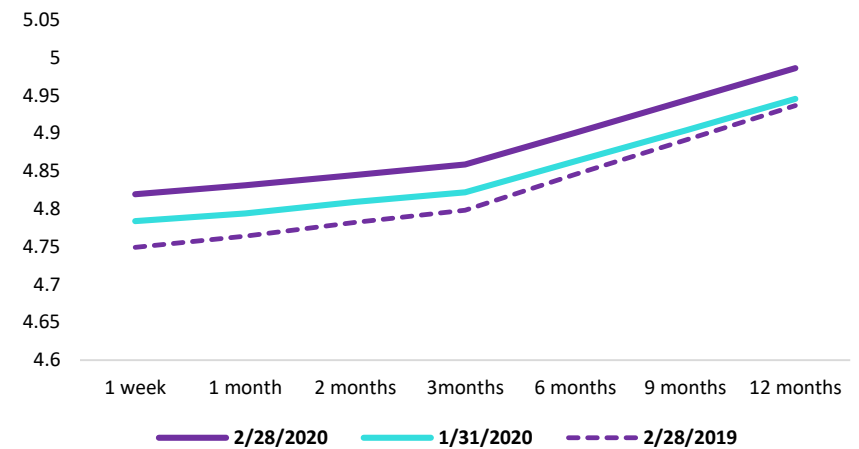
In March 2020, markets continued to fall, as the coronavirus pandemic spread, uncertainty increased, and contagion became more severe while volatility surged.

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

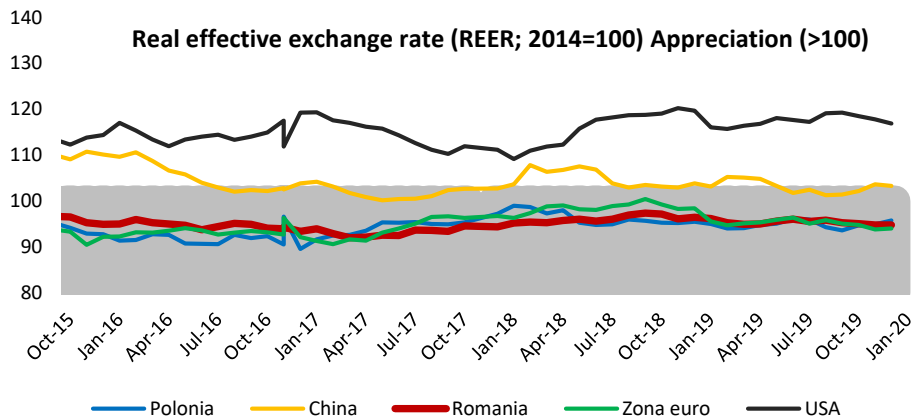
EUR RON exchange rate volatility - FIGARCH-BBM model (1, 0.6, 1)



Term structure of EUR/RON forward rate



Source: Datastream, FSA's calculations



Source: BIS, FSA's calculations

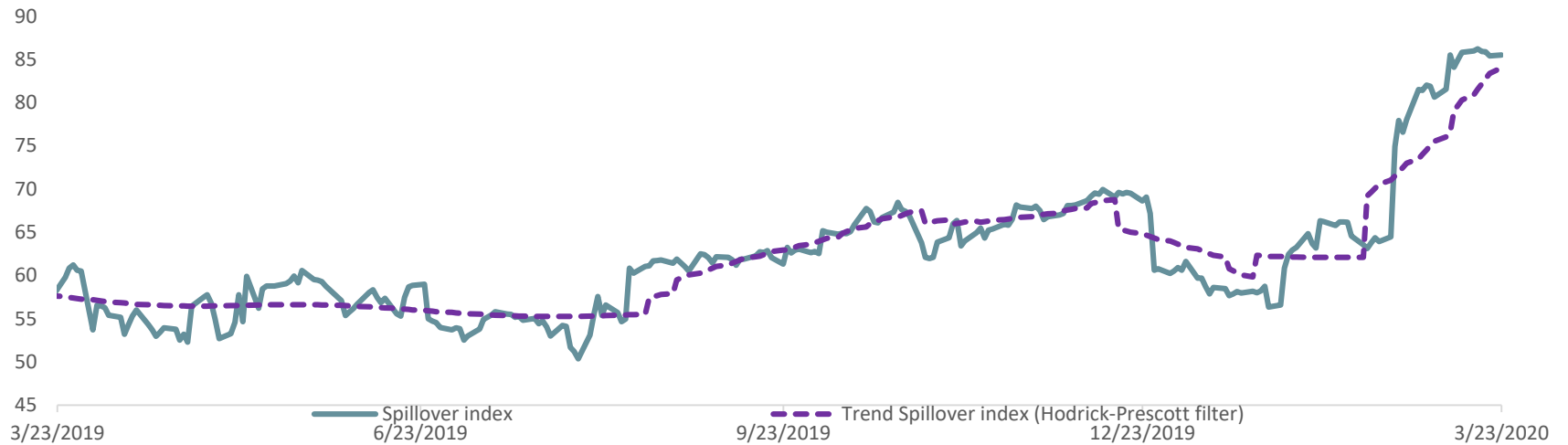
The exchange rate depreciated fast and reached around 4.84 from 4.77 in just one month, while the volatility increased to 3%. We forecast that the depreciation trend will continue to grow as the Romanian Central Bank lowered the monetary interest rate to 2% to fight the impending recession.

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. **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. IMF lowered global economic growth forecast in 2020 by a 0.1% to 3.3%, following a 2.9% growth 2019, the lowest in a decade. Any negative development could easily prompt a much stronger reaction of capital markets.

Liquidity risk on Romanian Stock Exchanges

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

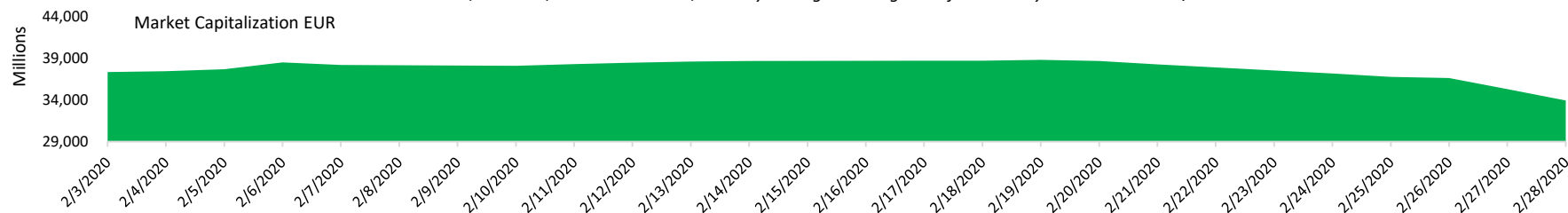
Week/month	No. of transactions	Volume	Value	
			EUR	%
Total 3-7 February 2020	12,584	152,855,129	44,512,567	24.12%
Total 10-14 February 2020	9,721	84,918,739	22,479,681	12.18%
Total 17-21 February 2020	10,353	124,464,361	25,024,052	13.56%
Total 24-28 February 2020	36,963	294,336,650	92,533,915	50.14%
Total February 2020	69,621	656,574,879	184,550,215	100.00%
Total 3-7 February 2020	12,584	152,855,129	44,512,567	24.12%

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for February 2020 = 4,7828 LEI/EUR

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

Symbol	Main market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
TLV	48,281,999	28.04%	2,048,426	22.80%	50,330,425	27.78%
FP	28,236,076	16.40%	0	0.00%	28,236,076	15.58%
BRD	21,970,783	12.76%	0	0.00%	21,970,783	12.13%
SNG	18,538,579	10.77%	930,940	10.36%	19,469,519	10.75%
SNP	13,027,452	7.56%	0	0.00%	13,027,452	7.19%
SIF3	2,571,348	1.49%	4,226,081	47.04%	6,797,429	3.75%
SNN	6,210,049	3.61%	0	0.00%	6,210,049	3.43%
TGN	3,680,897	2.14%	0	0.00%	3,680,897	2.03%
TRP	3,431,490	1.99%	0	0.00%	3,431,490	1.89%
EL	3,049,091	1.77%	0	0.00%	3,049,091	1.68%
SIF5	2,894,139	1.68%	0	0.00%	2,894,139	1.60%
SIF4	2,414,033	1.40%	0	0.00%	2,414,033	1.33%
TEL	2,373,507	1.38%	0	0.00%	2,373,507	1.31%
RMAH	604,524	0.35%	1,497,253	16.67%	2,101,777	1.16%
M	1,948,072	1.13%	0	0.00%	1,948,072	1.08%
Top 15 Total					92.68%	

Source: BNR, BSE data, FSA's calculations; monthly average exchange rate for February 2020 = 4.7828 LEI/EUR

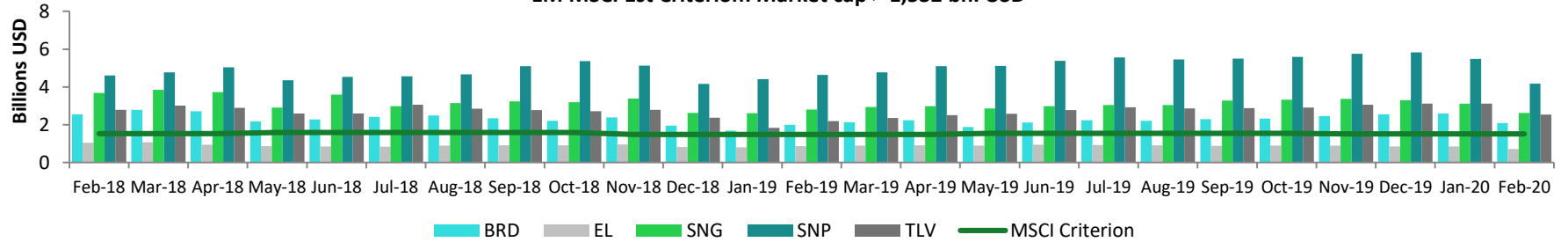


Top of intermediaries during February 2020

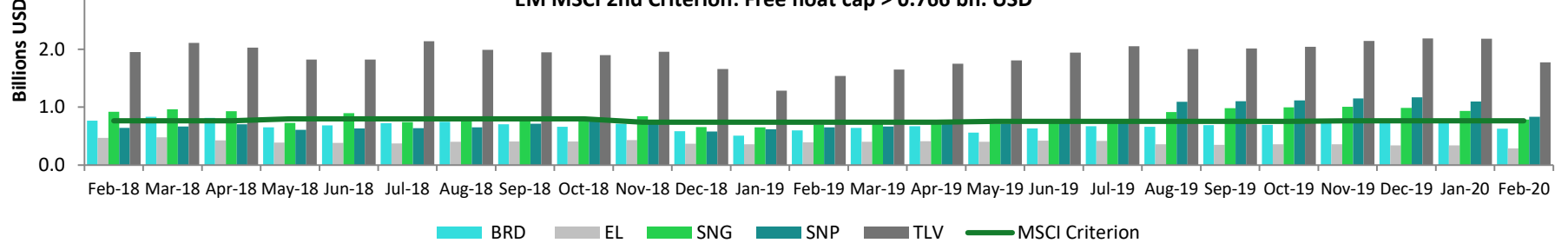
Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	BT CAPITAL PARTNERS	64,889,438	17.88
2	SWISS CAPITAL S.A.	53,814,163	14.82
3	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	51,509,049	14.19
4	BANCA COMERCIALA ROMANA	39,396,455	10.85
5	TRADEVILLE	33,731,399	9.29
6	IFB FINWEST	19,223,137	5.3
7	SSIF BRK FINANCIAL GROUP S.A.	16,438,281	4.53
8	PRIME TRANSACTION	14,841,074	4.09
9	ALPHA FINANCE ROMANIA	13,012,540	3.58
10	BRD Groupe Societe Generale	12,810,409	3.53
11	RAIFFEISEN CENTROBANK AG	10,341,565	2.85
12	GOLDRING	10,158,166	2.8
13	ESTINVEST	9,884,261	2.72
14	CONCORDE SECURITIES LTD	4,674,472	1.29
15	INTERFINBROK CORPORATION	2,941,567	0.81
Top 15 Total			98.53

MSCI: Quantitative Indicators for Emerging Market Status

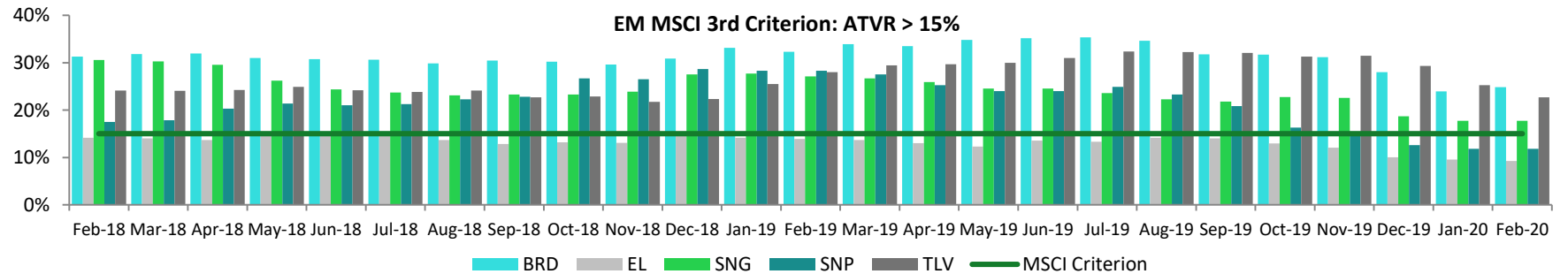
EM MSCI 1st Criterion: Market cap > 1,532 bn. USD



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

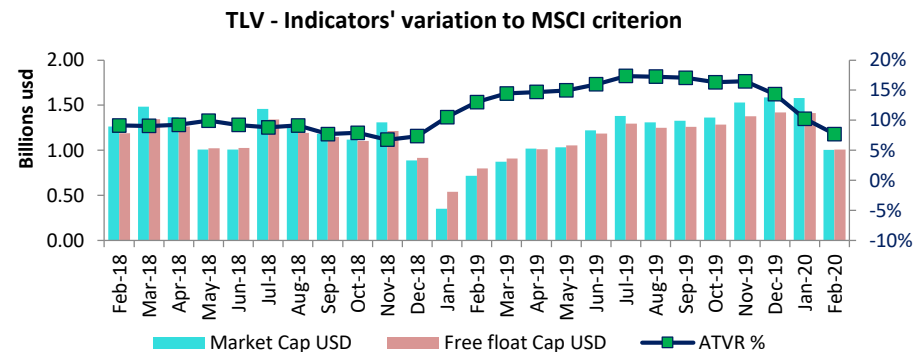
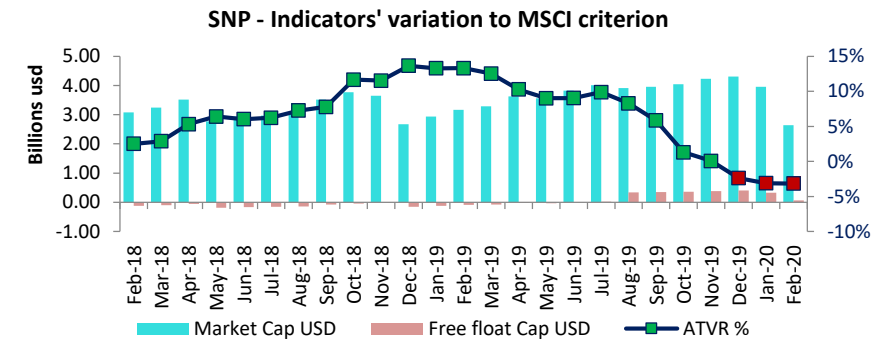
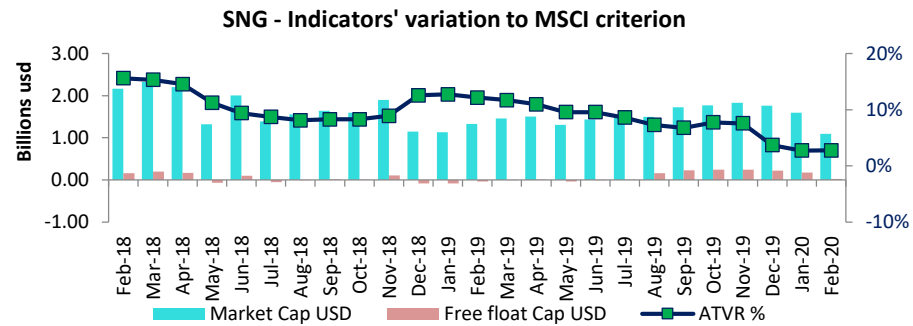
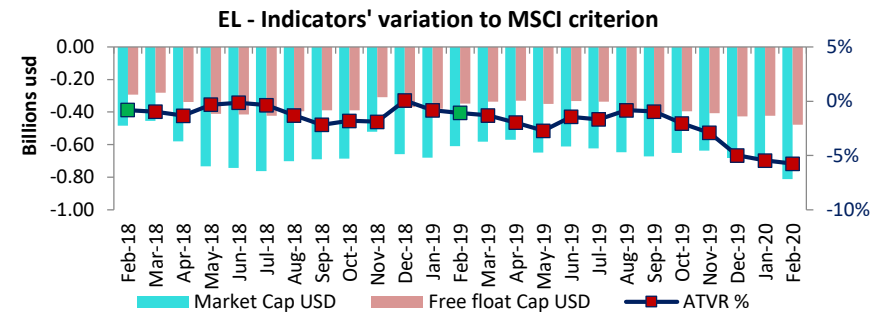
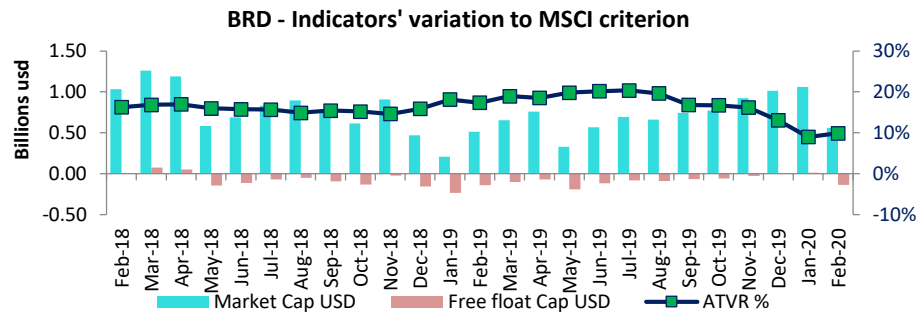


EM MSCI 3rd Criterion: ATVR > 15%



Source: ASF Calculations, January 2020

MSCI: Quantitative Indicators for Emerging Market Status



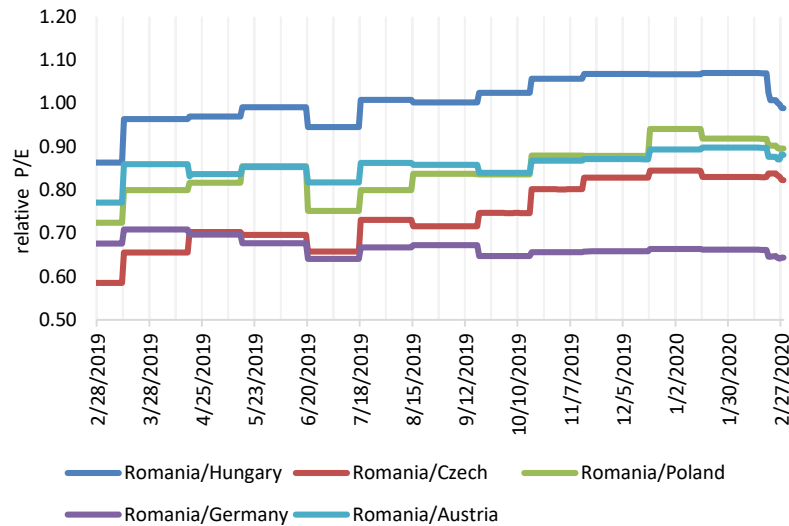
Indicators' variation to MSCI criterion (feb. 2020)

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	0,56	-0,14	9,86%
EL	-0,81	-0,48	-5,76%
SNG	1,09	0,02	2,75%
SNP	2,65	0,07	-3,15%
TLV	1,00	1,01	7,68%

Source: ASF Calculations, December 2019

Risk assessment and the benefit of diversification

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

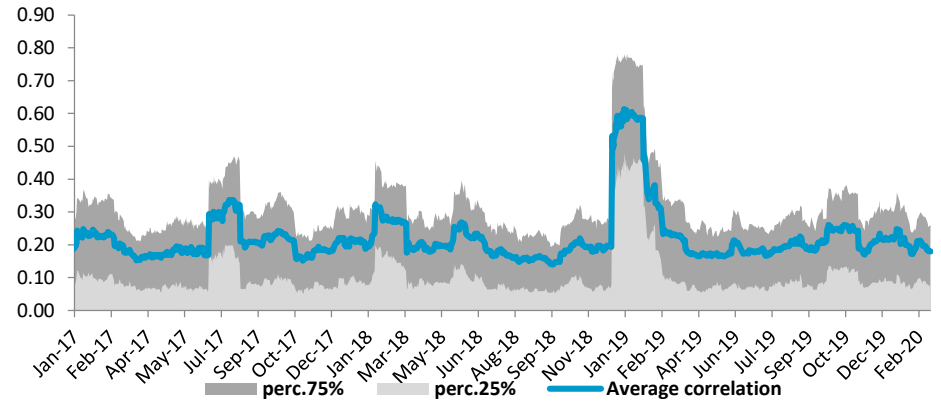


Source: Datastream, FSA's calculations

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 February 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 the analyzed countries.

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



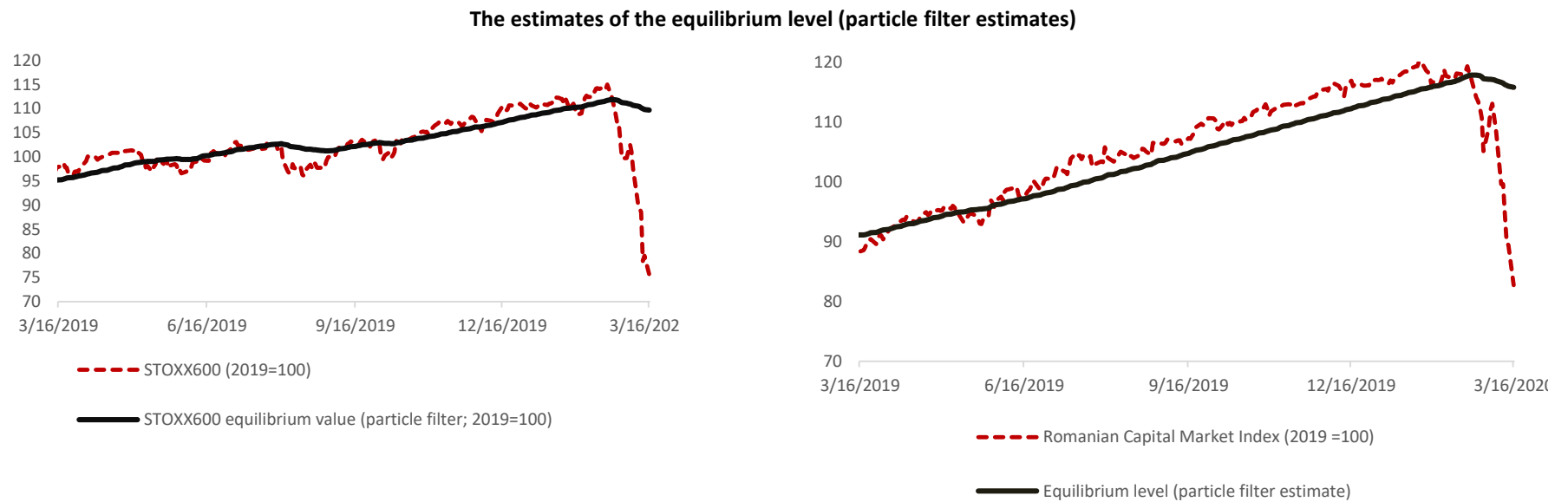
Source: Bloomberg, ASF

At the end of January 2020, the correlations between the daily yields of the 25 most liquid companies from Bucharest Stock Exchange the decreased significantly, but the beginning of February 2020 is marked by an increase.

Risk assessment and the benefit of diversification

The estimates of the equilibrium level (particle filter estimates) showed that the current index of Romanian capital market is well below its equilibrium trend. The fall of the Romanian Capital Market was generated by external factors accelerated by contagion (Covid-19).

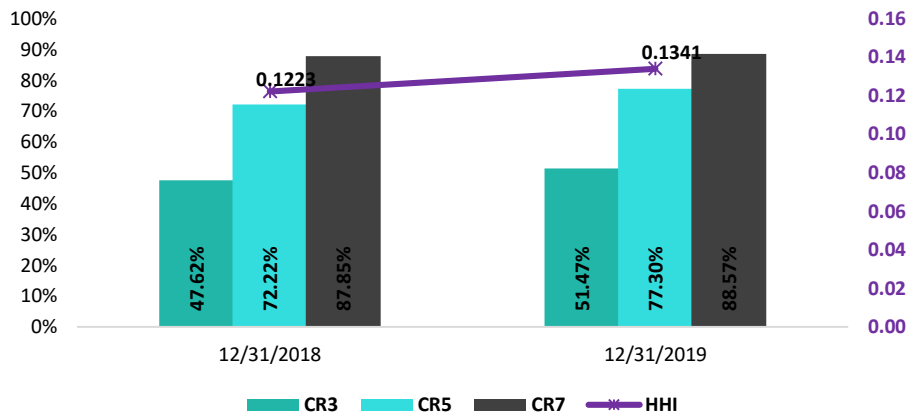
The empirical analysis shows that the Romanian capital market and the European market are currently perturbed by external events and do manifest unsustainable price reduction due to a spiral down of asset prices.



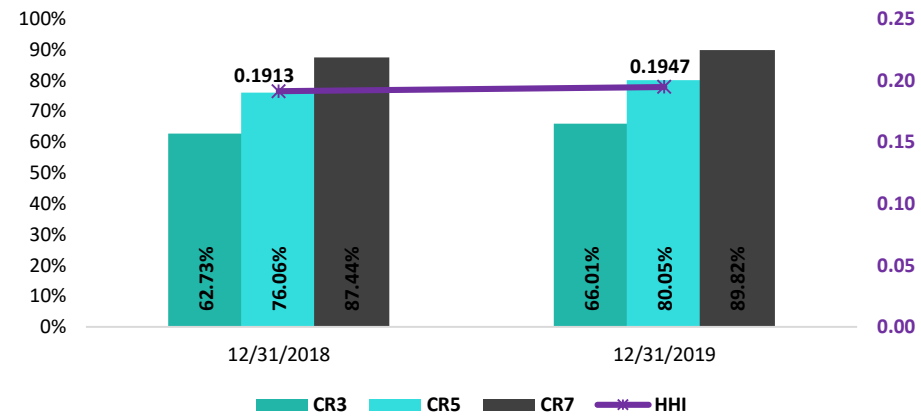
Source: Datastream, FSA's calculations

Concentration risk

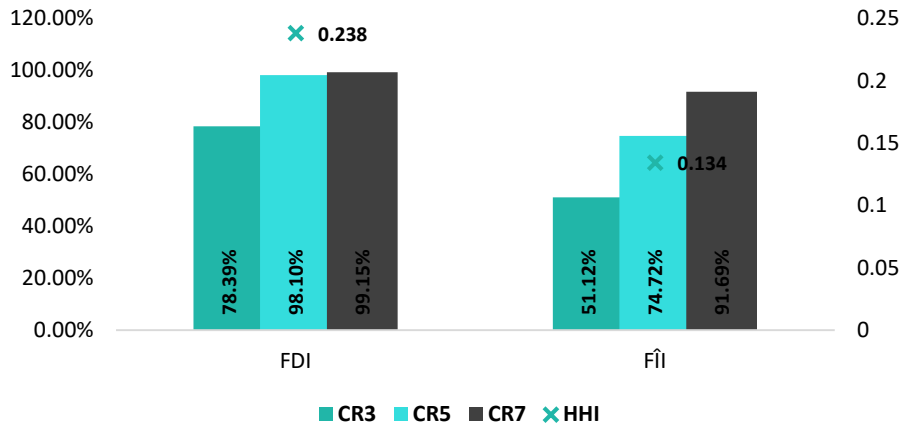
**Concentration risk of non-life insurance undertakings
(by value of GWP at 31 December 2019)**



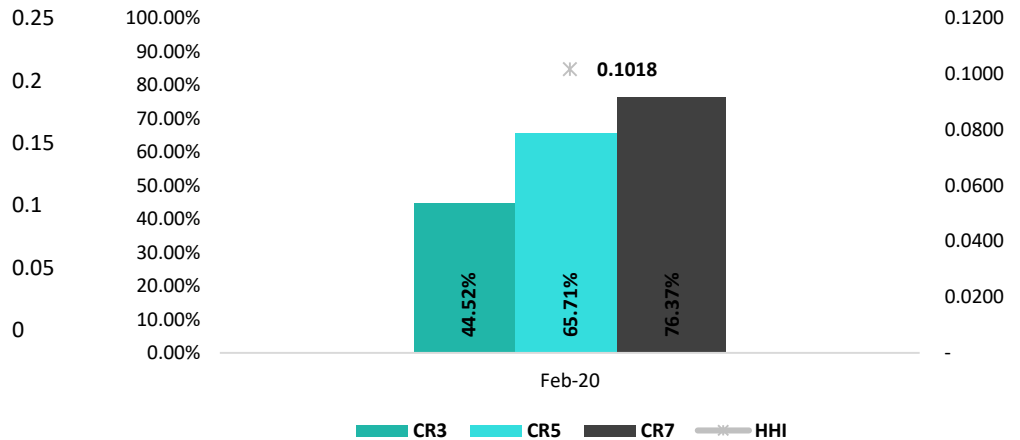
**Concentration risk of life insurance undertakings
(by value of GWP at 31 December 2019)**



**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 February 2020 – Main segment & ATS, all spot instruments)

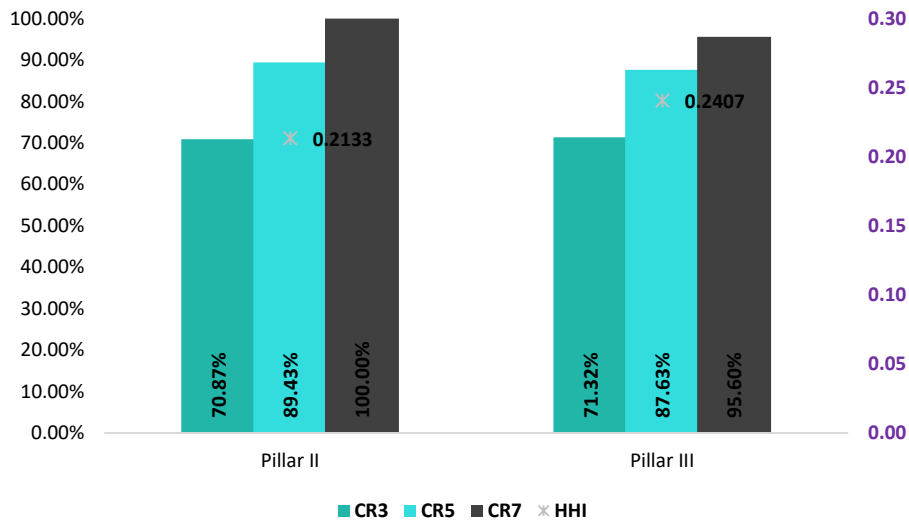


Source: FSA

Source: FSA

Concentration risk

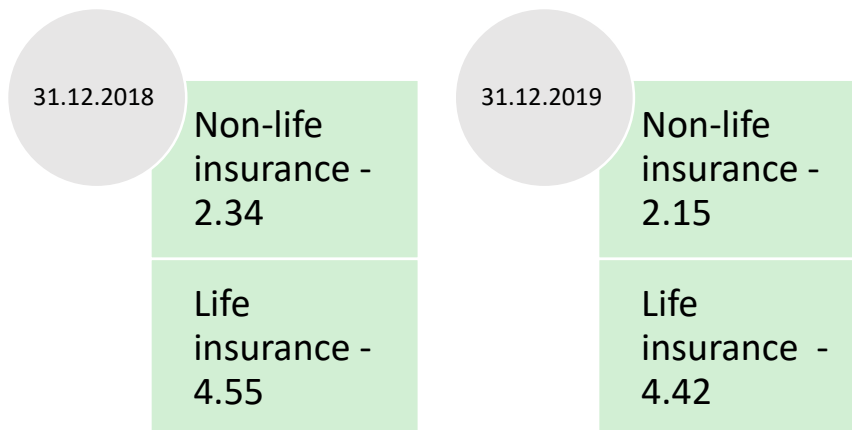
Concentration risk of private pension funds (by net assets at 2/28/2020)



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.



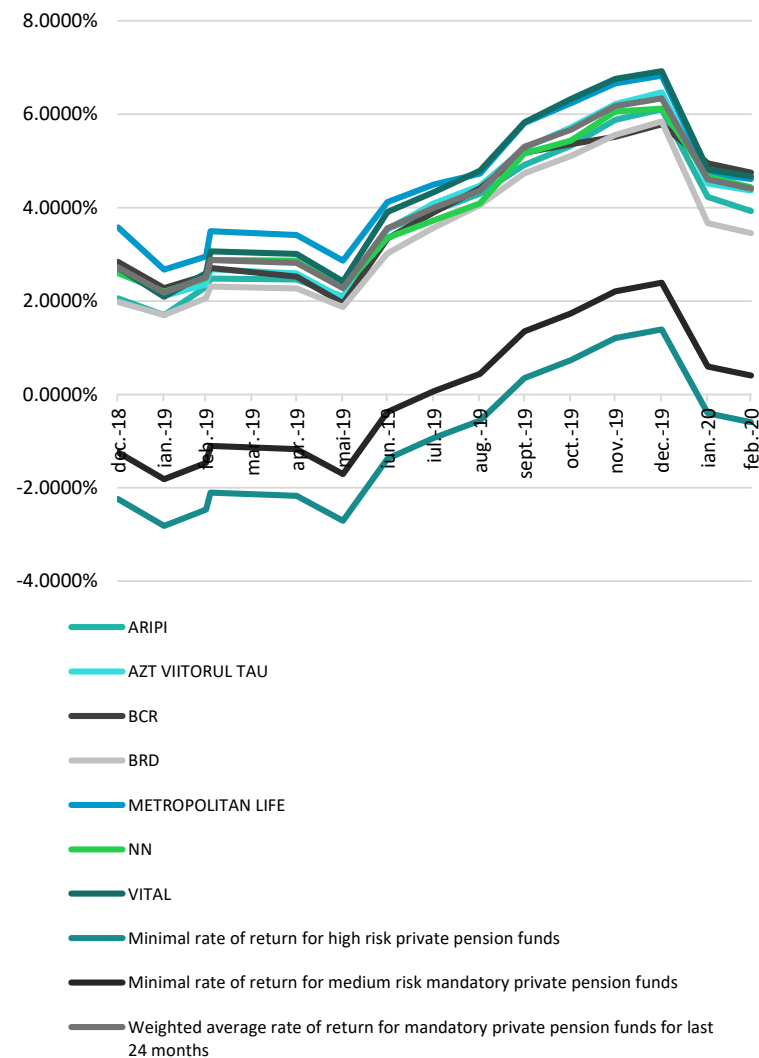
Liquidity coefficient evolution in insurance market shows a slight reduction in December 2019 compared to previous year. However, the levels are well above the minimum.

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

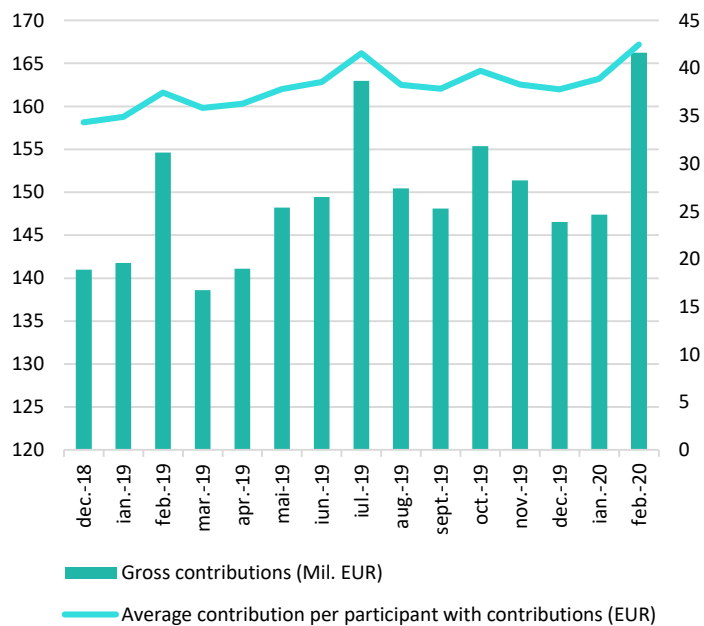
Total assets (EUR), number of participants and return rates

Mandatory pension fund	Total Assets 28 February 2020 (EUR)	Participants (persons) February 2020	Annualized 24 months return rate Feb 2020
ARIPI*	1,130,344,050	771,925	3.92%
AZT VIITORUL TAU	2,822,052,793	1,595,191	4.37%
BCR	883,723,189	674,120	4.75%
BRD	497,310,114	456,788	3.45%
METROPOLITAN LIFE	1,847,054,403	1,048,616	4.61%
NN	4,586,041,187	2,021,882	4.43%
VITAL	1,293,518,069	938,187	4.67%
Total	13,060,043,804	7,506,709	n/a

Rate of return for mandatory pension funds



Evolution of gross contributions



New participants (persons) in 2nd Pillar

22,351

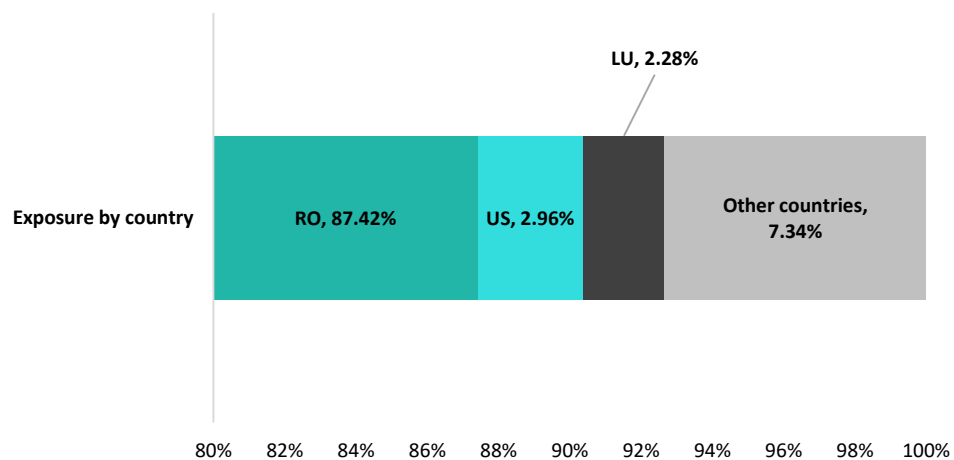
Source: FSA

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

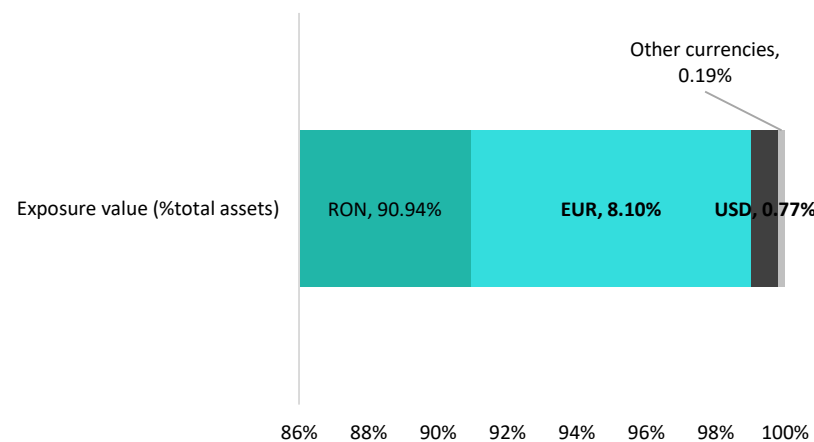
Mandatory pension fund's portfolio at 28 February 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	8,295,698,446	63,13%
Equity	2,654,426,853	20,20%
Corporate bonds	946,332,190	7,20%
Bank deposits	557,299,379	4,24%
Investment funds	387,745,429	2,95%
Supranational bonds	281,257,731	2,14%
Municipal bonds	63,697,003	0,48%
Metal funds	12,638,048	0,10%
Other assets	(57,405,521)	-0,44%
Assets category	Assets value (EUR)	% Total assets

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



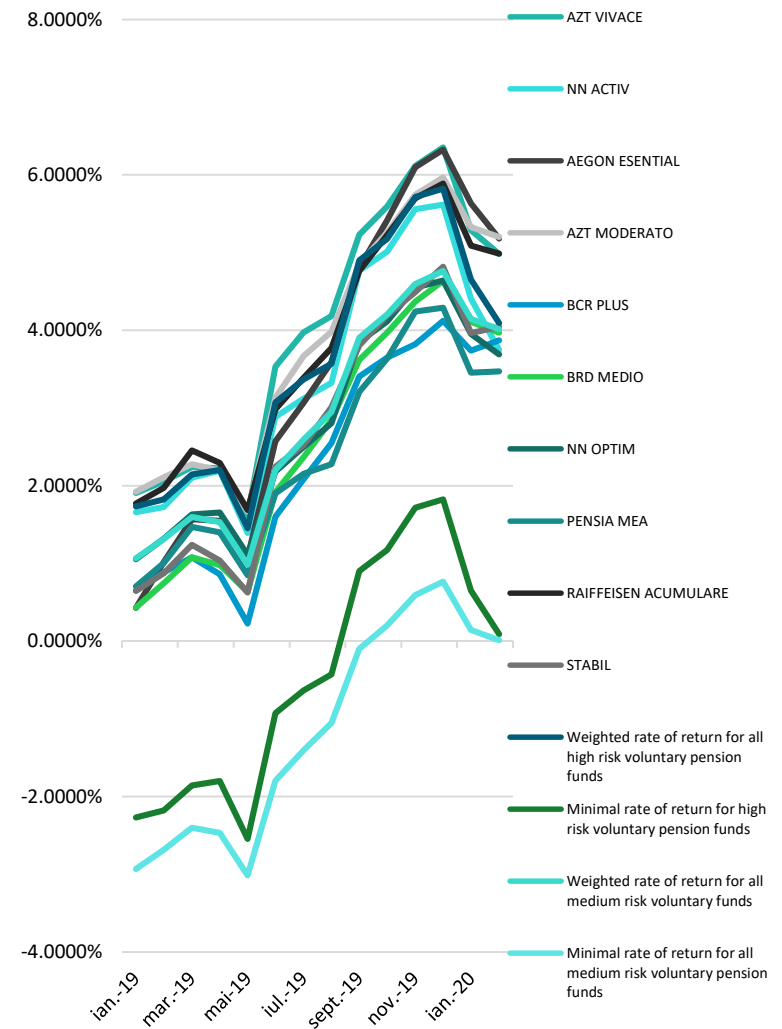
Source: FSA

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

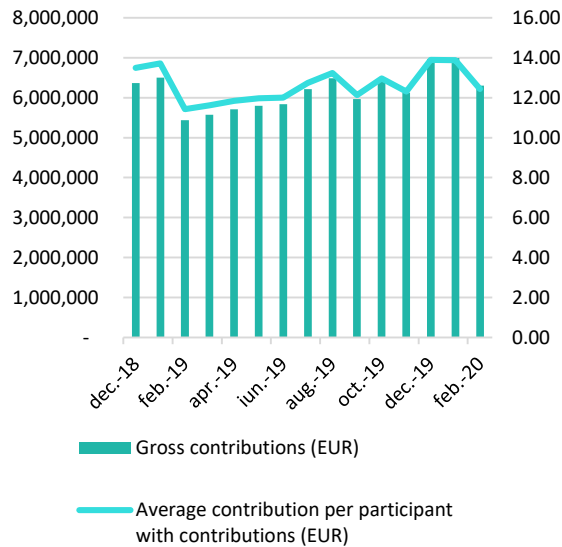
Total assets (EUR), number of participants and return rates

Voluntary pension fund	Total assets (EUR), 28 February 2020	Participants (persons) Feb. 2020	Annualized 24 months return rate Feb. 2020
AEGON ESENTIAL	1,763,994	3,843	5.1802%
AVIVA PENSIA MEA	16,180,895	9,519	3.4713%
AZT MODERATO	57,132,674	39,294	5.2024%
AZT VIVACE*	21,452,542	20,276	4.9820%
BCR PLUS	94,167,506	138,478	3.8718%
BRD MEDIO	28,100,158	30,942	3.9709%
GENERALI STABIL	5,064,254	5,411	4.0457%
NN ACTIV*	59,064,832	52,933	3.7477%
NN OPTIM	219,466,942	192,022	3.6904%
RAIFFEISEN ACUMULARE	20,192,694	14,358	4.9851%
Total	522,586,491	507,076	n/a

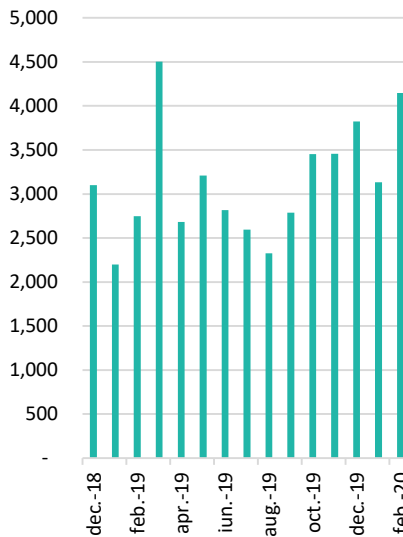
Evolution of total assets and net value of an individual account



Evolution of gross contributions



New participants in 3rd Pillar



Source: FSA

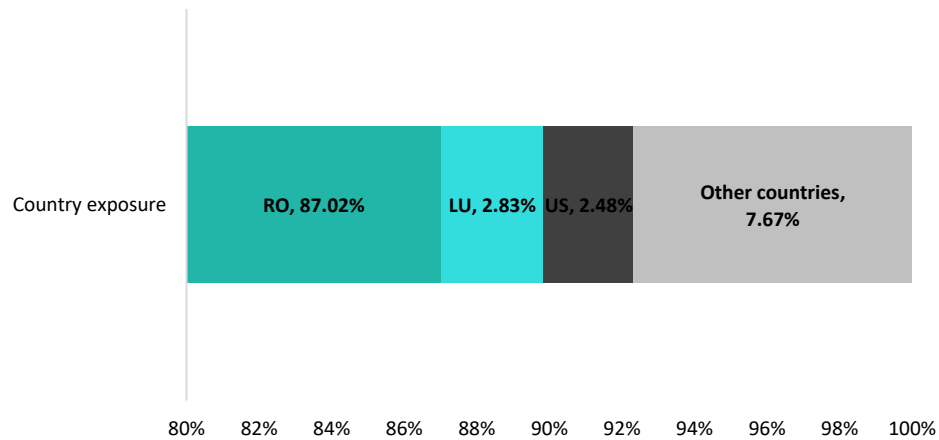
Current evolutions in optional private pension funds (3rd Pillar)

Optional pension fund's portfolio at 28 February 2020 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government Bonds	307,613,309	58.50%
Equity	128,021,840	24.35%
Corporate Bonds	40,153,991	7.64%
Investment Funds	15,335,955	2.92%
Bank Deposits	13,728,822	2.61%
Municipal Bonds	10,892,052	2.07%
Supranational Bonds	9,079,325	1.73%
Metal funds	1,398,409	0.27%
Oher assets	(370,226)	-0.07%

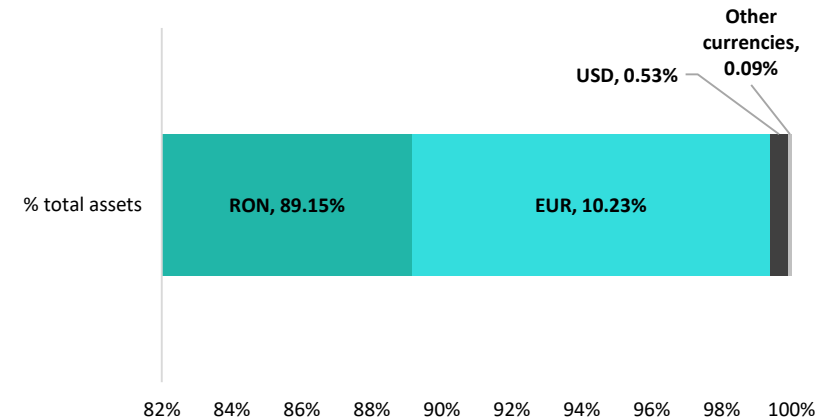
Source: FSA

Country exposure of optional fund's assets



Source: FSA

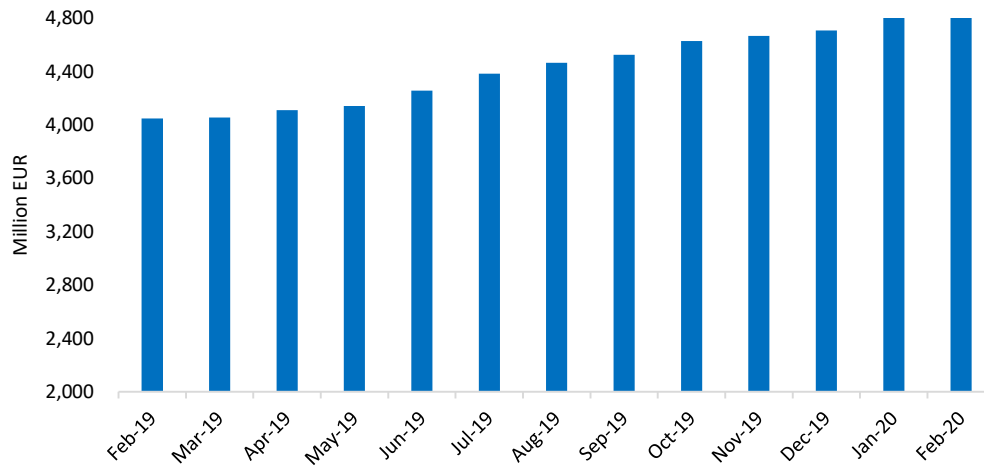
Currency exposure of optional fund's assets



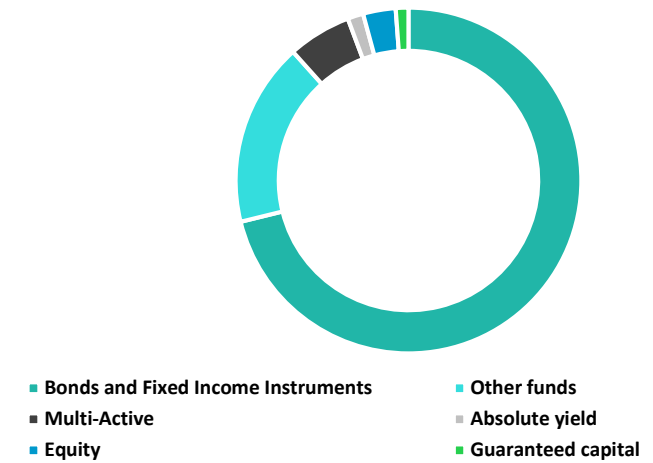
Source: FSA

Specific developments in the investment funds sector

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



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



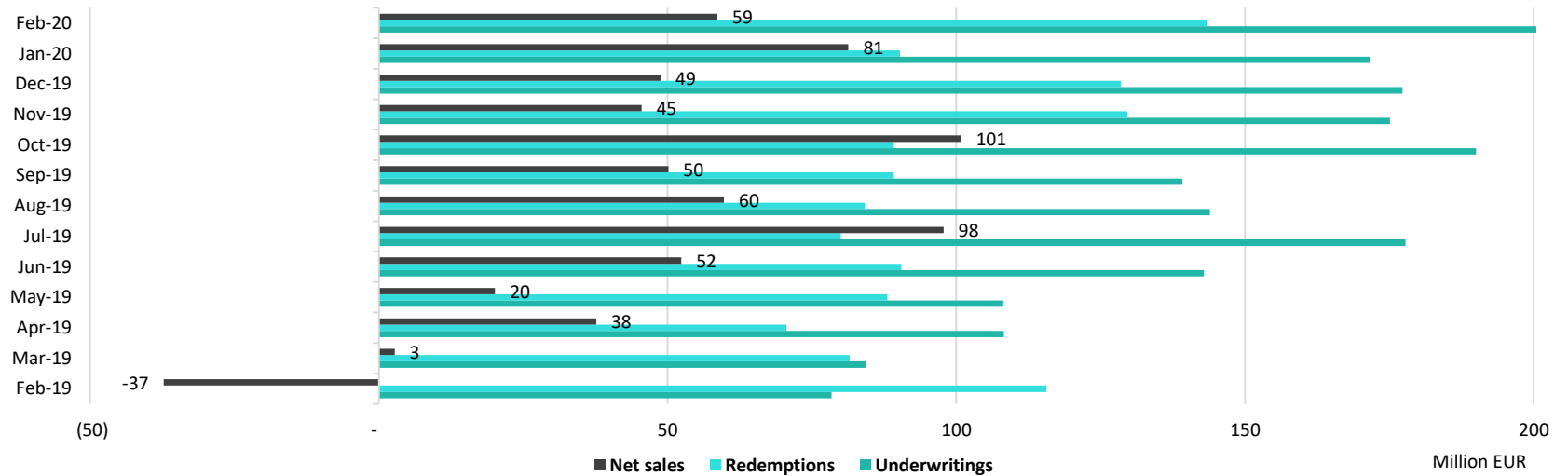
Source: AAF

According to the data published by AAF, the net assets of open-end investment funds (OeIF) increased by 0.5% at the end of February 2020 compared with the previous month, reaching a value of EUR 4.84 billion.

In February 2020, open-end bonds and fixed income instruments funds hold the largest share in total net assets of OeIF (around 72%), while the "other funds" type has a market share of approximately 17%.

Specific developments in the investment funds sector

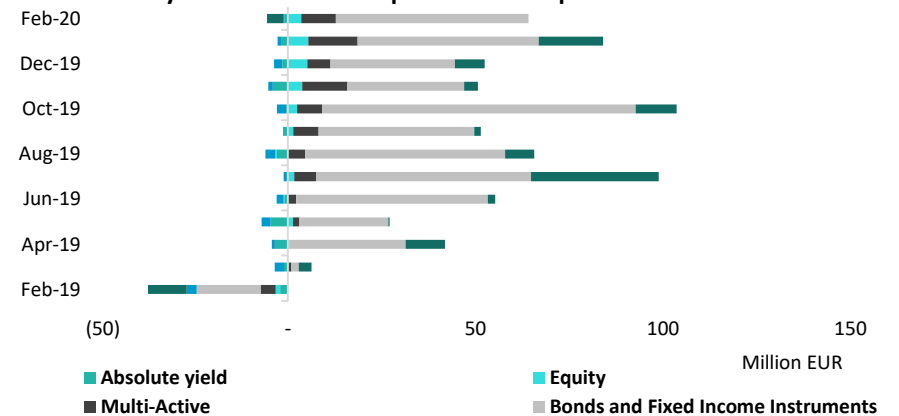
Monthly evolution of underwritings and redemptions of Open-end Investment Funds



Source: FSA, Datastream, FSA's calculations

In February 2020, local open-end investment funds recorded net inflows of EUR 59 million. The fixed income instruments funds totaled net inflows of EUR 51 million, while the multi-active funds category recorded net inflows of EUR 9 million.

Monthly evolution of net capital flows of Open-end Investment Funds

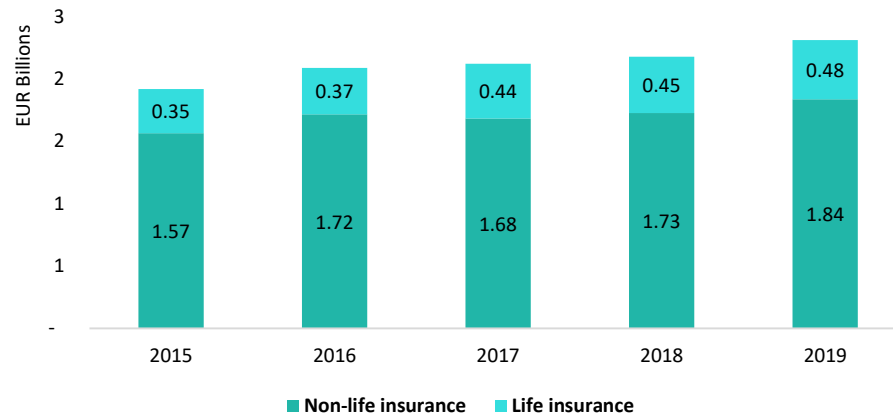


Source: AAF

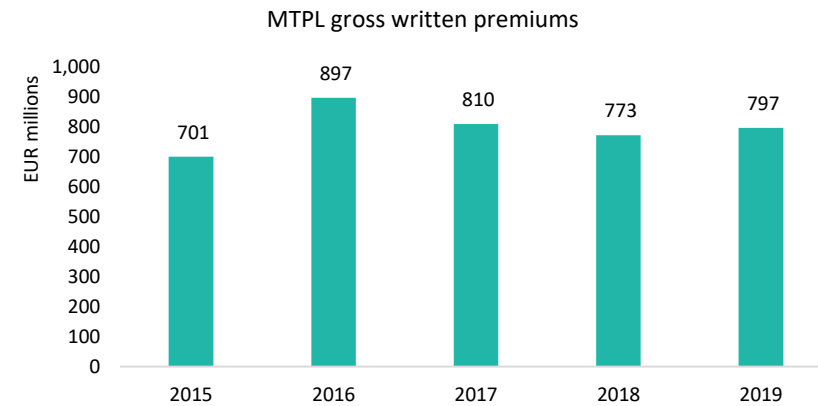
Specific developments in the insurance market in Romania

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

Gross written premiums (total)

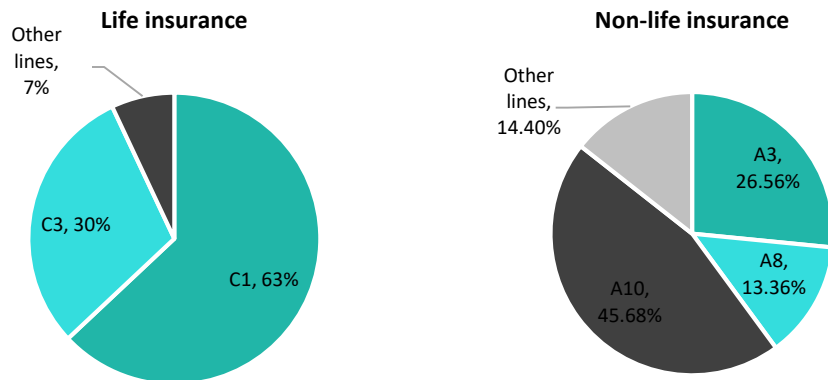


MTPL gross written premiums



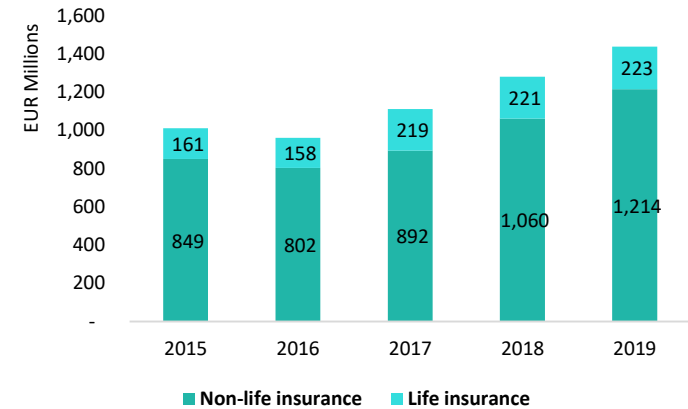
Source: FSA

Share of main insurance classes by GWP



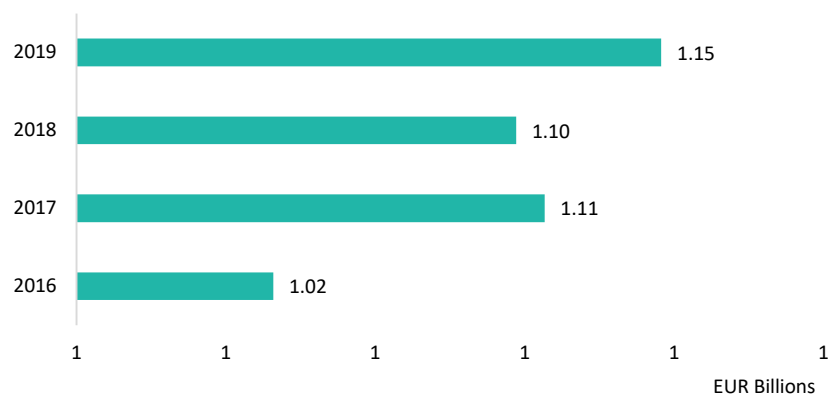
Source: FSA

Gross claims paid



Specific developments in the insurance market in Romania

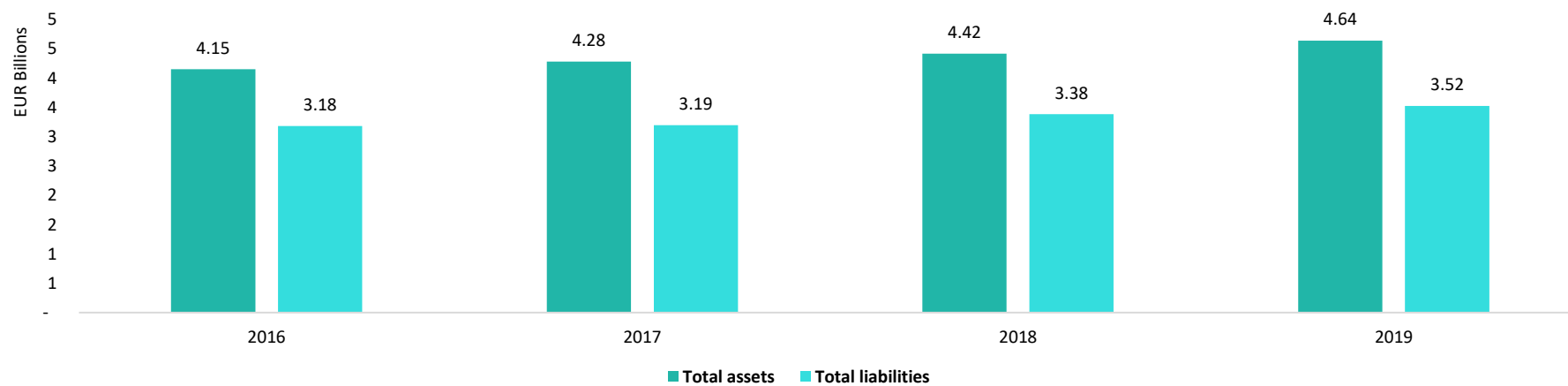
Total eligible own funds to cover the Solvency Capital Requirement (SCR)



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"> • 5 February: EC presents review of the EU economic governance and launches debate on its future. • 13 February: EC releases Winter 2020 Economic Forecast. • 28 February: EC publishes country reports analysing each Member's State key socio-economic challenges.
ESMA	<ul style="list-style-type: none"> • 3 February: ESMA consults on MiFIR transparency regime for systematic internalisers. • 4 February: ESMA advises the European Commission on product intervention. • 4 February: ESMA consults on MiFIR transparency regime for equity instruments. • 4 February: ESMA amends guidelines to further harmonize the enforcement of financial information by national regulators. • 5 February: ESMA launches a common supervisory action with NCAs on MiFID II suitability rules. • 6 February: ESMA sets out its strategy on sustainable finance. • 19 February: ESMA finds continued high risks as financial markets remain highly volatile.
EIOPA	<ul style="list-style-type: none"> • 11 February: EIOPA sets out strategies on cyber underwriting and SupTech. • 20 February: EIOPA publishes a Supervisory Statement on the impact of the ultra-low/negative interest rate environment. • 20 February: EIOPA consults on implementing technical standards for supervisory reporting and cooperation for PEPP.
ESRB	<ul style="list-style-type: none"> • 11 February: ESRB publishes a report on global dimensions of macro-prudential policy. • 19 February: ESRB presents report on systemic cyberattacks. • 25 February: ESRB releases Report on the macroprudential implications of Level 2 and 3 financial instruments for accounting purposes. • 26 February: ESRB publishes report on macroprudential policy for the insurance sector.
IOSCO	<ul style="list-style-type: none"> • 12 February: IOSCO publishes key considerations for regulating crypto-asset trading platforms.