

Monthly Market Report

In Romania, the economic sentiment indicator registered a lower value than the EU average, standing in August 2021 at a level of 102.2 points, decreasing compared to the previous month (103.5 points).

**ASF No.
9/09.24.2021**

- **In Romania, the annual inflation rate (CPI) was 5.25% in August 2021, up compared to the previous month (+4.95%).**
- **Romania CDS quotations remained relatively unchanged in August 2021 compared with the previous month, at an average value of 95.1 bp.**
- **The value of the total assets of the privately managed pension funds reached EUR 17.48 billion at the end of August 2021, registering an annual rate of growth of 26%.**

According to data published by Eurostat, in the second quarter of 2021, the **seasonally adjusted GDP** increased by 2.2% in the euro area and by 2.1% in the EU compared to the previous quarter, as an effect of relaxing the isolation and quarantine measures imposed during the pandemic. These developments took place after the euro area and EU economies recorded the largest contractions in the second quarter of 2020 (-11.7% in the euro area and -11.3% in the EU), followed by robust economic recovery in the third quarter of 2020 (+12.6% in the euro area and +11.8% in the EU). Compared to the same period of the previous year, seasonally adjusted GDP increased by 14.3% in the euro area and by 13.8% in the EU in the second quarter of 2021.

Romania's GDP increased by 1.8% in the second quarter of 2021 as compared to the first quarter of 2021. Compared to the same period of the previous year, the gross domestic product recorded an increase of 13.0% for the gross series and an increase of 13.6% for the seasonally adjusted series.

The **National Commission for Strategy and Prognosis** revised up the **economic growth forecast** for 2021, to 7% (from 5% according to the spring forecast of NCSP), amid increasing activity in industry (+7,7%), agriculture (+14.8%), constructions (+6,1%) and services (+6.3%) compared to 2020.

GDP development in 2019-2022

Country	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	Q1 2021	Q2 2021	European Commission		IMF	
													2021f	2022f	2021f	2022f
Euro area	1.8	1.5	1.7	1.1	1.5	-3.0	-14.5	-4.0	-4.4	-6.3	-1.2	14.3	4.8	4.5	4.4	3.8
Germany	1.6	0.5	1.4	0.9	1.1	-1.9	-11.3	-3.7	-2.9	-4.6	-3.1	9.4	3.6	4.6	3.6	3.4
Spain	2.2	2.1	1.8	1.7	2.0	-4.3	-21.6	-8.6	-8.9	-10.8	-4.2	19.8	6.2	6.3	6.4	4.7
France	2.1	2.3	2.0	0.9	1.8	-5.4	-18.6	-3.6	-4.3	-7.9	1.5	18.7	6.0	4.2	5.8	4.2
Italy	0.3	0.4	0.5	-0.1	0.3	-5.8	-18.2	-5.2	-6.5	-8.9	-0.7	17.3	5.0	4.2	4.2	3.6
Bulgaria	4.2	3.8	3.3	3.1	3.7	2.3	-8.6	-5.2	-3.8	-4.2	-1.8	9.9	4.6	4.1	4.4	4.4
Croatia	3.9	2.4	2.7	2.7	2.9	0.7	-14.6	-10.1	-6.9	-8.0	-1.0	16.1	5.4	5.9	4.7	5.0
Hungary	5.2	4.9	4.4	4.0	4.6	2.0	-13.3	-4.9	-4.1	-5.0	-1.9	17.7	6.3	5.0	4.3	5.9
Poland	5.6	4.9	4.6	4.0	4.7	2.0	-8.0	-2.1	-2.6	-2.7	-1.3	11.0	4.8	5.2	3.5	4.5
Romania	5.0	4.4	3.5	3.5	4.1	2.5	-9.4	-5.4	-2.3	-3.9	-0.4	13.6	7.4	4.9	6.0	4.8

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Summer 2021 Economic Forecast, World Economic Outlook – April 2021, IMF

The annual inflation rate in the euro area stood at 3.0% in August 2021, up from July (2.2%), while at EU level annual inflation stood at 3.2%, increasing from 2.5% in the previous month. Malta (0.4%), Greece (1.2%) and Portugal (1.3%) had the lowest inflation rates, while Estonia, Lithuania and Poland (each 5%) recorded the highest rates.

In Romania, the annual inflation rate (CPI) was 5.25% in August 2021, up compared to the previous month (+4.95%). The most significant contribution to the annual inflation rate came from the increasing prices of non-food goods (+7.92%), followed by services (+2.97%) and food goods (+2.70%).

In Romania, the industrial production increased by 3.1% as gross series and by 5.9% as seasonally adjusted series in July 2021 compared to July 2020. The most significant increases were recorded by the production and supply of electricity and heat, gas, hot water and air conditioning (+12.5%), manufacturing industry (+2.0%). The extractive industry decreased by 1.0%.

The **volume of construction works** decreased in Romania by 2.4% as gross series and increased by 0.3% as seasonally adjusted series in July 2021 compared to the similar period of the previous year. The most significant decrease was registered by the volume of capital repair works (-28.6%), followed by the volume of current maintenance and repair works (-14.5%). The volume of new construction works increased by 7.3%. By construction type, the gross series shows increases in the volume of residential buildings (+31.6%), while the non-residential buildings (-18.8%) and engineering construction works (-6.7%) showed decreases.

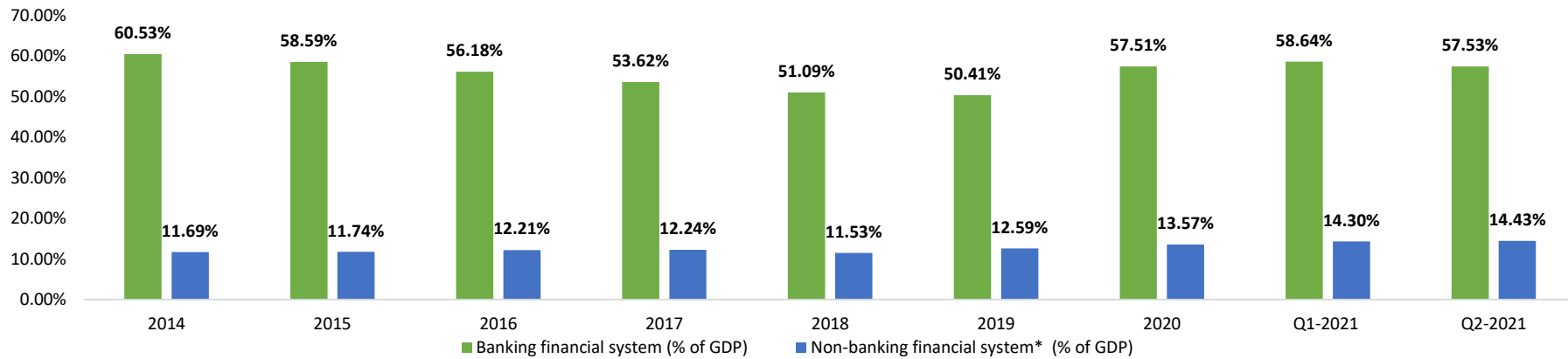
Retail trade (seasonally adjusted series) decreased by 2.3% in the euro area and by 1.9% in the European Union in July 2021 compared to the previous month. Compared to the same period of the previous year, retail trade (seasonally adjusted series) increased by 3.1% in the euro area and by 3.8% in the EU in July 2021. In the EU, the volume increased by 5.7% for the non-food products followed by retail trade of fuels (+2.0%) and by 1.3% for the retail trade of food, beverages and tobacco. Among the Member States for which data are available, the largest annual increases in retail trade volume were in Bulgaria (+20.2%), Croatia (+12.9%) and Lithuania (+12.4%), while the most significant decreases were observed in Luxembourg (-5.6%), Austria (-2.4%), Germany (-0.3%) and Spain (-0.1%). **In Romania, the volume of retail trade turnover** increased in July 2021 by 7.6% as gross series and by 8.1% as a seasonally adjusted series compared to July 2020. The increase in the volume of retail trade turnover was due to the increases in the retail trade of sales of non-food products (+9.4%) followed by the sales of food, beverages and tobacco (+6.9%) and by automotive fuel in specialized stores (+5.3%).

Turnover from market services provided mainly to enterprises increased in Romania in July 2021 compared to the same period of the previous year by 16.6% as gross series and by 20.8% as seasonally adjusted series. The highest increase was registered by the activities in information services and information technology (+24.6%) followed by transport activities (+22.8%), other services provided mainly to enterprises (+13.1%), activities in film production, video, television programs, broadcasting and transmission of programs (+11.6%) and by the communications activities (+0.7%).

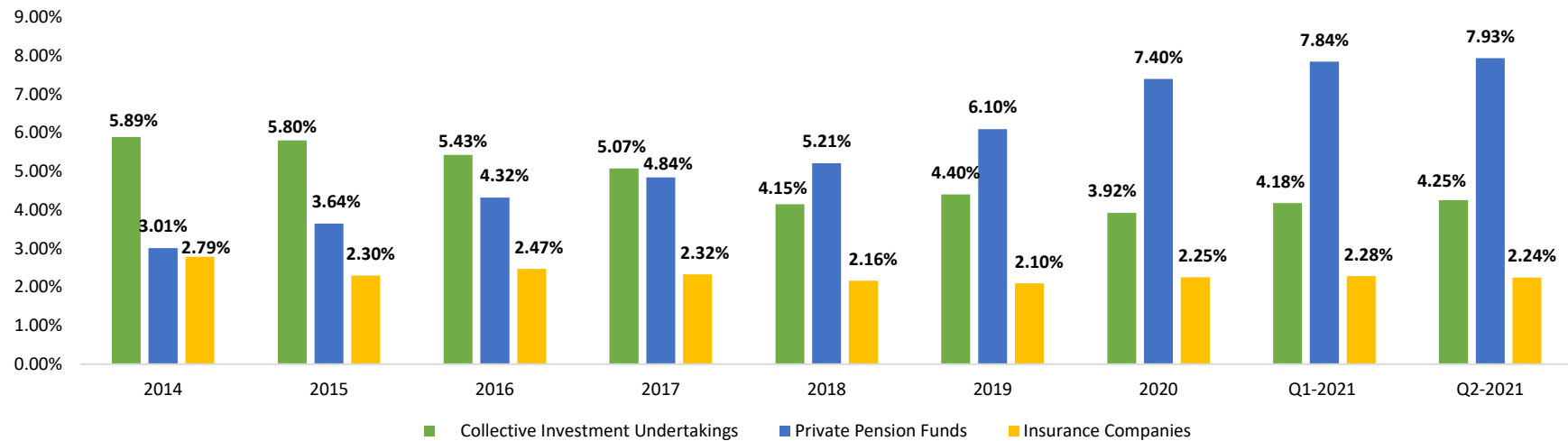
The Economic Sentiment Indicator (ESI) recorded a value of 116.5 points in the European Union in August 2021, exceeding the values recorded in the pre-crisis period. In August 2021, confidence in constructions sector registered an increase of 1.2 points compared to the value recorded in the previous month. In Romania, the economic sentiment indicator registered a lower value than the EU average, standing in August 2021 at a level of 102.2 points, decreasing compared to the previous month (103.5 points). In Romania, the confidence in the industry sector recorded an increase of 0.1 points compared to the value recorded in the previous month, and the confidence in the services sector recorded a decrease of 2.5 points compared to the level recorded in the previous month.

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

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



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



Source: NBR, NIS, ASF

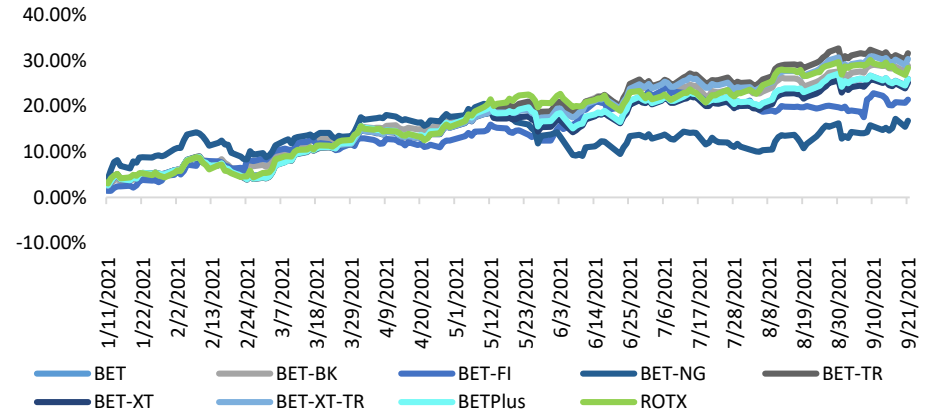
Current trends and headlights on Romanian markets

Romanian stock indices evolution in 2021 (30.12.2020 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
9/21/2021	26.02%	28.94%	21.46%	16.85%	31.69%

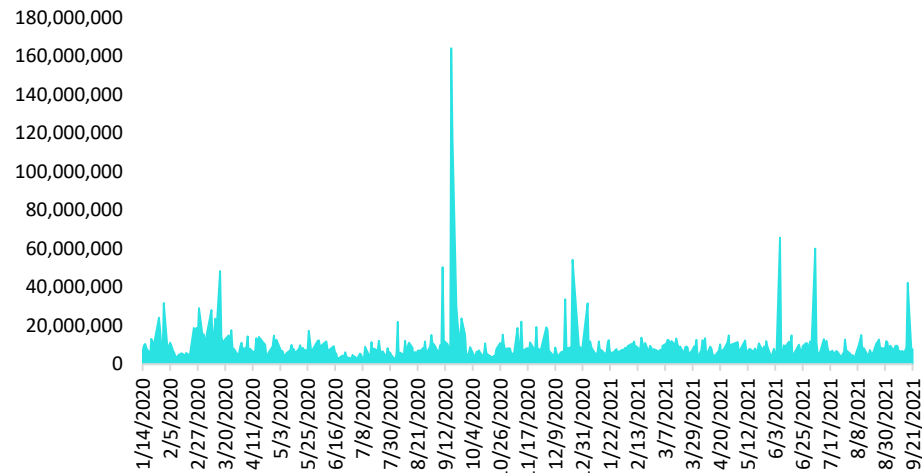
Date	BET-XT	BET-XT-TR	BETPlus	ROTX
9/21/2021	25.22%	30.37%	25.95%	28.42%

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 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Italy	136.0	137.4	136.7	134.6	137.8	149.4	154.4	155.8	160.0
France	98.9	98.7	99.5	97.6	100.8	113.1	115.6	115.1	118.0
Spain	98.4	98.4	97.5	95.5	99.1	110.2	114.0	119.9	125.2
Euro zone	86.3	86.1	85.7	83.9	86.1	94.8	97.1	97.8	100.5
EU	79.8	79.6	79.1	77.5	79.2	87.5	89.6	90.5	92.9
Hungary	68.4	67.2	67.2	65.5	65.8	70.3	73.9	80.4	81.0
Germany	61.6	61.1	61.0	59.7	60.9	67.3	70.0	69.7	71.1
Poland	48.9	47.7	46.9	45.6	47.5	54.6	56.5	57.5	59.1
Romania	33.8	33.8	35.2	35.3	37.4	40.7	43.1	47.3	47.6
Bulgaria	20.9	20.3	20.5	20.2	20.1	21.3	25.3	25.0	25.1

Source: Eurostat

The government debt-to-GDP ratio in the euro area was 100.5% in the first quarter of 2021, increasing compared to the level recorded in the fourth quarter of 2019 (83.9%). There is significant heterogeneity in debt level, the share of public debt in GDP ranging from 18.5% (Estonia) to 209.3% (Greece).

Romania is among the EU member states with a low level of indebtedness (47.6%), below the indebtedness of the EU member states of 92.9% of GDP.

According to the NBR, the direct investments of non-residents in Romania (FDI) recorded a value of EUR 4.0 billion in January-July 2021 (compared with EUR 1.2 million in the same period of the previous year).

On the other hand, the current account of the balance of payments registered a deficit of EUR 9.1 billion in the first seven months of 2021, compared to EUR 5.4 billion in the same period of the previous year.

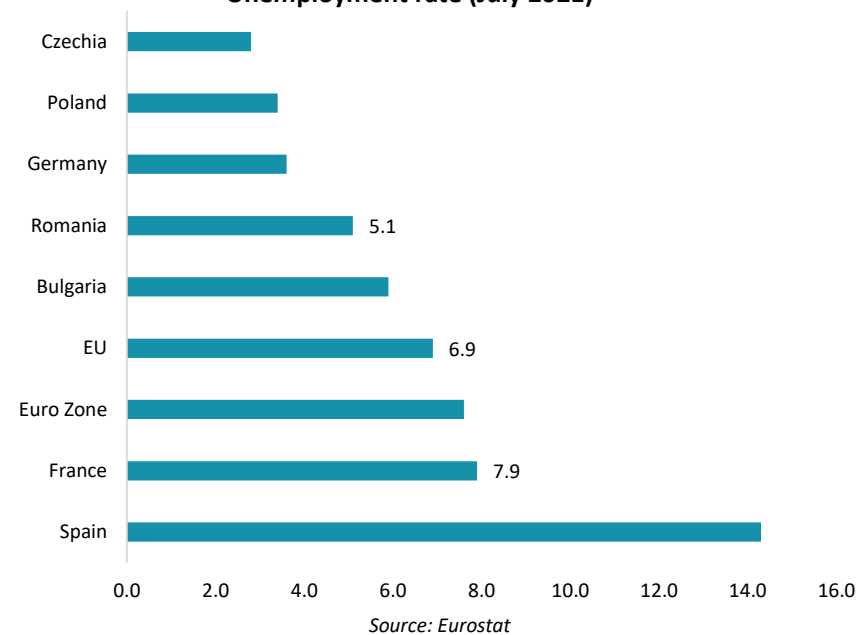
The evolution of the current account was accompanied by an increase in total external debt by EUR 6.1 billion in January–July 2021 to EUR 132 billion.

The seasonally adjusted unemployment rate in the euro area was 7.6%, down 0.2 pp compared to June 2021, while the EU unemployment rate was 6.9% in July 2021, down 0.2 pp compared to the previous month.

The seasonally adjusted unemployment rate in Romania was 5.1% in July 2021, up by 0.1 pp from the previous month (5.0%), according to data published by NIS.

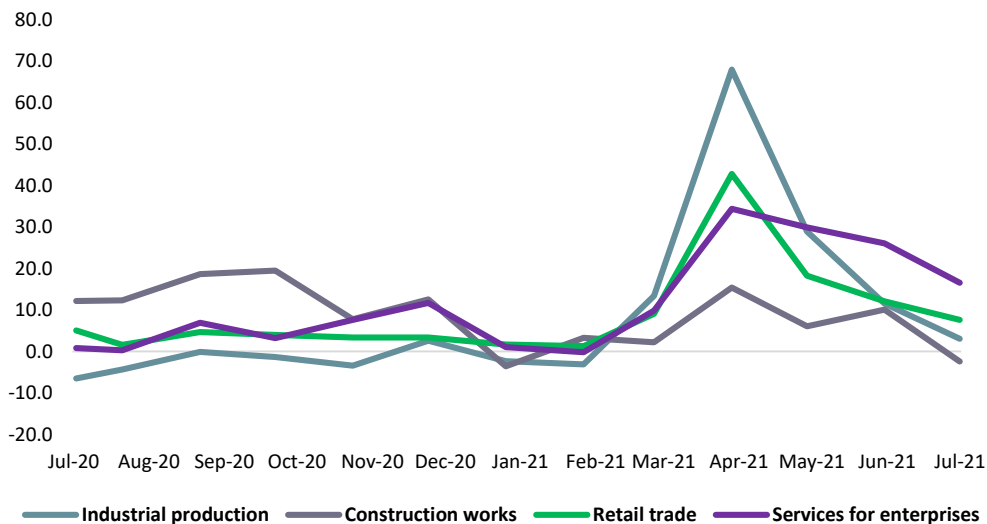
At local level, the unemployment rate among men (5.4%) is higher than the unemployment rate for women (4.7%).

Unemployment rate (July 2021)

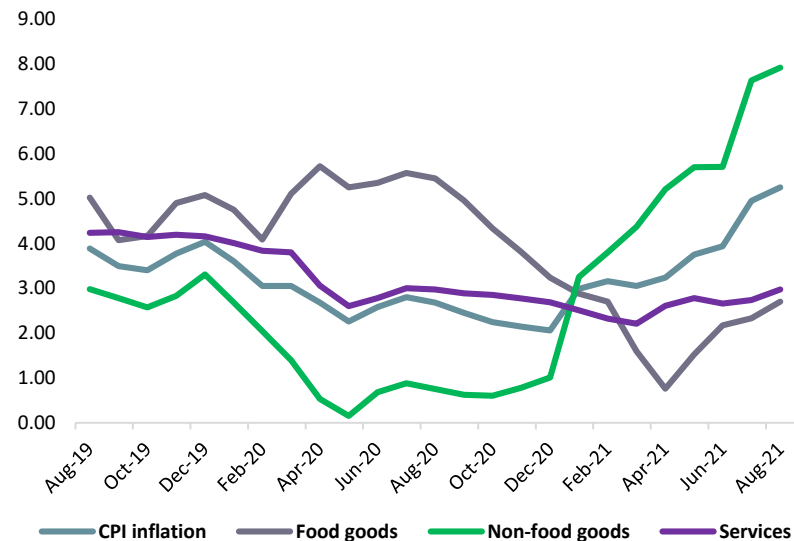


Macroeconomic background in Romania: development of the real sector, inflation and labor market

Main sector indicators (annual rate of change, %)

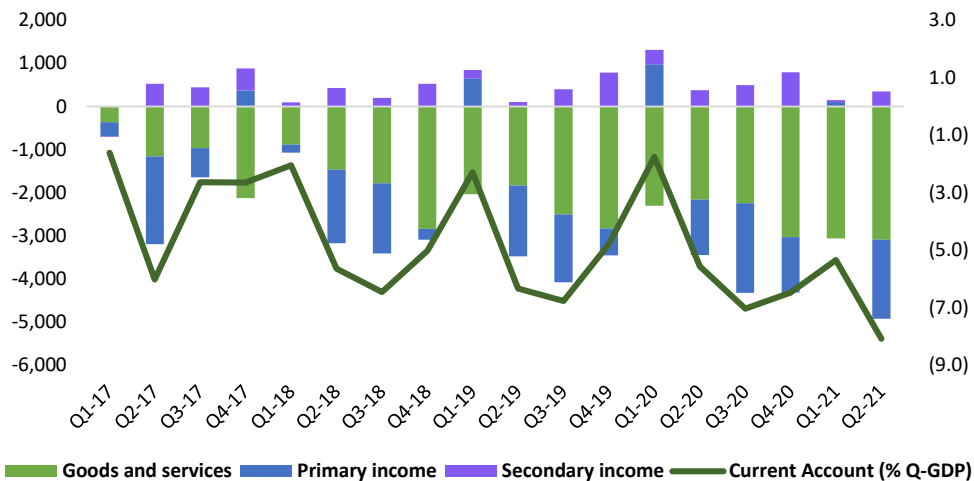


Inflation, monthly data (annual rate of change)



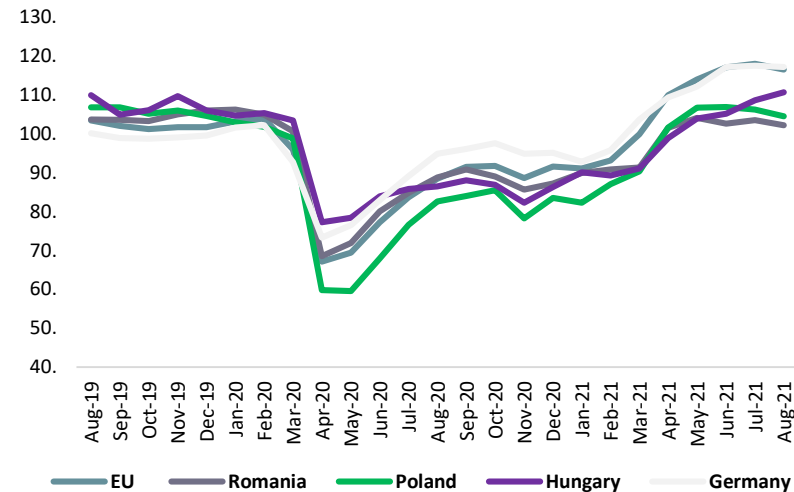
Source: National Institute of Statistics; ASF calculations

Development of current account by main components (million euro)



Source: NBR, ASF calculations

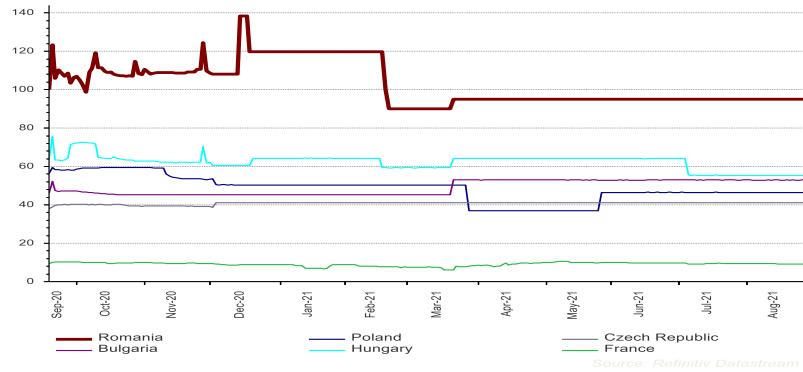
The economic sentiment index in EU



Source: Eurostat

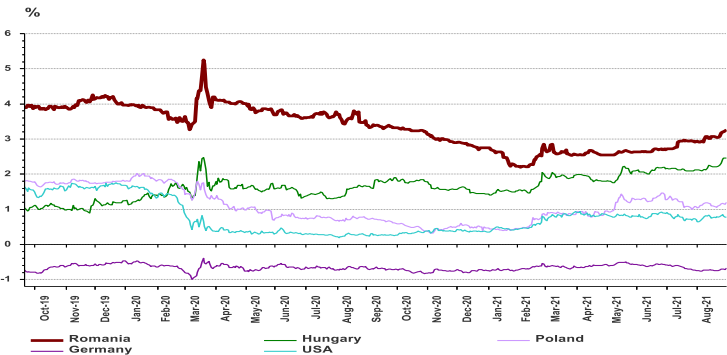
Macroeconomic risk in Romania: external position and market perception of sovereign risk

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



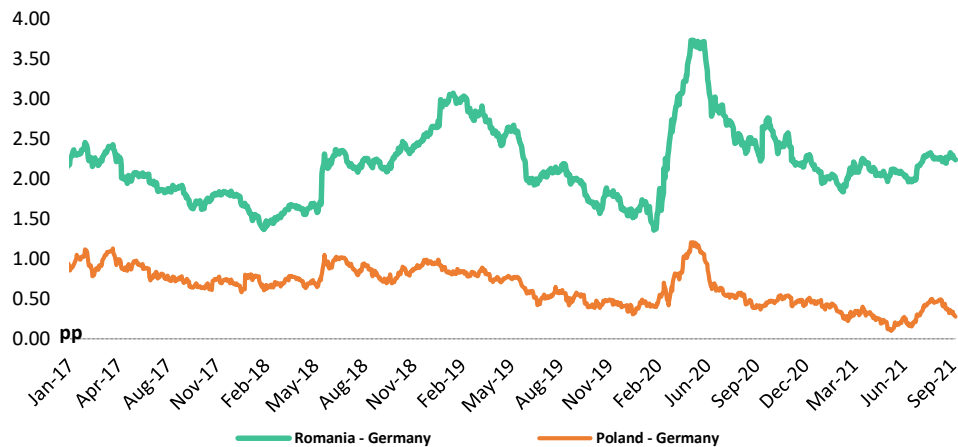
Source: Datastream

Government bond yields (5Y, LC)



Romania 5 - year bond yields increased by 6.7% in August 2021 as compared with the previous month, reaching an average value of 3.06%, while Germany 5 – year bond yields remained negative, at very low levels (average value of -0.73% in August 2021).

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



Romania CDS quotations remained relatively unchanged in August 2021 compared with the previous month, at an average value of 95.1 bp. French CDS quotations decreased to an average value of 9.30 bp.

At the end of December 2020, there is a decrease in the spread between Romanian and German government bonds (10Y), but it starts to be on an upward trend starting with January 2021. In the first part of September 2021 it decreased slightly which can also be interpreted as an improvement in investors' confidence in Romania's country rating.

Market risk: evolution of local and international stock indices at the end of August 2021

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	2.60%	4.84%	15.85%
FR (CAC 40)	1.02%	3.61%	17.13%
DE (DAX)	1.87%	2.68%	14.86%
IT (FTSE MIB)	2.55%	3.33%	13.83%
GR (ASE)	3.93%	3.16%	16.50%
IE (ISEQ)	5.55%	6.74%	19.69%
ES (IBEX)	1.97%	-3.30%	7.56%
UK (FTSE 100)	1.24%	1.38%	9.81%
US (DJIA)	1.22%	2.41%	14.32%
IN (NIFTY 50)	8.69%	9.94%	17.92%
SHG (SSEA)	4.31%	-1.99%	0.98%
JPN (N225)	2.95%	-2.67%	-3.03%

The European indices have recorded positive developments (1M). The most significant increase was recorded by ISEQ index (IE: +5.55%), followed by ASE index (GR: +3.93%).

The main American and Asian indices showed positive developments. Therefore, the most significant increase was registered by NIFTY 50 index (IN: +8.69%), followed by SSEA index (SHG: +4.31%).

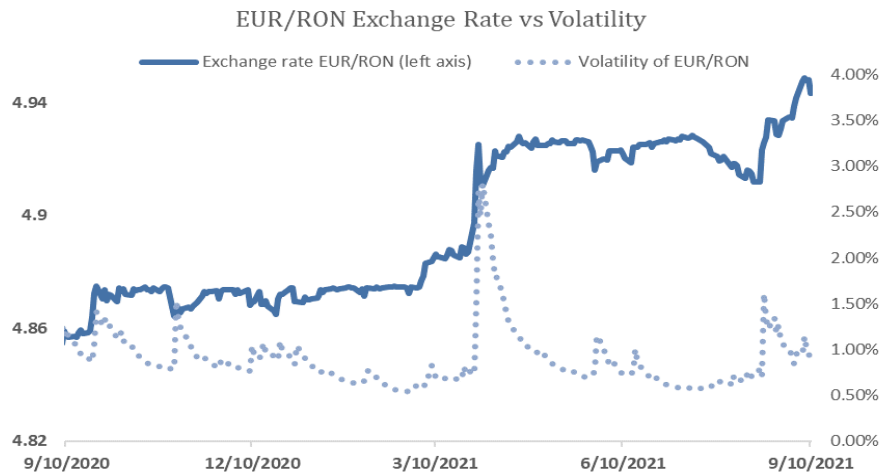
BSE indices	1 M	3 M	6 M
BET	2.77%	6.53%	19.36%
BET-BK	2.34%	6.34%	18.01%
BET-FI	-0.64%	6.30%	10.77%
BET-NG	1.62%	-0.82%	3.24%
BET-TR	3.66%	9.09%	24.66%
BET-XT	2.48%	6.51%	17.40%
BET-XT-TR	3.17%	8.86%	22.16%
BETPlus	2.81%	6.44%	19.41%
ROTX	3.31%	5.19%	21.66%

The BSE stock indices have recorded positive developments (1M), except for the BET-FI index (-0.64%). Therefore, the increases recorded were between 1.62% (BET-NG index) and 3.66% (BET-TR index).

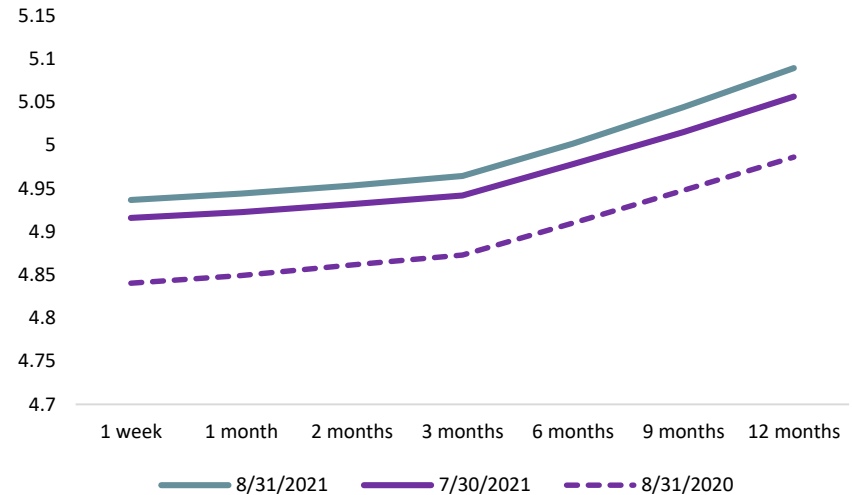
Source: Datastream, ASF calculations

Note: 1M=08/31/2021 vs. 07/30/2021; 3M=08/31/2021 vs. 05/31/2021; 6M=08/31/2021 vs. 02/26/2021

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

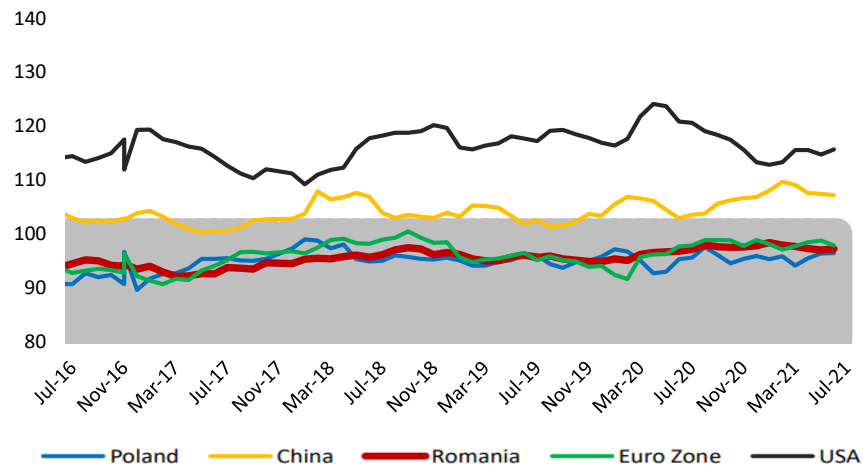


Term structure of EUR/RON forward rate



Source: Refinitiv, ASF calculations

Real effective exchange rate (REER; 2014=100) Estimate (>100)



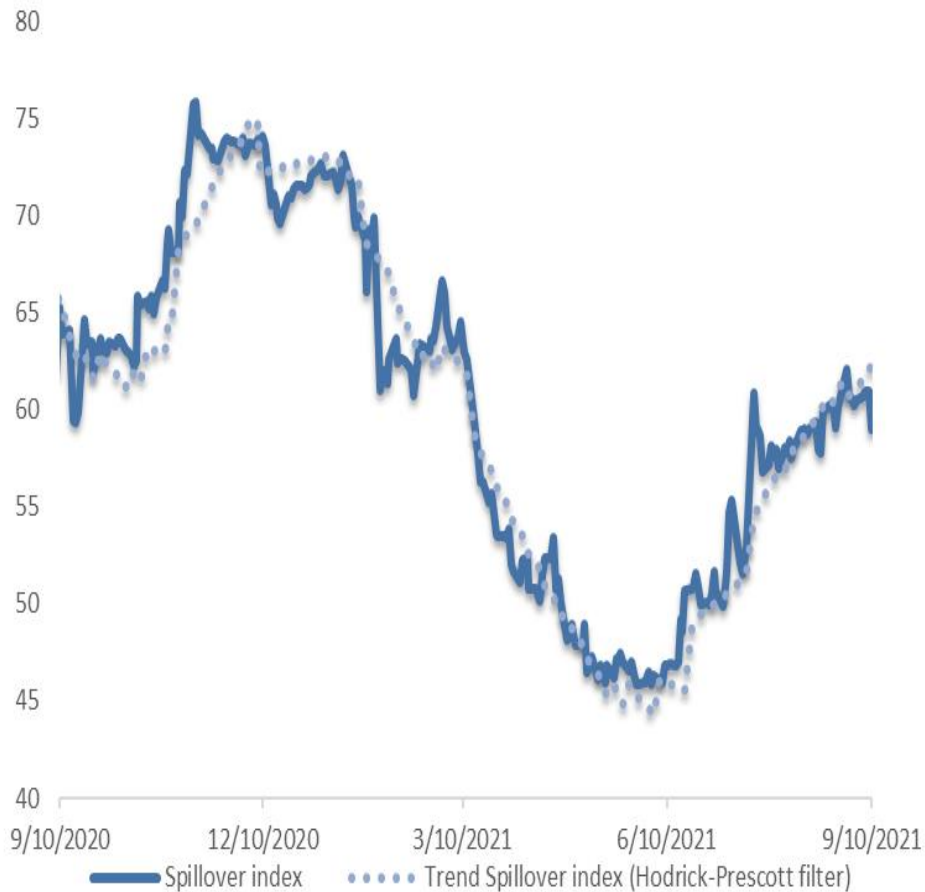
Source: BIS, ASF calculations

We forecast that the depreciation trend will continue but its volatility will remain low, as the Romanian Central Bank maintained the monetary interest rate to 1.25% in May 2021 to manage the crisis and interbank liquidity, to avoid any speculative attack on the currency.

With inflation rising above the European average, the exchange rate started to depreciate in the first quarter and reached 4.92 Eur/Ron. The exchange rate remained stable in the second quarter with low volatility (1%). At the beginning of September, the exchange rate Ron/Eur started to depreciate rapidly mainly due to inflation and reached 4.94 Ron/Eur.

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

Contagion risk



Source: Refinitiv, ASF calculations

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

Starting January 2021, the spillover trended upward mainly due to the vaccination program across European countries. The program eased the market uncertainty and generated a climate of exuberance on most European stockmarkets which exhibited a very fast-growing trend. In July the contagion started to grow slowly.

The growth of capital markets is shallow and without economic fundamentals thus creating a speculative environment which in turn may generate speculative bubbles or swift reversals as investors close positions.

Liquidity indicators on Romanian Stock Exchanges

The BSE Trading Activity (all the Segments) during August 2021

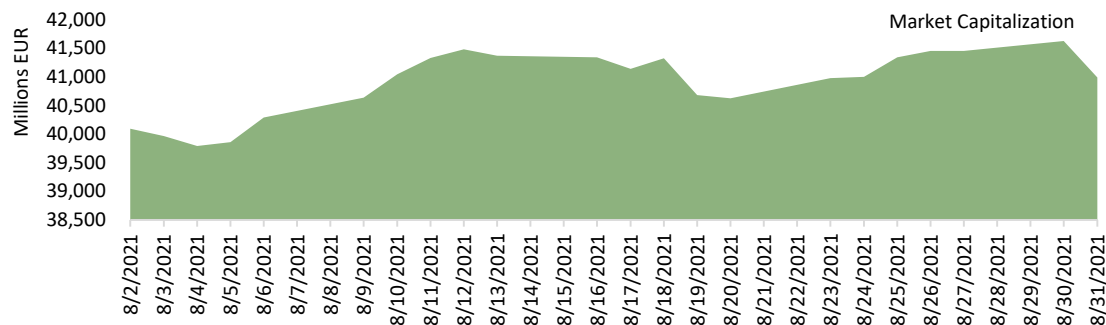
Week/month	No. of transactions	Volume	Value	
			EUR	%
Total 02-06 August 2021	19,599	83,233,400	21,669,663	12.62%
Total 09-13 August 2021	24,695	137,924,600	50,837,273	29.62%
Total 16-20 August 2021	23,362	88,917,292	27,523,484	16.03%
Total 23-27 August 2021	27,150	271,672,546	51,685,618	30.11%
Total 30-31 August 2021	12,734	80,637,491	19,938,735	11.62%
Total August 2021	107,540	662,385,329	171,654,774	100.00%

Source: BNR, BSE data, ASF calculations; monthly average exchange rate for August 2021 = 4.9229 LEI/EUR

The BSE's Most Traded Companies during August 2021 (Only the Main Segment)

Symbol	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
TLV	43,785,396	28.78%	2,554,897	36.92%	46,340,293	29.14%
SNP	27,546,841	18.11%	816,313	11.80%	28,363,153	17.83%
SNG	9,769,628	6.42%	157,935	2.28%	9,927,564	6.24%
FP	9,572,047	6.29%	0	0.00%	9,572,047	6.02%
TRP	9,149,902	6.01%	0	0.00%	9,149,902	5.75%
BRD	6,622,544	4.35%	0	0.00%	6,622,544	4.16%
SNN	5,545,543	3.65%	0	0.00%	5,545,543	3.49%
M	4,448,361	2.92%	97,504	1.41%	4,545,865	2.86%
WINE	3,179,898	2.09%	344,614	4.98%	3,524,512	2.22%
TTS	2,917,890	1.92%	563,083	8.14%	3,480,973	2.19%
ONE	3,420,851	2.25%	0	0.00%	3,420,851	2.15%
EL	2,968,729	1.95%	0	0.00%	2,968,729	1.87%
IMP	2,716,012	1.79%	0	0.00%	2,716,012	1.71%
TGN	2,549,682	1.68%	0	0.00%	2,549,682	1.60%
ATB	348,847	0.23%	2,157,265	31.17%	2,506,112	1.58%
Top 15 Total						88.80%

Source: BNR, BSE data, ASF calculations; monthly average exchange rate for August 2021 = 4.9229 LEI/EUR



Source: BSE data, ASF calculations; monthly average exchange rate for August 2021 = 4.9229 LEI/EUR

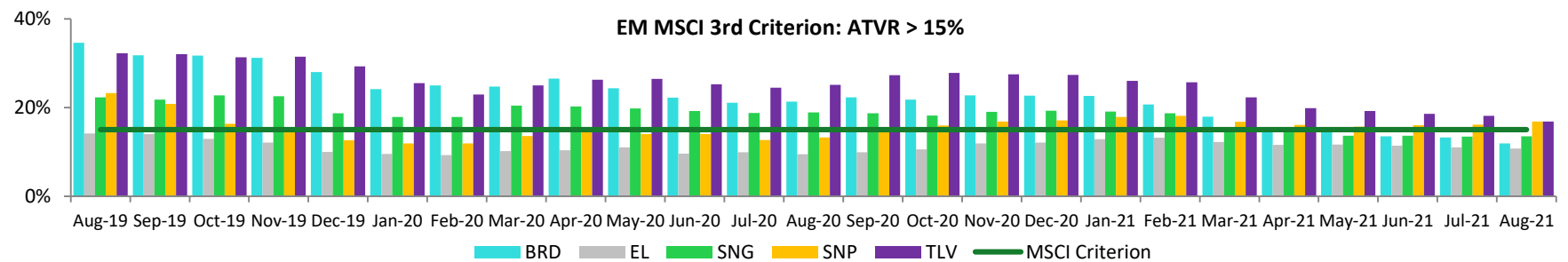
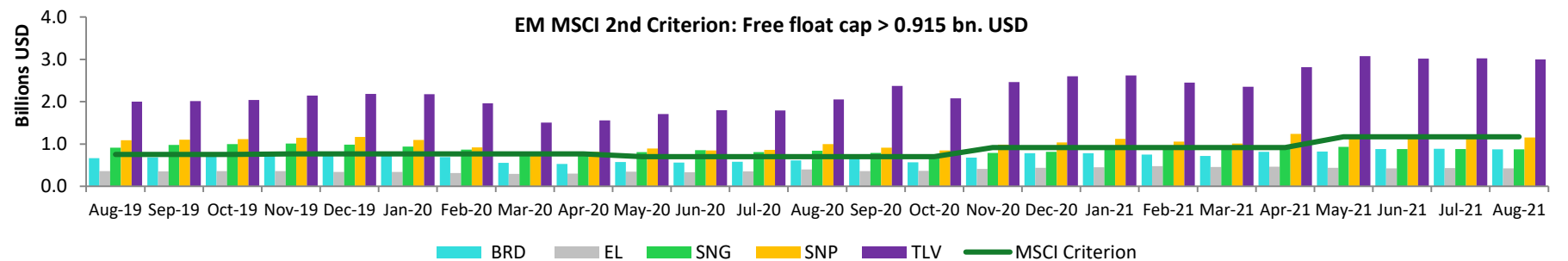
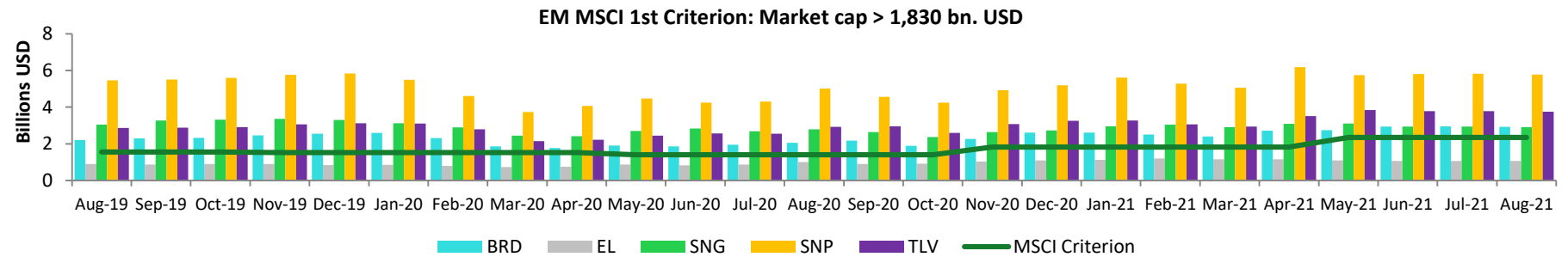
Top of intermediaries during August 2021

Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	SWISS CAPITAL S.A.	56,876,319	17.78
2	BT CAPITAL PARTNERS	50,843,109	15.89
3	SSIF BRK FINANCIAL GROUP S.A.	36,620,456	11.45
4	TRADEVILLE	34,485,091	10.78
5	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	34,265,035	10.71
6	BANCA COMERCIALA ROMANA	31,316,829	9.79
7	IFB FINWEST	14,114,110	4.41
8	Alpha Bank Romania SA	11,111,711	3.47
9	RAIFFEISEN CENTROBANK AG	9,625,603	3.01
10	GOLDRING	9,203,389	2.88
11	PRIME TRANSACTION	6,984,150	2.18
12	CONCORDE SECURITIES LTD	6,750,995	2.11
13	BRD Groupe Societe Generale	6,152,255	1.92
14	ESTINVEST	4,988,025	1.56
15	INTERFINBROK CORPORATION	2,738,856	0.86
Top 15 Total			98.80

The market capitalization registered an increase of 31% at the end of August 2021 compared to the end of 2020 and an increase of 12% compared to the end of 2019.

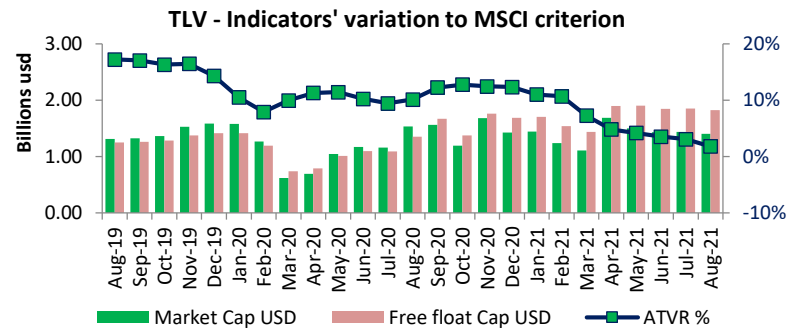
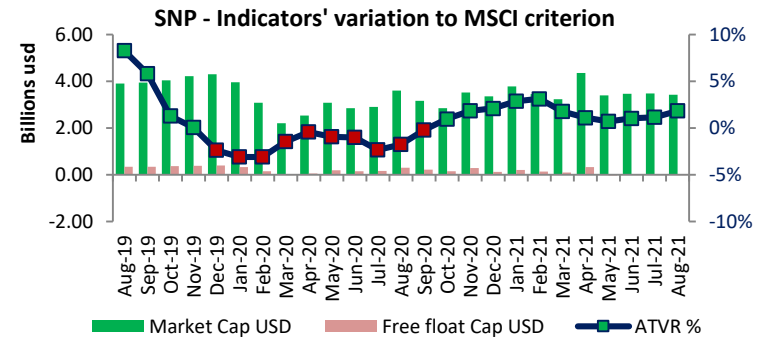
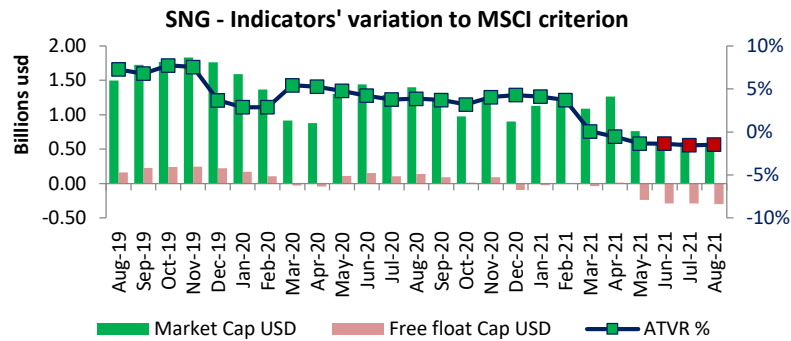
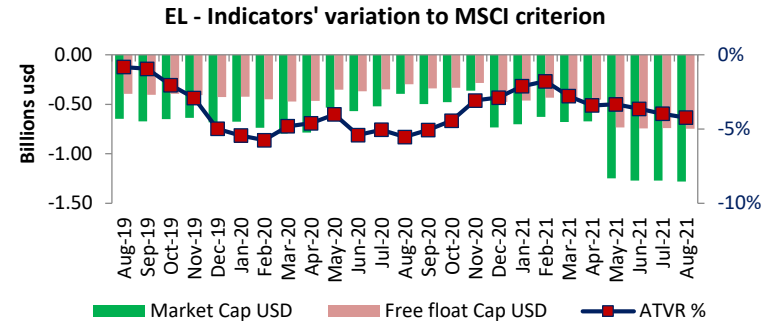
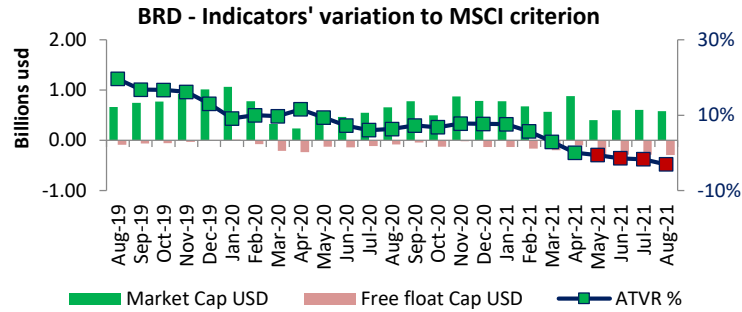
In August 2021, the first 3 companies traded on BVB were Banca Transilvania (TLV) with a share of 29.14% of the total value traded in that period, OMV Petrom SA (SNP: 17.83%) and S.N.G.N. Romgaz SA (SNG: 6.24%)

MSCI: Quantitative Indicators for Emerging Market Status



Source: ASF Calculations, August 2021

MSCI: Quantitative Indicators for Emerging Market Status



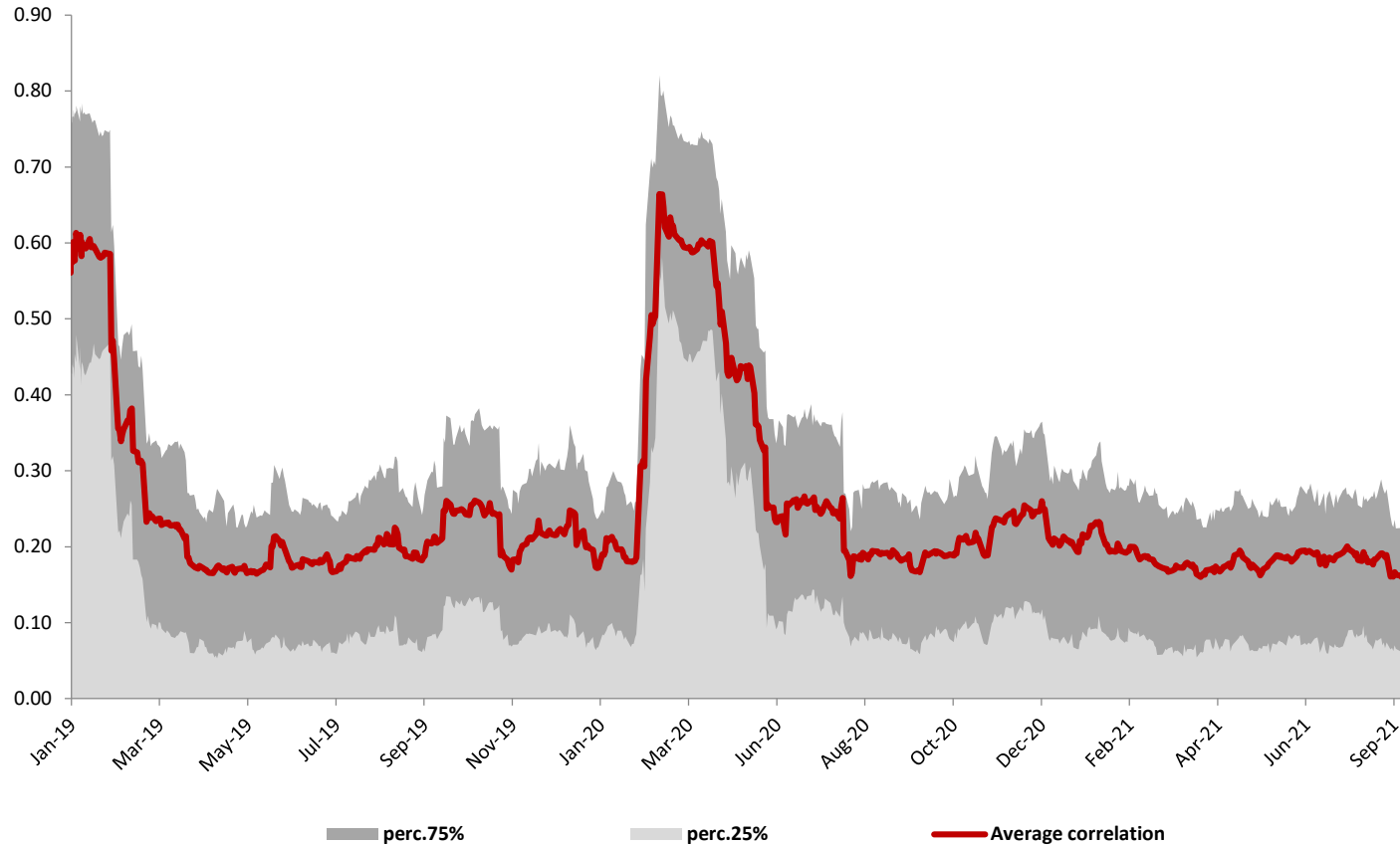
Indicators' variation to MSCI criterion (August 2021)

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	0,58	-0,29	-3,11%
EL	-1,28	-0,75	-4,23%
SNG	0,57	-0,30	-1,48%
SNP	3,42	-0,02	1,84%
TLV	1,40	1,83	1,83%

Source: ASF Calculations, August 2021

Risk assessment and the benefit of diversification

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

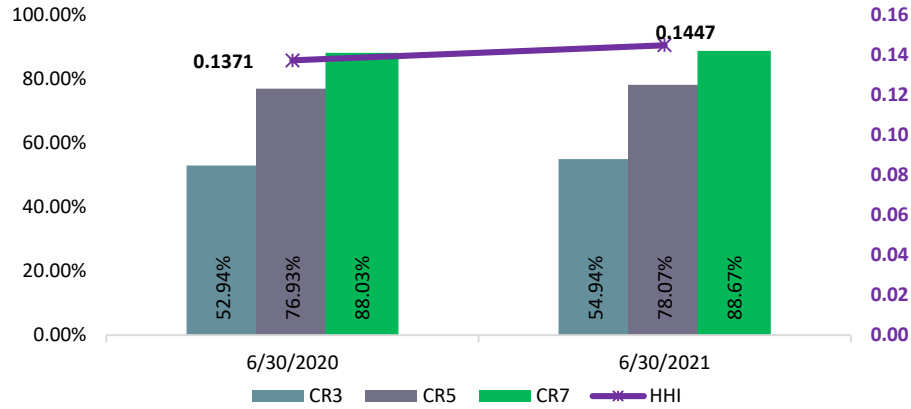


Source: Bloomberg, ASF

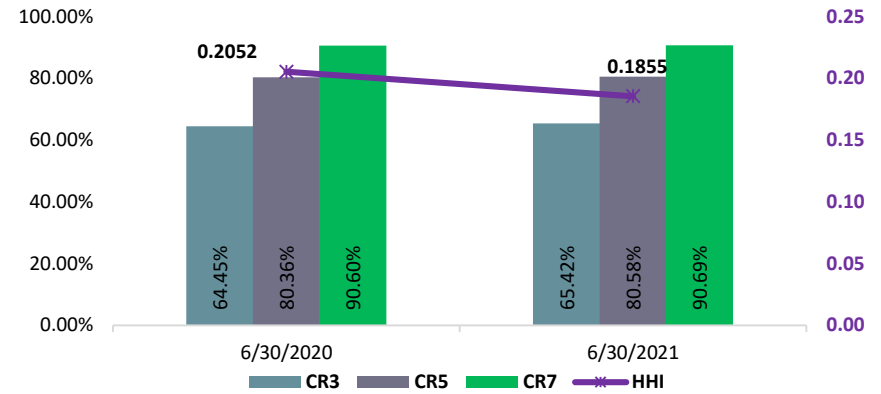
At the end of July 2020, the correlations between the daily yields of the 25 most liquid companies from Bucharest Stock Exchange decreased and returned to the level recorded at the beginning of 2020. August-September 2021 is marked by a decrease in the correlations between the shares.

Concentration risk

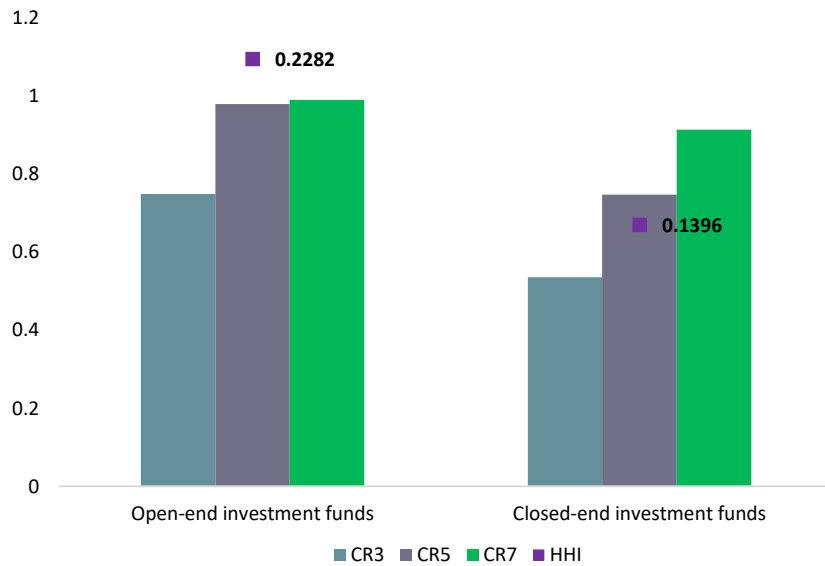
**Concentration risk of non-life insurance undertakings
(by value of GWP at 30 June 2021)**



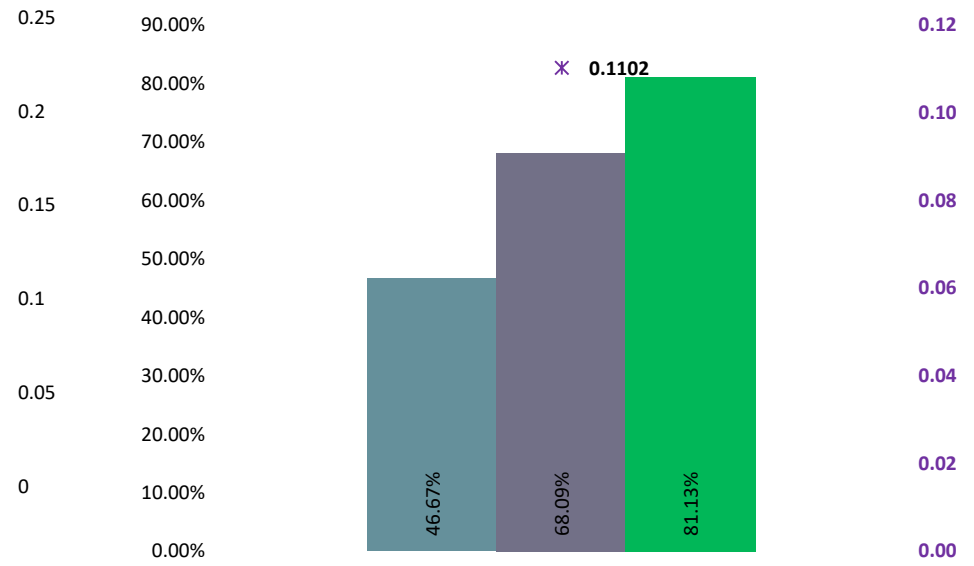
**Concentration risk of life insurance undertakings
(by value of GWP at 30 June 2021)**



**Concentration risk of investment funds in Romania
(by net assets – 30 June 2021)**



Concentration risk of intermediaries on the BSE (by value of transactions in August 2021 – Main segment & MTS, all spot instruments)

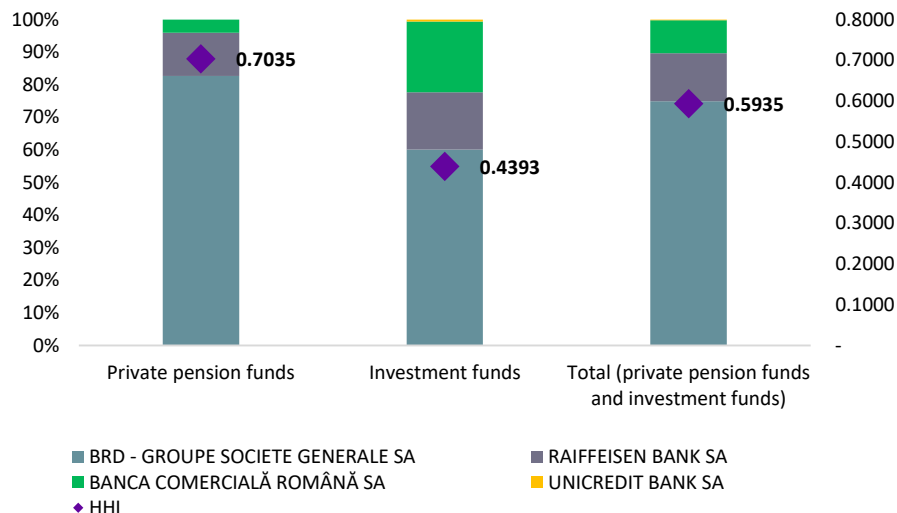


Source: ASF

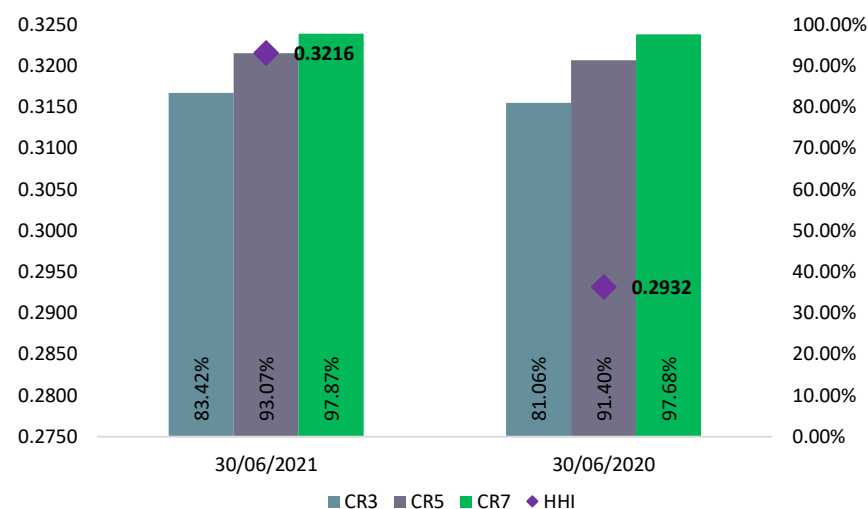
Source: ASF

Concentration risk

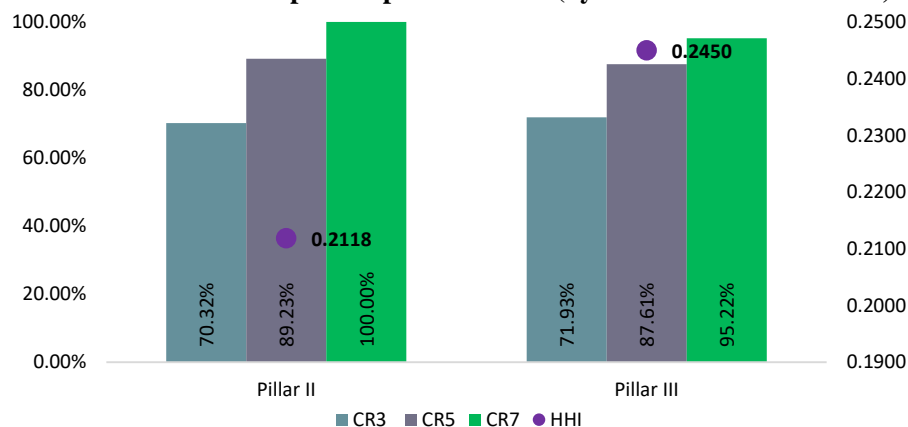
Concentration risk of depositaries of private pension funds and investment funds (by total assets at 6/30/2021)



The degree of concentration of insurance companies in the MTPL market (by gross written premiums at 6/30/2021)



Concentration risk of private pension funds (by total assets at 8/31/2021)



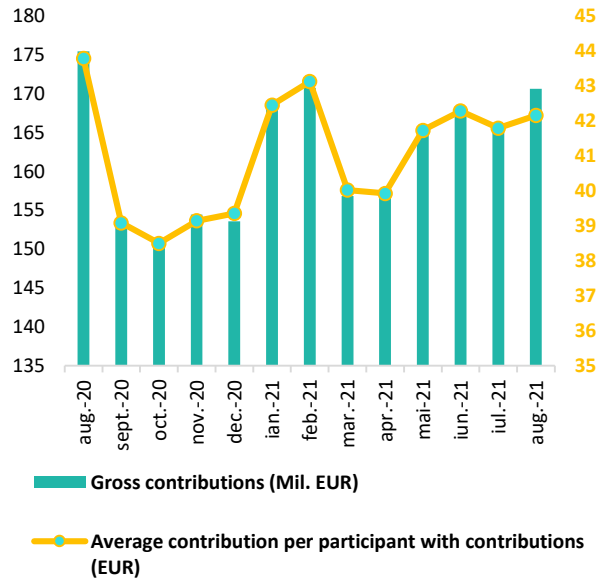
According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high. The situation is similar in the case of private pension funds market (Pillar II and Pillar III), 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

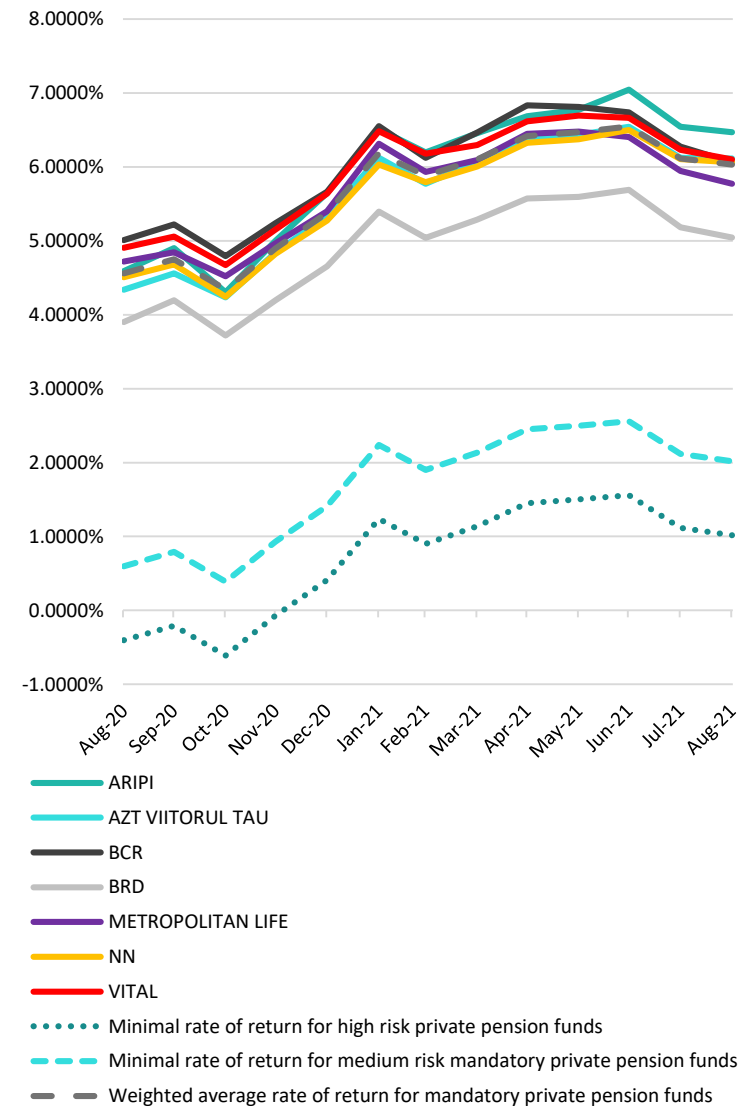
Mandatory pension fund	Total Assets 31 August 2021 (EUR)	Participants (persons) August 2021	Rate of return August 2021
ARIPI*	1,561,932,842	802,903	6.47%
AZT VIITORUL TAU	3,774,786,639	1,624,002	6.11%
BCR	1,193,198,366	705,932	6.06%
BRD	689,492,370	490,981	5.04%
METROPOLITAN LIFE	2,411,616,998	1,078,929	5.77%
NN	6,106,511,248	2,050,850	6.06%
VITAL	1,742,654,867	968,800	6.10%
Total	17,480,193,330	7,722,397	n/a

Evolution of gross contributions



New participants (persons) in 2nd Pillar

Rate of return for mandatory pension funds



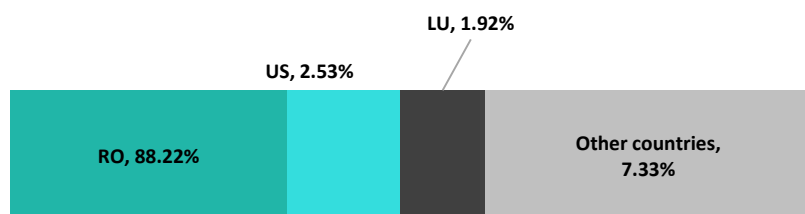
Source: ASF

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

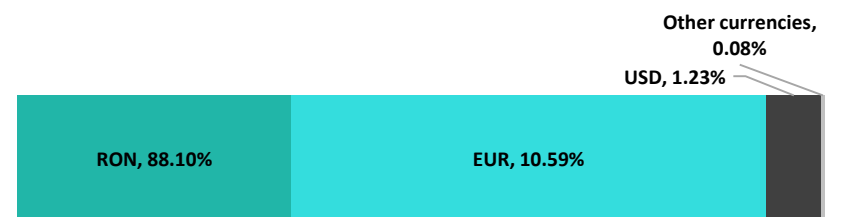
Mandatory pension fund's portfolio at 31 August 2021 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	10,709,681,884	61.27%
Equity	4,266,352,083	24.41%
Corporate bonds	1,007,495,006	5.76%
Investment funds	566,509,547	3.24%
Bank deposits	523,559,329	3.00%
Supranational bonds	362,094,818	2.07%
Municipal bonds	37,361,609	0.21%
Metal funds	22,872,873	0.13%
Derivatives	239,738	0.001%
Other assets	(15,973,557)	-0.09%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



82% 84% 86% 88% 90% 92% 94% 96% 98% 100% 82% 84% 86% 88% 90% 92% 94% 96% 98% 100%

Source: ASF

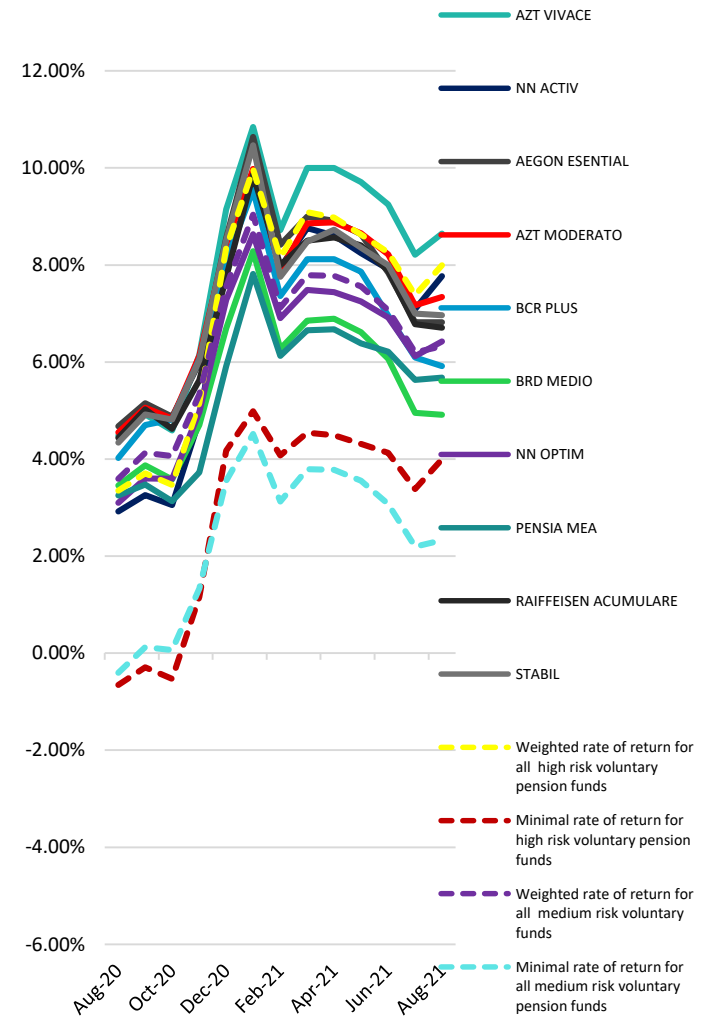
The value of the total assets of the privately managed pension funds reached EUR 17.48 billion at the end of August 2021, registering an annual rate of growth of 26%. At the end of August 2021, the privately managed pension funds' investments were generally made locally, in a percentage of 88%, a large majority being denominated in lei. Most Romanian instruments are represented by government securities and shares listed on the Bucharest Stock Exchange.

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

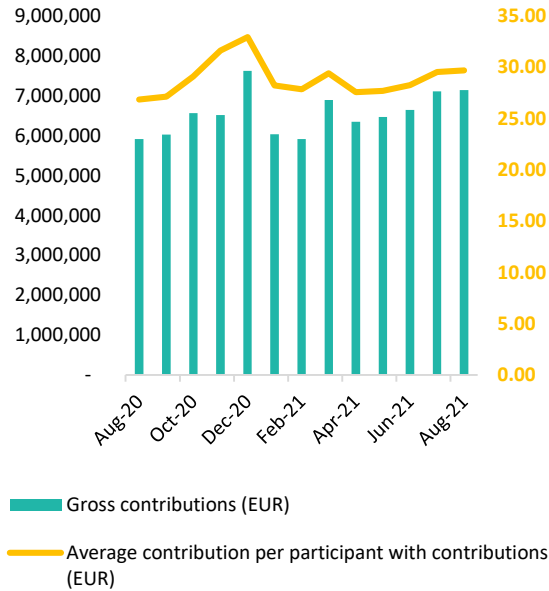
Total assets (EUR), number of participants and return rates

Voluntary pension fund	Total assets (EUR), 31 August 2021	Participants (persons) August 2021	Rate of return August 2021
AEGON ESENTIAL	2,176,649	3,926	6.8212%
AZT MODERATO	69,257,556	44,765	7.3425%
AZT VIVACE	25,826,202	20,562	8.6491%
BCR PLUS	116,211,536	140,096	5.9143%
BRD MEDIO	35,338,831	35,299	4.9122%
GENERALI STABIL	6,514,767	5,501	6.9629%
NN ACTIV	78,184,731	57,867	7.7677%
NN OPTIM	285,485,787	207,214	6.4208%
PENSIA MEA	23,172,095	20,242	5.6792%
RAIFFEISEN ACUMULARE	24,958,864	15,334	6.7048%
Total	667,127,019	550,806	n/a

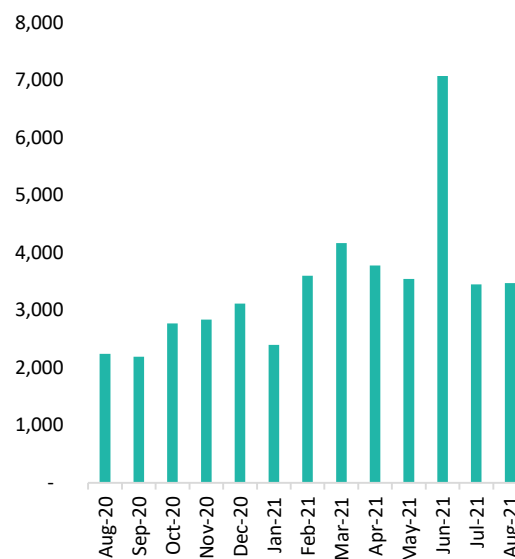
Rate of return for voluntary pension funds



Evolution of gross contributions



New participants in 3rd Pillar



Source: ASF

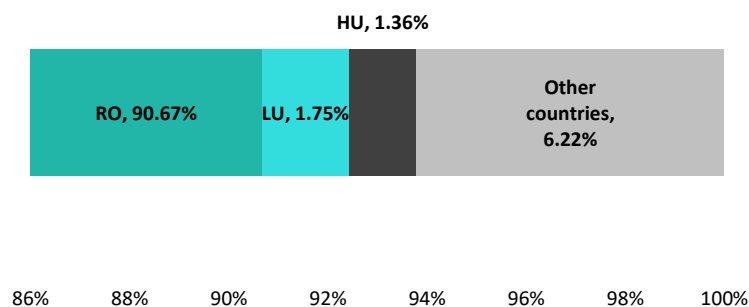
Current evolutions in optional private pension funds (3rd Pillar)

Optional pension fund's portfolio at 31 August 2021 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government Bonds	402,941,270	60.40%
Equity	185,493,443	27.80%
Bank Deposits	21,372,212	3.20%
Corporate Bonds	19,244,541	2.88%
Investment Funds	17,329,252	2.60%
Supranational Bonds	14,184,056	2.13%
Municipal Bonds	4,644,512	0.70%
Metal funds	1,750,957	0.26%
Oher assets	143,756	0.02%
Derivatives	23,018	0.003%

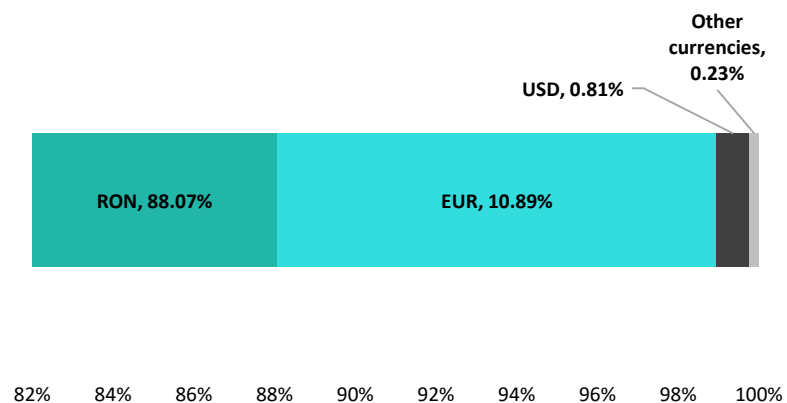
Source: ASF

Country exposure of optional fund's assets



Source: ASF

Currency exposure of optional fund's assets

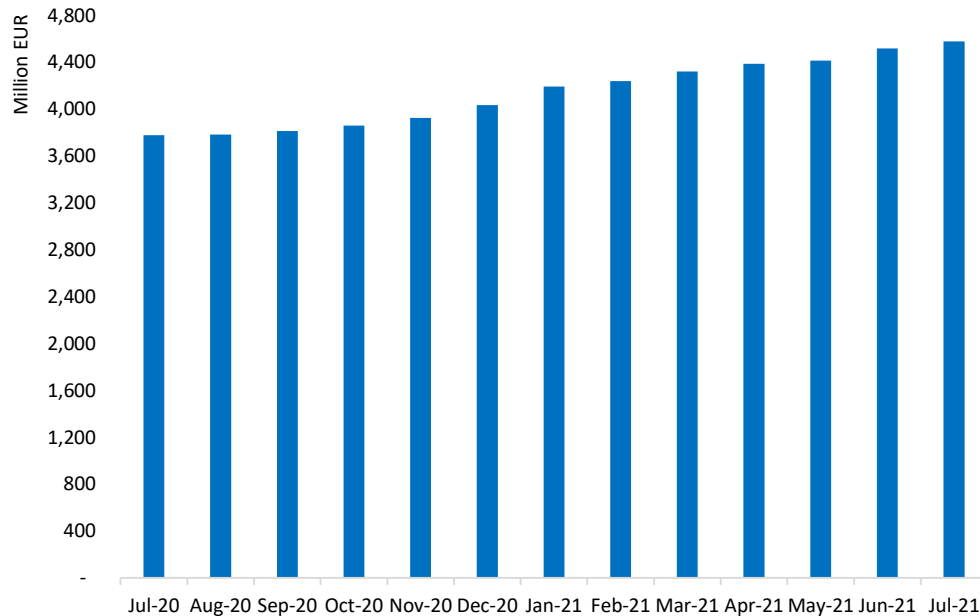


Source: ASF

The value of the total assets of the voluntary pension funds, at the end of August 2021, was EUR 667 million, registering an annual rate of growth of 22%. At the end of August 2021, the voluntary pension funds' investments were generally made locally, in a percentage of 91%, a large majority being denominated in lei.

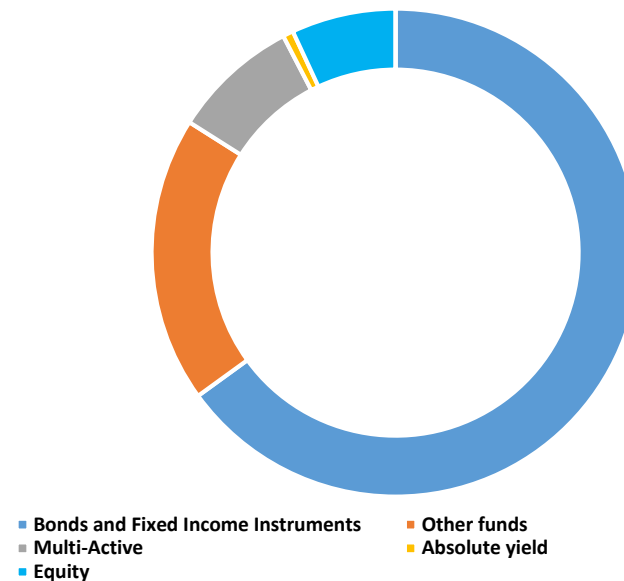
Specific developments in the investment funds sector

Evolution of net assets of open-end investment funds
(July 2020 – July 2021)



Source: AAF

Open-end investment funds' market share by Fund Type and Net Asset (July 2021)



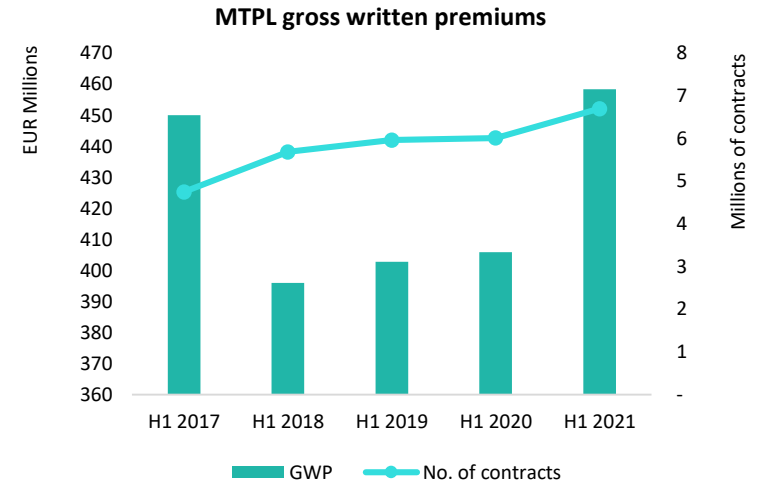
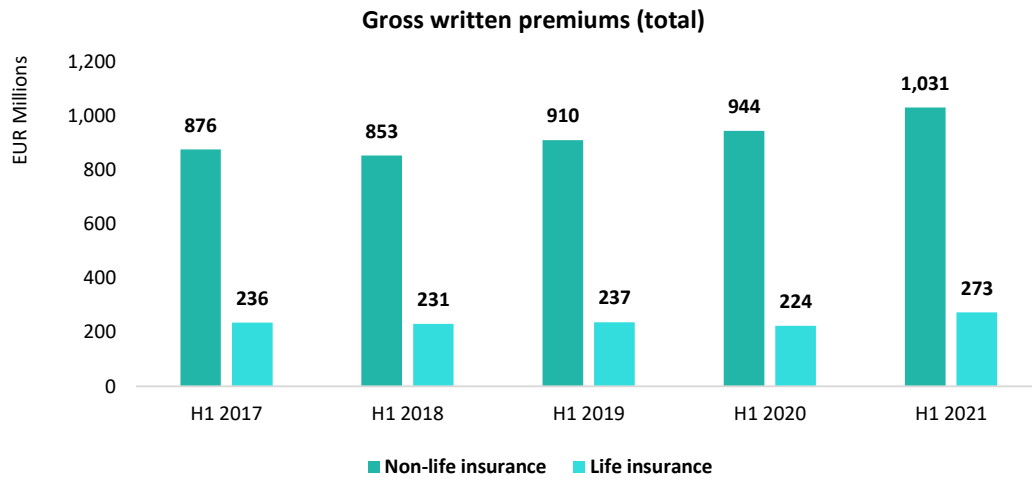
According to data published by AAF, the net assets of open-end investment funds (OeIF) reached a value of EUR 4.58 billion in July 2021, an increase of approximately 1.3% compared to the previous month. Net assets of all categories of investment funds increased in July 2021 compared to the previous month.

In July 2021, *open-end bond and fixed income instruments funds* hold the largest share in total net assets of OeIF (around 65%¹), while the "*other funds*" category has a market share of approximately 19%.

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

Specific developments in the insurance market in Romania

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

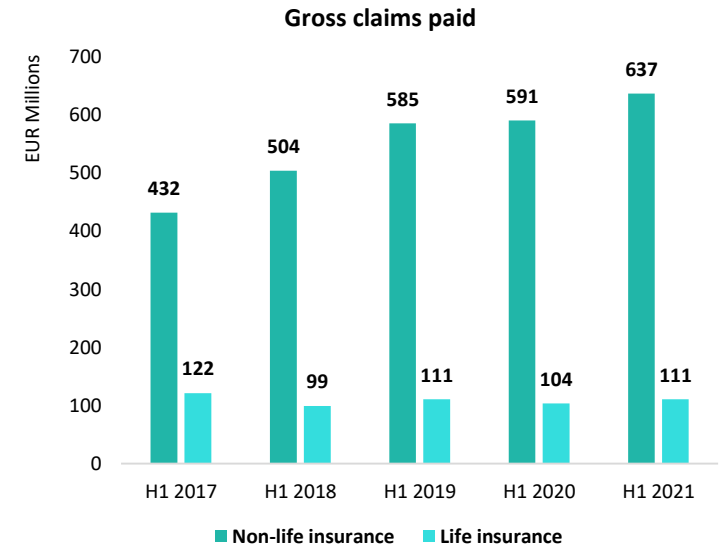


Source: ASF

Share of main insurance classes by GWP

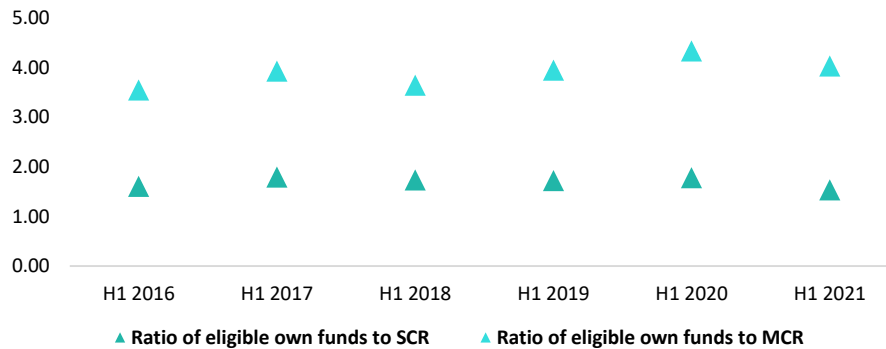


Source: ASF



Specific developments in the insurance market in Romania

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

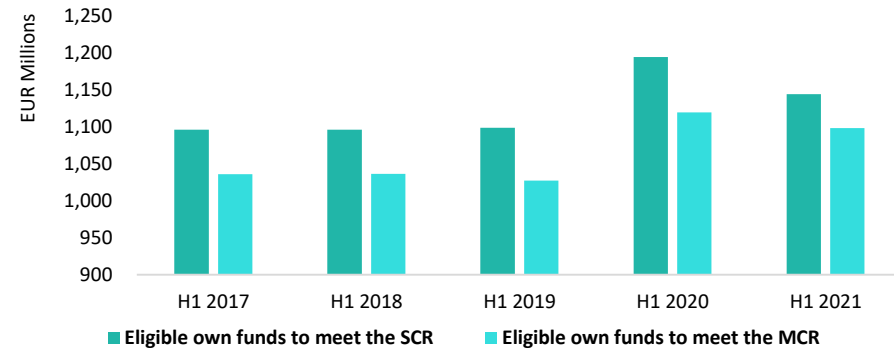


Total assets and total liabilities



Source: ASF, provisional data

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



At the end of the first semester of 2021, all insurance companies met the SCR and MCR requirements, excepting one insurance company. The FSA carried out several inspection actions at the insurer's head office as well as permanent inspections, based on which were applied, both to the company and its management, several sanctions consisting of fines, being also imposed measures in order to remedy the found deficiencies.

The Romanian Financial Supervisory Authority hereby informs that, given that no documentary evidence has been made of the way in which the Insurance-Reinsurance Company City Insurance S.A. will permanently hold eligible own funds to cover the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR), as well as the lack of eligible basic own funds to cover the absolute MCR threshold, the calculated SCR value and the calculated MCR value, in accordance with the provisions of art. 21 para. (1) letter d) and letter e), art. 67 para. (1) letter a), art. 72 para. (1) and art. 95 para. (1) of Law no. 237/2015, with as subsequently amended and supplemented, given the non-existence of the payment to the share capital, following the analysis of the manner of fulfilling the measures ordered by the A.S.F. Decision no. 714/2021, respectively A.S.F. Decision no. 724/2021, it resulted that the Short-Term Financing Plan and the Recovery Plan are clearly inadequate and do not ensure the restoration of the company's financial situation and, on the one hand, the company's solvency is constantly deteriorating and, on the other hand, the company is clearly insolvent.

Therefore, for the protection of policyholders, the Board of Directors of A.S.F. decided as follows withdrawal of the operating license of the Insurance-Reinsurance Company City Insurance S.A., in accordance with the provisions of art. 110 of Law no. 237/2015, establishment of the insolvency of the Insurance-Reinsurance Company City Insurance S.A., as defined by art. 5 para. (1) point 31 letter a) and letter b) of Law no. 85/2014 on insolvency and insolvency prevention procedures, as subsequently amended and supplemented and the promotion by the Financial Supervisory Authority of the application on the opening of the bankruptcy procedure against the company, according to the provisions of art. 249 of the mentioned law.

Press releases and publications of European and international financial institutions in August 2021

ESMA	<ul style="list-style-type: none"> • 6 August: ESMA publishes its Report on the use of Fintech by CSDs. • 24 August: ESMA consults on suitability assessments of DRSP management body members.
EIOPA	<ul style="list-style-type: none"> • 2 August: EIOPA updates Risk Dashboard for European insurers. • 11 August: EIOPA releases the Follow-up Report on the supervisory practices for the application of the proportionality principle in government requirements regarding key functions.
EBA	<ul style="list-style-type: none"> • 24 August: EBA publishes peer review on the prudential assessment of qualifying holdings.
ESRB	<ul style="list-style-type: none"> • 30 August: ESRB issues EU Non-bank Financial Intermediation Risk Monitor 2021.
IOSCO	<ul style="list-style-type: none"> • 12 August: IOSCO publishes results of examination of ETF behavior during COVID-19 induced market stresses.
IAIS	<ul style="list-style-type: none"> • 30 August: IAIS presents Application Paper on macroprudential supervision.
IMF	<ul style="list-style-type: none"> • 27 August 2021: IMF disseminates Romania Country Report.