

# Monthly Market Report

According to the forecast of the International Monetary Fund (IMF, October 2021), Romania's gross domestic product will increase by 7% in 2021, an upward revision compared to the IMF estimate from April 2021 (6%).

ASF No.  
10/10.25.2021

- The seasonally adjusted unemployment rate in Romania was 5.2% in August 2021, up by 0.1 pp from the previous month (5.1%);
- According to the NBR, the direct investments of non-residents in Romania (FDI) recorded a value of EUR 4.4 billion in January-August 2021 (compared with EUR 1.5 billion in the same period of the previous year);
- The market capitalization registered an increase of 41% at the end of September 2021 compared to the end of 2020.

## World Macroeconomic Outlook

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 1.9% 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 13.9% for the gross series and an increase of 14.4% for the seasonally adjusted series.

Regarding the forecasts for economic growth, the International Monetary Fund (IMF, World Economic Outlook, October 2021) estimates an increase of 5.9% in the global economy in 2021, a slight decline (-0.1pp) compared to the previous forecast from July 2021. According to the IMF, the downward revision encompasses a deterioration in forecasts for advanced and low-income developing economies, partly offset by more optimistic short-term outlooks for certain emerging markets exporting goods and developing economies.

### 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	5.0	4.3
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	3.1	4.6
Spain	2.4	2.2	2.0	1.7	2.1	-4.3	-21.5	-8.7	-8.8	-10.8	-4.2	17.5	6.2	6.3	5.7	6.4
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	6.3	3.9
Italy	0.4	0.6	0.7	-0.1	0.4	-5.8	-18.2	-5.4	-6.6	-8.9	-0.8	17.2	5.0	4.2	5.8	4.2
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	4.5	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	6.3	5.8
Hungary	5.2	4.8	4.3	3.9	4.6	1.9	-13.0	-4.6	-3.6	-4.7	-1.7	17.6	6.3	5.0	7.6	5.1
Poland	5.5	4.9	4.6	4.0	4.7	2.2	-7.9	-1.8	-2.5	-2.5	-1.1	10.8	4.8	5.2	5.1	5.1
<b>Romania</b>	<b>5.2</b>	<b>4.4</b>	<b>3.4</b>	<b>3.7</b>	<b>4.2</b>	<b>2.5</b>	<b>-9.7</b>	<b>-5.4</b>	<b>-2.3</b>	<b>-3.9</b>	<b>-0.3</b>	<b>14.4</b>	<b>7.4</b>	<b>4.9</b>	<b>7.0</b>	<b>4.8</b>

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 – October 2021, IMF

According to the forecast of the International Monetary Fund (IMF, October 2021), Romania's gross domestic product will increase by 7% in Romania in 2021, an upward revision compared to the IMF estimate from April 2021 (6%).

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.

**Turnover from market services provided mainly to enterprises** increased in Romania in August 2021 compared to the same period of the previous year by 23.7% as gross series and by 24.0% as seasonally adjusted series. The highest increase was registered by transport activities (+35.0%), followed by the activities in information services and information technology (+30.7%), other services provided mainly to enterprises (+17.0%), communications activities (+7.7%) and activities in film production, video, television programs, broadcasting and transmission of programs (+4.0%).

The **volume of construction works** decreased in Romania by 5.8% as gross series and by 5.2% as seasonally adjusted series in August 2021 compared to the similar period of the previous year. The most significant decrease was registered by the volume of capital repair works (-29.7%), followed by the volume of current maintenance and repair works (-19.0%). The volume of new construction works increased by 4.4%. By construction type, the gross series shows increases in the volume of residential buildings (+29.4%), while the non-residential buildings (-17.4%) and engineering construction works (-13.4%) showed decreases.

**In Romania, the industrial production** increased by 3.0% as gross series and by 0.5% as seasonally adjusted series in August 2021 compared to August 2020. The most significant increases were recorded by the production and supply of electricity and heat, gas, hot water and air conditioning (+7.4%), manufacturing industry (+2.5%) and extractive industry (+0.5%).

**Retail trade** (seasonally adjusted series) increased by 0.3% both, in the euro area and in the European Union, in August 2021 compared to the previous month. Compared to the same period of the previous year, retail trade (seasonally adjusted series) remained stable in the euro area and increased by 1.1% in the EU in August 2021. In the EU, the volume increased by 3.0% for the non-food products followed by retail trade of fuels (+2.1%) and decreased by 1.5% 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 Malta (+19.6%), Croatia (+18.1%) and Slovenia (+12.3%), while the most significant decreases were observed in Belgium (-4.9%), France (-2.1%), Spain and Luxembourg (both -1.3%). **In Romania, the volume of retail trade turnover** increased in August 2021 by 11.1% as gross series and by 11.7% as a seasonally adjusted series compared to August 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 (+15.1%) followed by sales of automotive fuel in specialized stores (+8.9%) and the sales of food, beverages and tobacco (+8.1%).

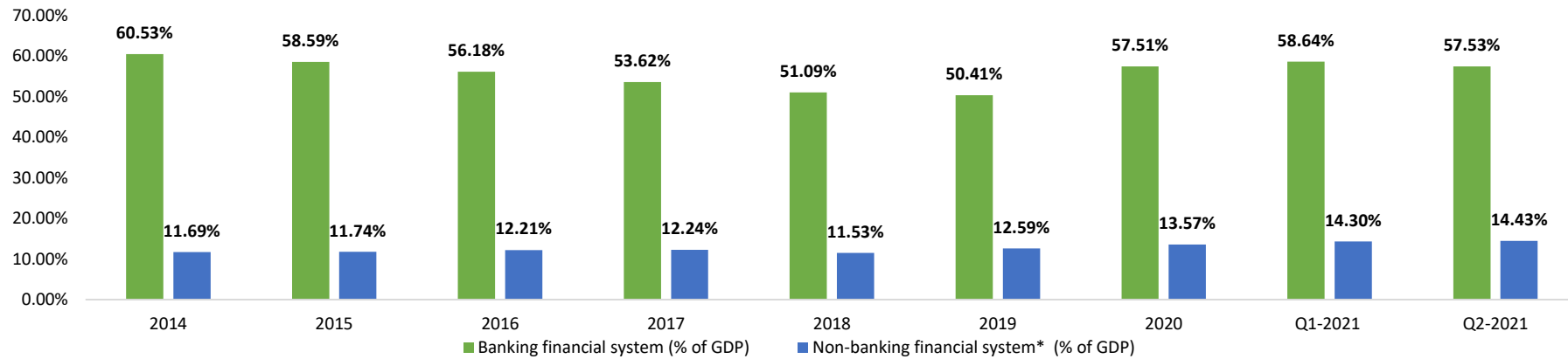
**The annual inflation rate** in the euro area is estimated at 3.4% in September 2021, according to the flash estimates published by Eurostat, up from the level recorded in August (3.0%). Taking into account the main components of inflation in the euro area, energy will have the highest annual rate in September (**17.4% compared to 15.4% in August**), followed by non-energy industrial goods (2.1% compared to 2.6% in August), food, alcohol and tobacco (2.1% compared to 2.0% in August) and services (1.7% compared to 1.1% in August).

**In Romania, the annual inflation rate (CPI)** was 6.29% in September 2021, up compared to the previous month (+5.25%). The most significant contribution to the annual inflation rate came from the increasing prices of non-food goods (+8.71%), followed by food goods (+4.26%) and by services (+3.75%).

**The Economic Sentiment Indicator (ESI)** recorded a value of 116.6 points in the European Union in September 2021, exceeding the values recorded in the pre-crisis period. In September 2021, confidence in construction sector registered an increase of 1.8 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 September 2021 at a level of 100.3 points, decreasing compared to the previous month (102.2 points). In Romania, the confidence in the services sector recorded a decrease of 1.9 points compared to the value recorded in the previous month, followed by the industrial sector (-1.8 points) and by the construction sector (-1.6 points).

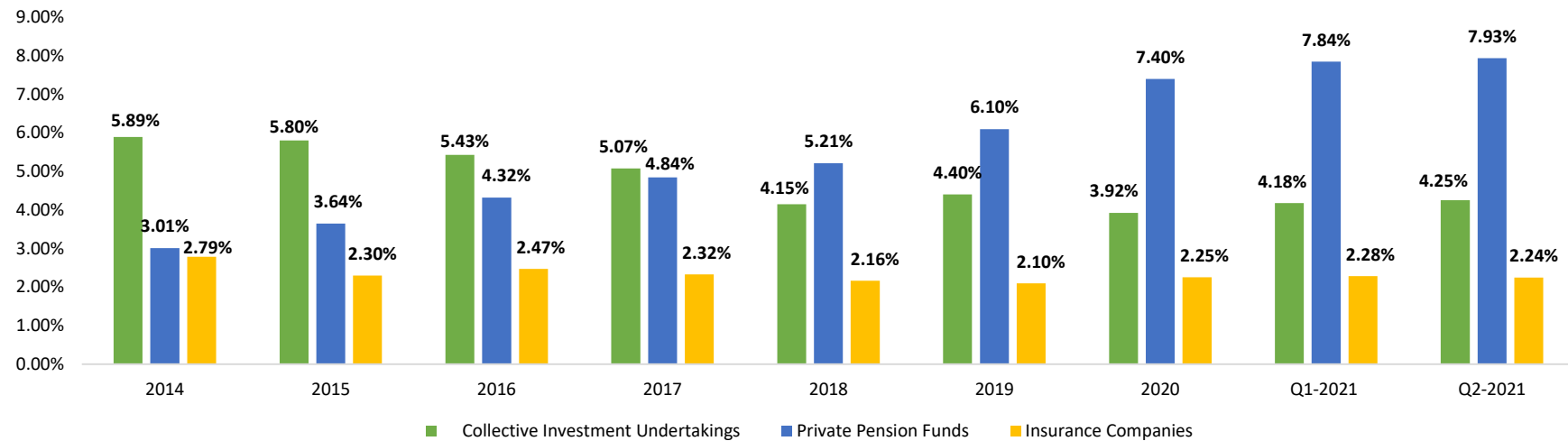
## The size of the banking vs. non-banking financial sector

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



\*IFNs are not included

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



Source: NBR, NIS, ASF

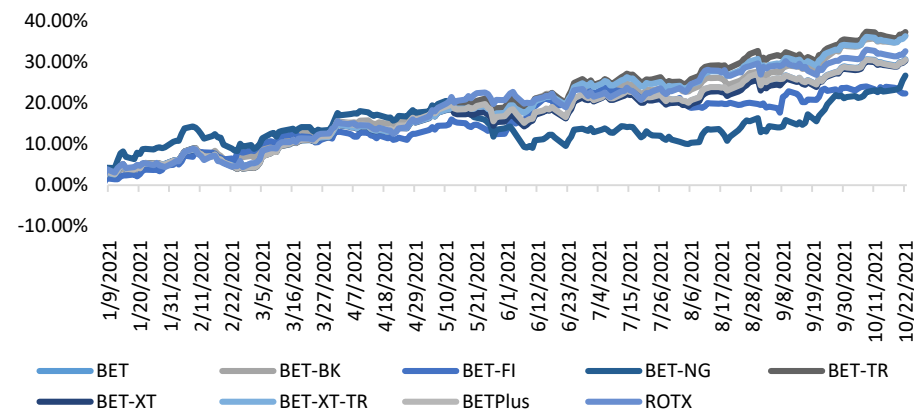
## Current trends and headlights on Romanian markets

### Romanian stock indices evolution in 2021 (30.12.2020 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
10/22/2021	30.67%	36.55%	22.37%	26.72%	37.33%

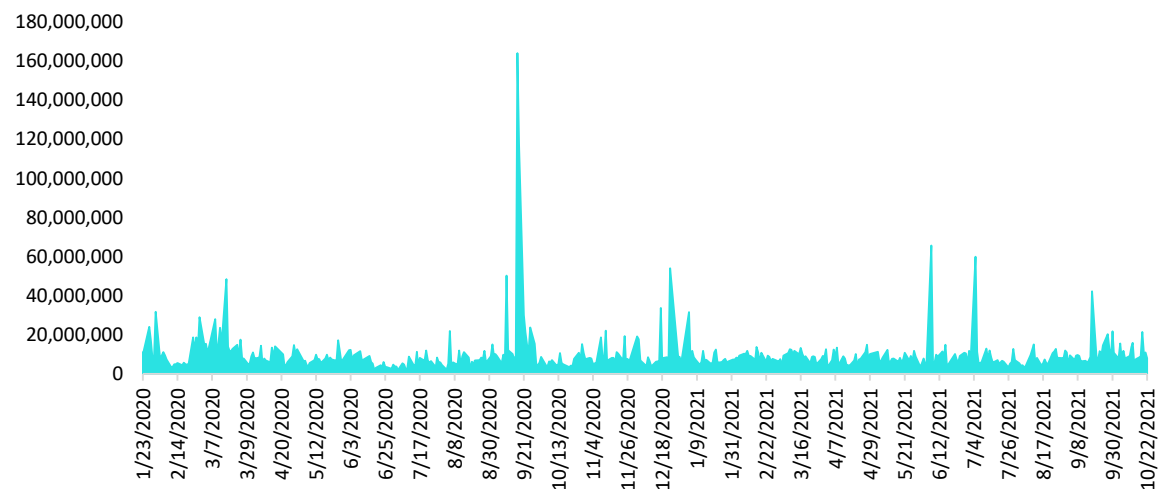
Date	BET-XT	BET-XT-TR	BETPlus	ROTX
10/22/2021	30.34%	36.28%	30.51%	32.62%

### 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
<b>Romania</b>	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 4.4 billion in January-August 2021 (compared with EUR 1.5 billion in the same period of the previous year).

On the other hand, the current account of the balance of payments registered a deficit of EUR 10.15 billion in the first eight months of 2021, compared to EUR 6.5 billion in the same period of the previous year.

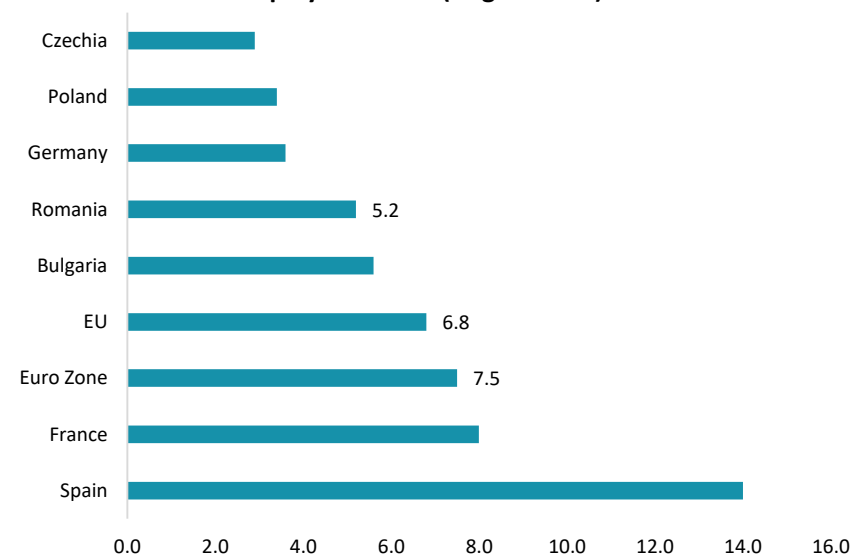
The evolution of the current account was accompanied by an increase in total external debt by EUR 8.4 billion in January–August 2021 to EUR 135 billion.

The seasonally adjusted unemployment rate in the euro area was 7.5%, down 0.1 pp compared to July 2021, while the EU unemployment rate was 6.8% in August 2021, down 0.1 pp compared to the previous month.

The seasonally adjusted unemployment rate in Romania was 5.2% in August 2021, up by 0.1 pp from the previous month (5.1%), according to data published by NIS.

At local level, the unemployment rate among men (5.5%) is higher than the unemployment rate for women (4.8%).

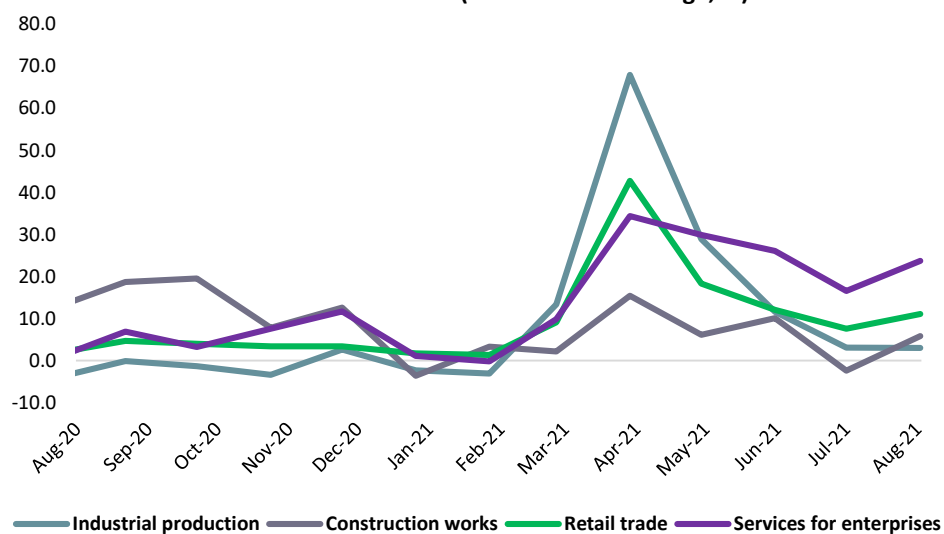
**Unemployment rate (August 2021)**



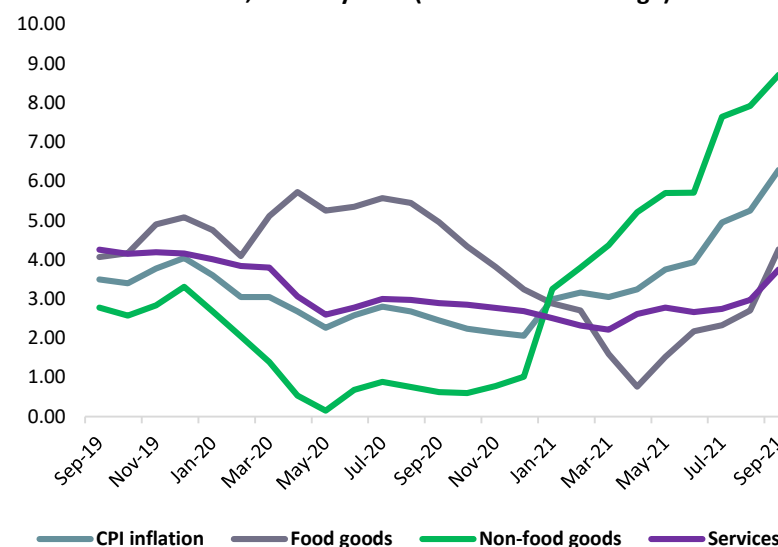
Source: Eurostat

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

Main sector indicators (annual rate of change, %)

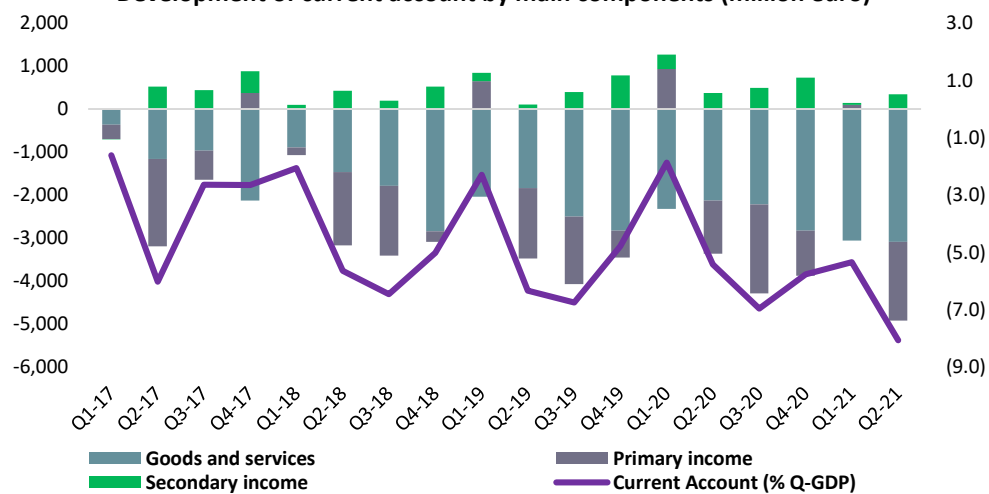


Inflation, monthly data (annual rate of change)



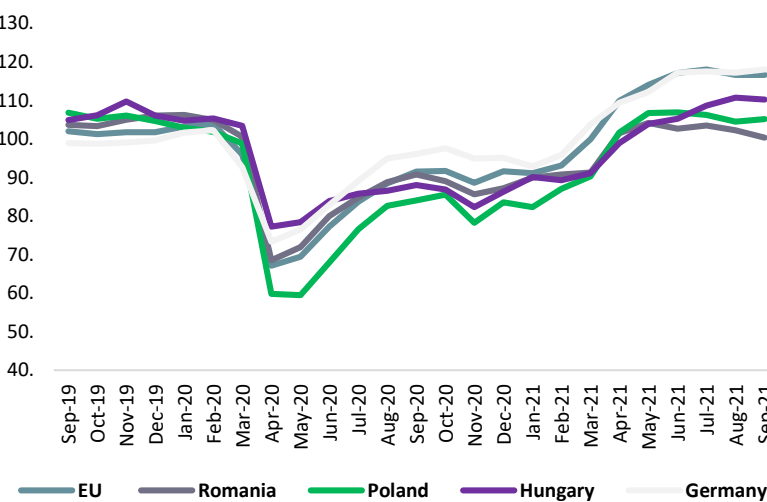
Source: National Institute of Statistics; ASF calculations

Development of current account by main components (million euro)



Source: NBR, ASF calculations

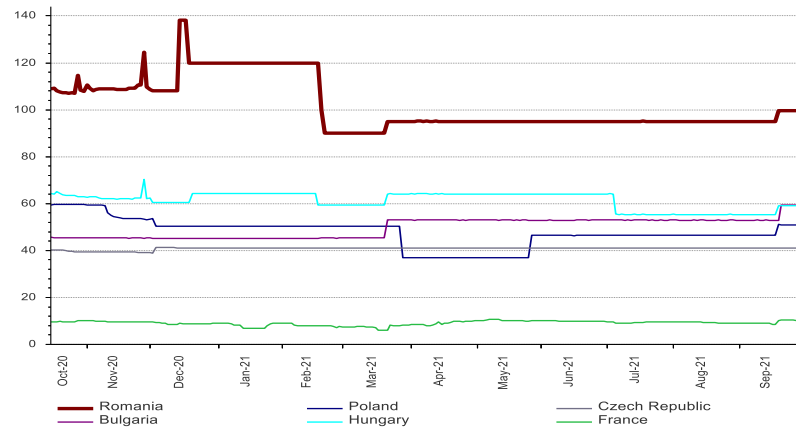
The economic sentiment index in EU



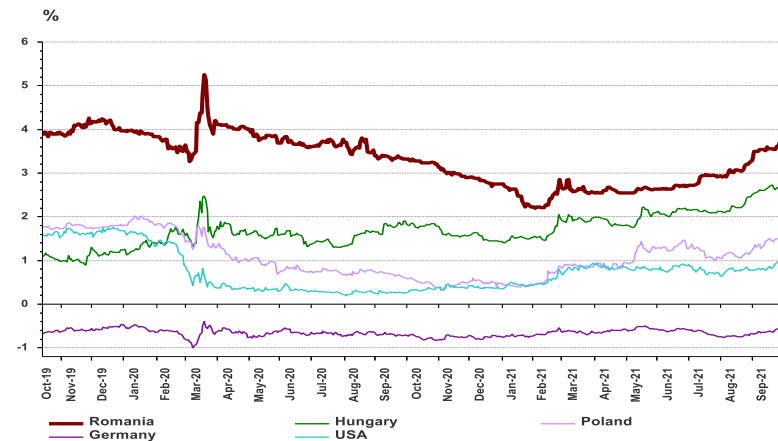
Source: Eurostat

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

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

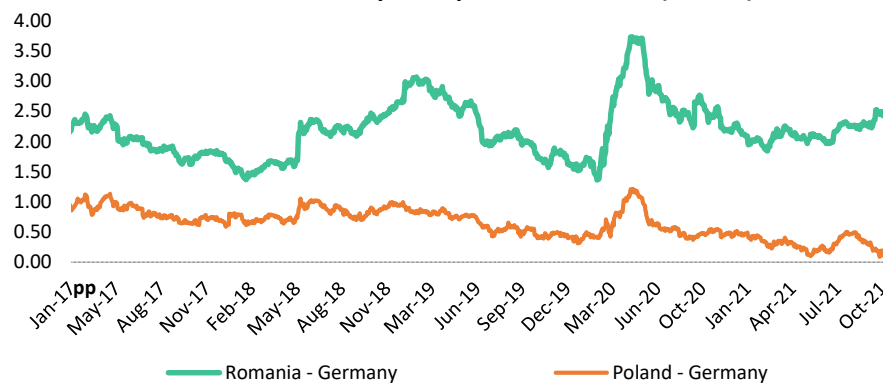


Government bond yields (5Y, LC)



Romania 5 - year bond yields increased by 16% in September 2021 as compared with the previous month, reaching an average value of 3.56%, while Germany 5 – year bond yields remained negative, at very low levels (average value of -0.62% in September 2021).

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



Romania CDS quotations increased by 2% in September 2021 compared with the previous month, at an average value of 97 bp. French CDS quotations increased to an average value of 9.49 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 October 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 September 2021

### International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-3.46%	0.39%	5.01%
FR (CAC 40)	-2.40%	0.19%	7.46%
DE (DAX)	-3.63%	-1.74%	1.68%
IT (FTSE MIB)	-1.25%	2.32%	4.20%
GR (ASE)	-6.26%	-2.21%	0.03%
IE (ISEQ)	-4.38%	2.79%	3.94%
ES (IBEX)	-0.57%	-0.28%	2.52%
UK (FTSE 100)	-0.47%	0.70%	5.55%
US (DJIA)	-4.29%	-1.91%	2.61%
IN (NIFTY 50)	2.84%	12.06%	19.93%
SHG (SSEA)	0.68%	-0.65%	3.65%
JPN (N225)	4.85%	2.30%	0.94%

The european indices have recorded negative developments (1M). The most significant decrease was recorded by ASE index (GR: -6.26%), followed by ISEQ index (IE: -4.38%).

The main American and Asian indices showed mixed developments. Therefore, the most significant increase was registered by N225 index (JPN: +4.85%), while the most important decrease was registered by DJIA index (US: -4.29%).

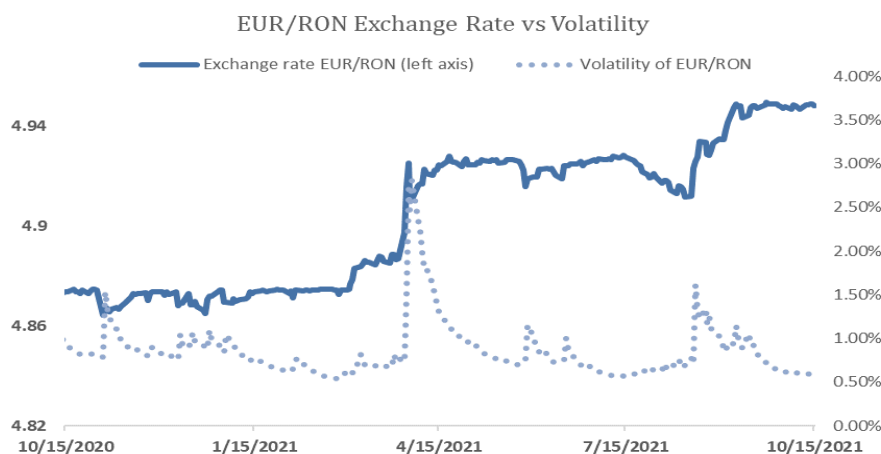
BSE indices	1 M	3 M	6 M
BET	3.84%	6.50%	13.01%
BET-BK	6.33%	8.02%	16.82%
BET-FI	3.43%	1.07%	9.59%
BET-NG	7.34%	7.06%	4.55%
BET-TR	4.51%	8.54%	18.75%
BET-XT	4.33%	6.35%	12.91%
BET-XT-TR	4.85%	8.07%	18.04%
BETPlus	3.64%	6.31%	12.86%
ROTX	3.18%	7.60%	14.78%

The BSE stock indices have recorded positive developments (1M). Therefore, the increases recorded were between 3.18% (ROTX index) and 7.34% (BET-NG index).

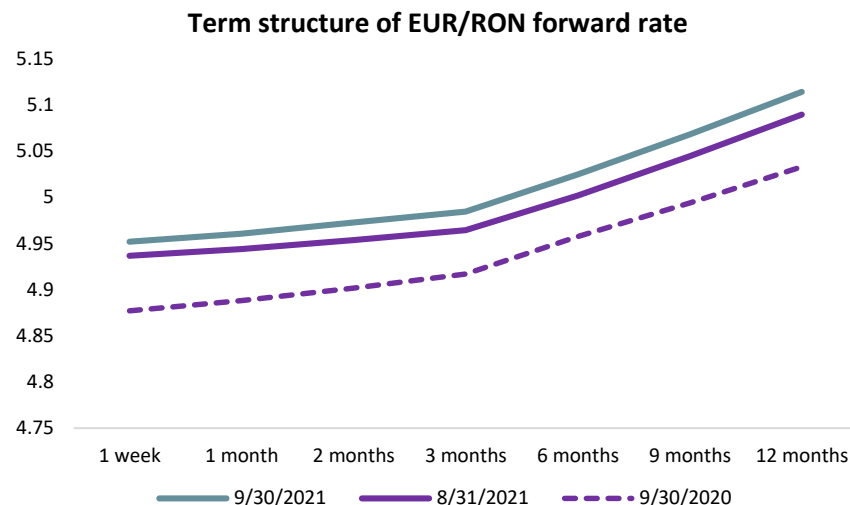
Source: Datastream, ASF calculations

Note: 1M=09/30/2021 vs. 08/31/2021; 3M=09/30/2021 vs. 06/30/2021; 6M=09/30/2021 vs. 03/31/2021

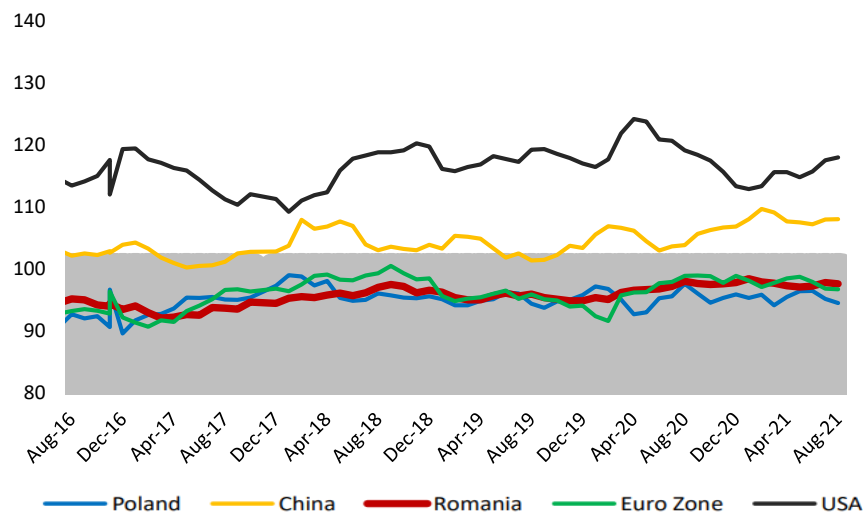
## Market risk: volatility of Romanian government bond yields and the EURRON currency rate



Source: Refinitiv, ASF calculations



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



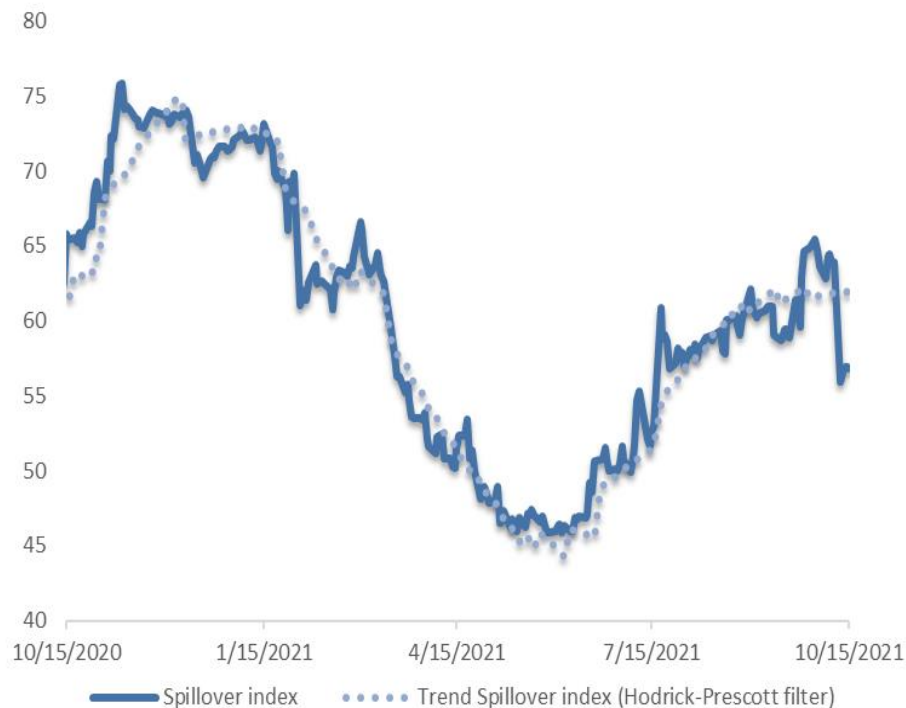
Source: BIS, ASF calculations

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 almost 4.95 Eur/Ron in October. The exchange rate remained stable in the second quarter with low volatility (1%). The macroeconomic risks are rising and they will keep to rise as the pandemic keeps accelerating.

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 with June 2021, the spillover between the major capital markets started to grow slightly due to the reduction in uncertainty but also to the exuberance trend on several stock market exchanges that recorded a very fast growth trend. In October, the spillover reversed its trend and began to decline rapidly as a result of differences in growth rates across capital markets.

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 September 2021

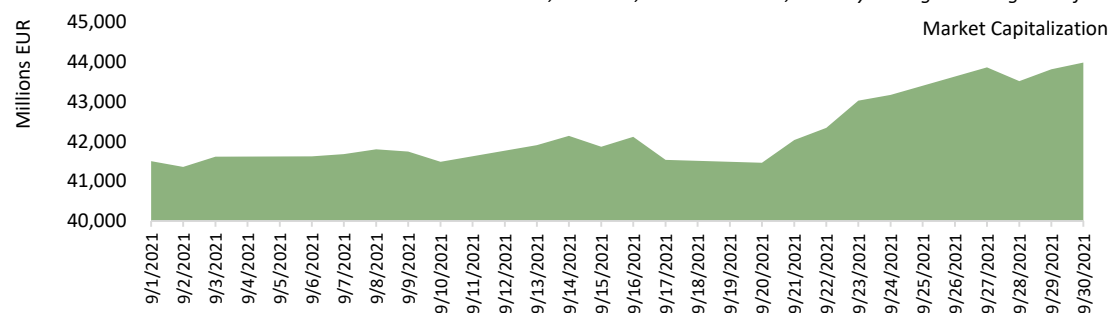
Week/month	No. of transactions	Volume	Value	
			EUR	%
<b>Total 01-03 September 2021</b>	17,387	118,037,032	24,974,543	9.94%
<b>Total 06-10 September 2021</b>	28,736	147,755,817	41,547,108	16.53%
<b>Total 13-17 September 2021</b>	26,063	462,553,462	70,213,245	27.93%
<b>Total 20-24 September 2021</b>	28,287	146,529,888	51,450,836	20.47%
<b>Total 27-30 September 2021</b>	24,993	168,812,048	63,178,254	25.13%
<b>Total September 2021</b>	<b>125,466</b>	<b>1,043,688,247</b>	<b>251,363,985</b>	<b>100.00%</b>

Source: BNR, BSE data, ASF calculations; monthly average exchange rate for September 2021 = 4.9465 LEI/EUR

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

Symbol	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
<b>SNP</b>	57,916,263	25.39%	448,878	5.12%	58,365,141	24.64%
<b>TLV</b>	30,787,890	13.50%	2,683,716	30.60%	33,471,606	14.13%
<b>TRP</b>	29,690,903	13.02%	1,476,296	16.83%	31,167,200	13.16%
<b>SNG</b>	13,521,196	5.93%	0	0.00%	13,521,196	5.71%
<b>FP</b>	13,371,461	5.86%	0	0.00%	13,371,461	5.65%
<b>SNN</b>	11,546,108	5.06%	384,110	4.38%	11,930,218	5.04%
<b>BRD</b>	10,909,012	4.78%	335,848	3.83%	11,244,860	4.75%
<b>M</b>	7,955,057	3.49%	249,712	2.85%	8,204,769	3.46%
<b>EBS</b>	7,734,075	3.39%	0	0.00%	7,734,075	3.27%
<b>SIF1</b>	6,091,101	2.67%	1,085,616	12.38%	7,176,717	3.03%
<b>DIGI</b>	5,271,705	2.31%	0	0.00%	5,271,705	2.23%
<b>ONE</b>	5,128,438	2.25%	0	0.00%	5,128,438	2.17%
<b>SFG</b>	3,584,563	1.57%	0	0.00%	3,584,563	1.51%
<b>EL</b>	2,963,759	1.30%	0	0.00%	2,963,759	1.25%
<b>TTS</b>	2,903,705	1.27%	0	0.00%	2,903,705	1.23%
<b>Top 15 Total</b>						<b>91.21%</b>

Source: BNR, BSE data, ASF calculations; monthly average exchange rate for September 2021 = 4.9465 LEI/EUR



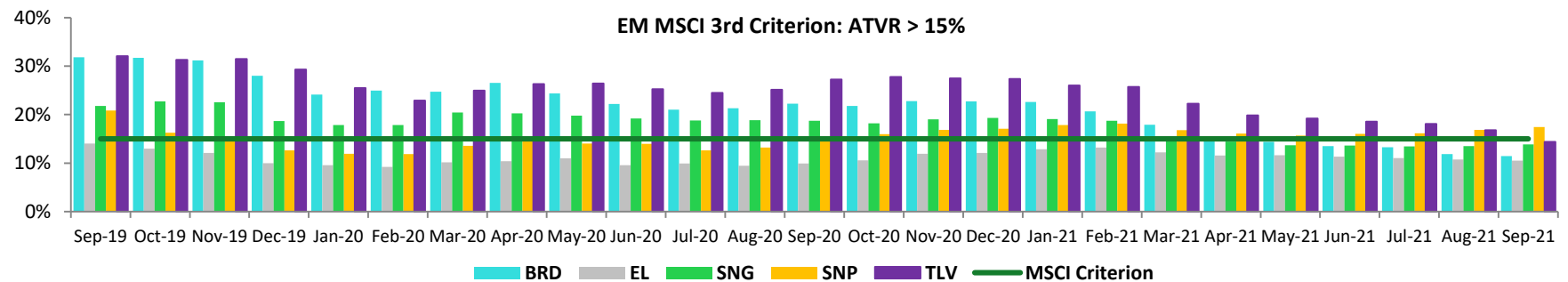
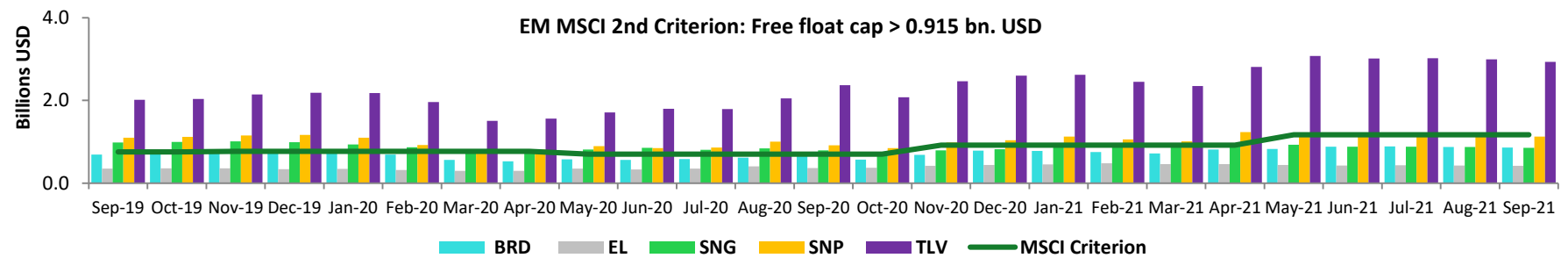
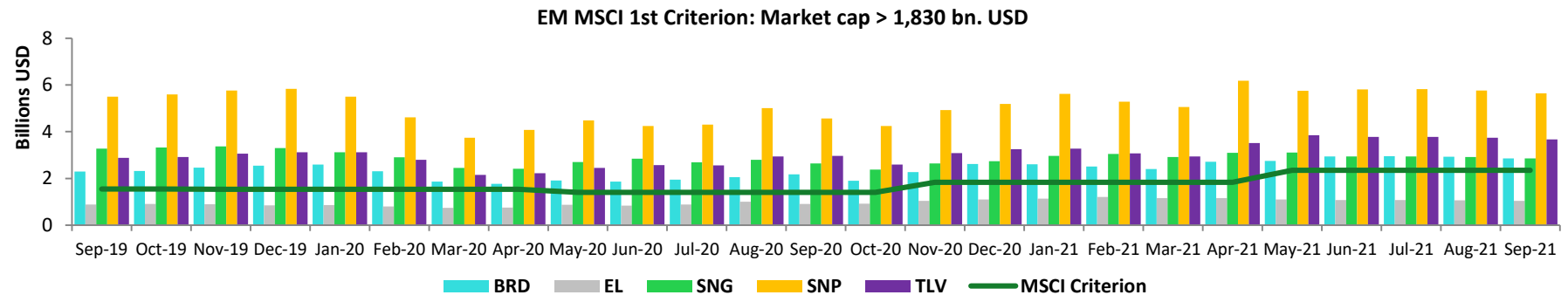
Source: BSE data, ASF calculations; monthly average exchange rate for September 2021 = 4.9465 LEI/EUR

### Top of intermediaries during September 2021

Rank	Intermediary name	Traded Value EUR (month level)	% from Total Value (month level)
1	BANCA COMERCIALA ROMANA	85,940,222	18.08
2	BT CAPITAL PARTNERS	75,512,233	15.88
3	SWISS CAPITAL S.A.	66,898,112	14.07
4	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	55,377,633	11.65
5	SSIF BRK FINANCIAL GROUP S.A.	46,514,676	9.78
6	TRADEVILLE	44,665,688	9.39
7	RAIFFEISEN CENTROBANK AG	18,611,703	3.91
8	IFB FINWEST	15,736,825	3.31
9	CONCORDE SECURITIES LTD	13,254,177	2.79
10	GOLDRING	12,233,722	2.57
11	PRIME TRANSACTION	9,516,273	2
12	Alpha Bank Romania SA	8,205,038	1.73
13	ESTINVEST	7,611,031	1.6
14	BRD Groupe Societe Generale	6,967,677	1.47
15	INTERFINBROK CORPORATION	3,031,719	0.64
<b>Top 15 Total</b>			<b>98.87</b>

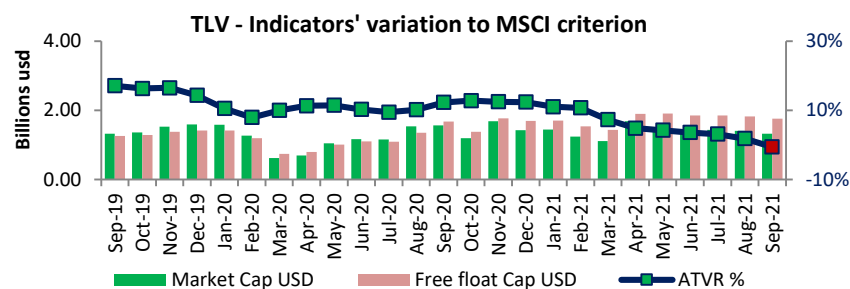
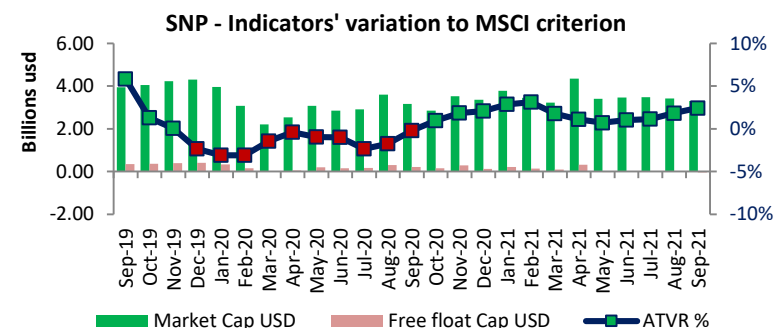
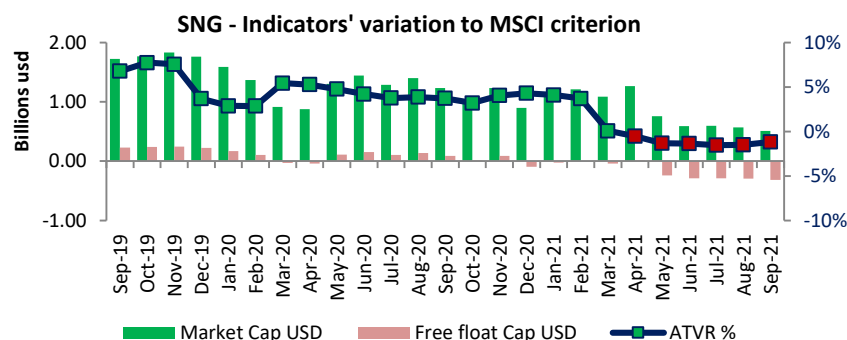
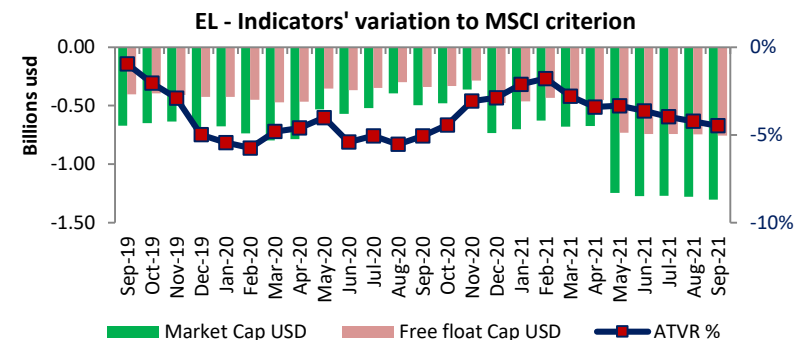
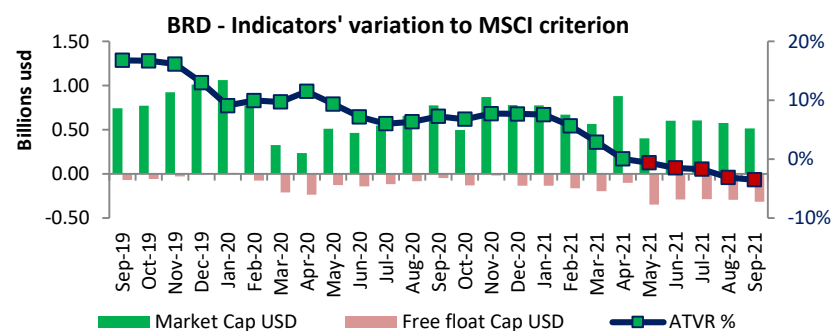
**The market capitalization** registered an increase of 41% at the end of September 2021 compared to the end of 2020 and an increase of 20% compared to the end of 2019. In September 2021, the first 3 companies traded on BVB were OMV Petrom SA (SNP) with a share of 24.64% of the total value traded in that period, Banca Transilvania SA (TLV: 14.13%) and Teraplast SA (TRP: 13.16%)

## MSCI: Quantitative Indicators for Emerging Market Status



Source: ASF Calculations, September 2021

## MSCI: Quantitative Indicators for Emerging Market Status



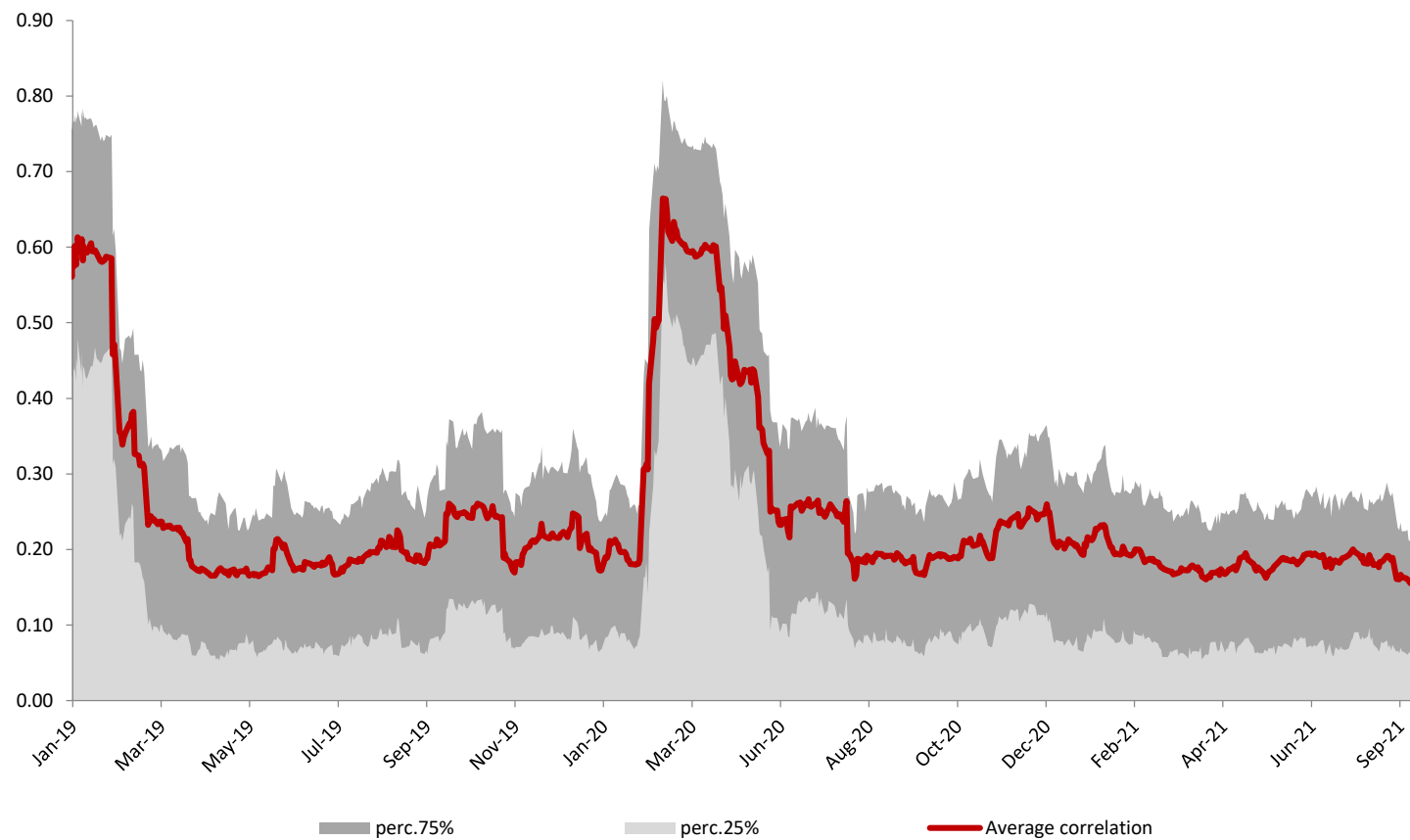
**Indicators' variation to MSCI criterion (September 2021)**

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	0.52	(0.31)	-3.52%
EL	(1.30)	(0.76)	-4.48%
SNG	0.51	(0.32)	-1.16%
SNP	3.30	(0.04)	2.44%
TLV	1.32	1.76	-0.58%

Source: ASF Calculations, September 2021

## Risk assessment and the benefit of diversification

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



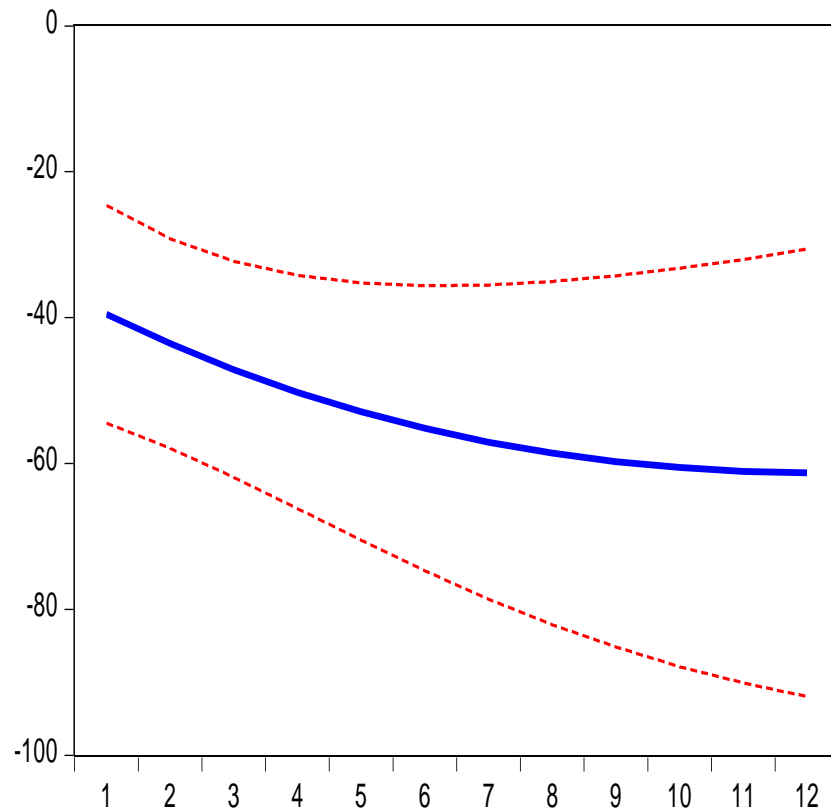
Source: Bloomberg, ASF

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.

Adverse economic conditions can trigger steep increases in uncertainty. Uncertainty is a response to fluctuations in economic activity. As the European business cycle was strongly correlated during the 2020 pandemic, by combining all the common shocks in asset prices, it is possible to capture the effect of uncertainty on stock markets.

**The CISS indicator** is a composite indicator calculated by the European Central Bank and measures systemic stress for European financial markets.

Response of Romanian capital market to CISS shock using Structural VAR Factors

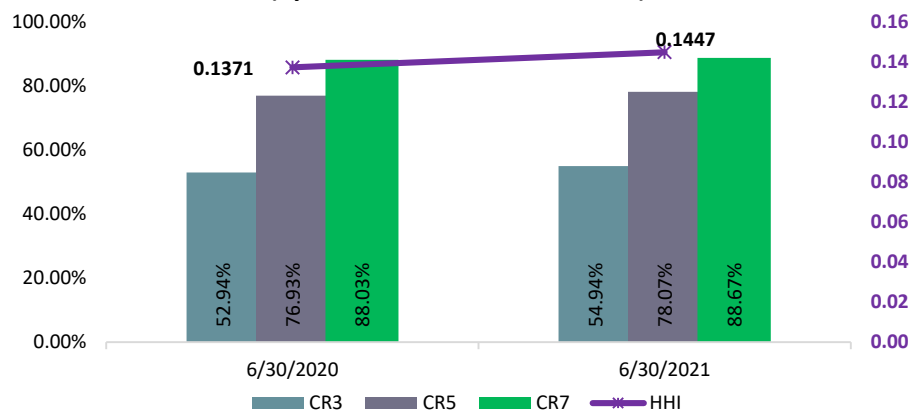


Source: ASF own calculations

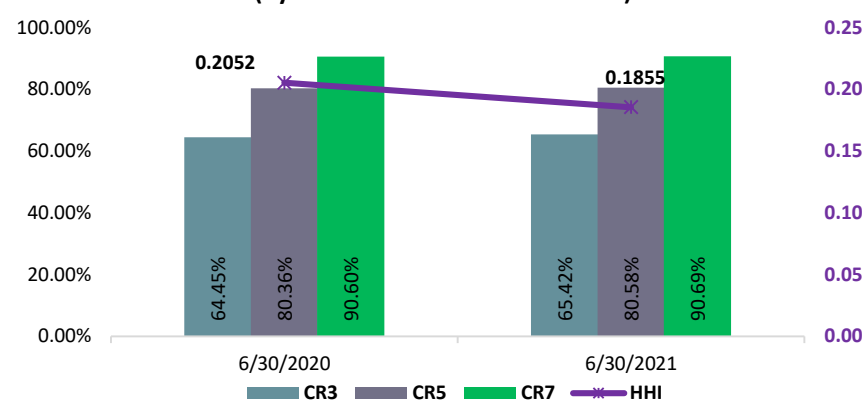


## Concentration risk

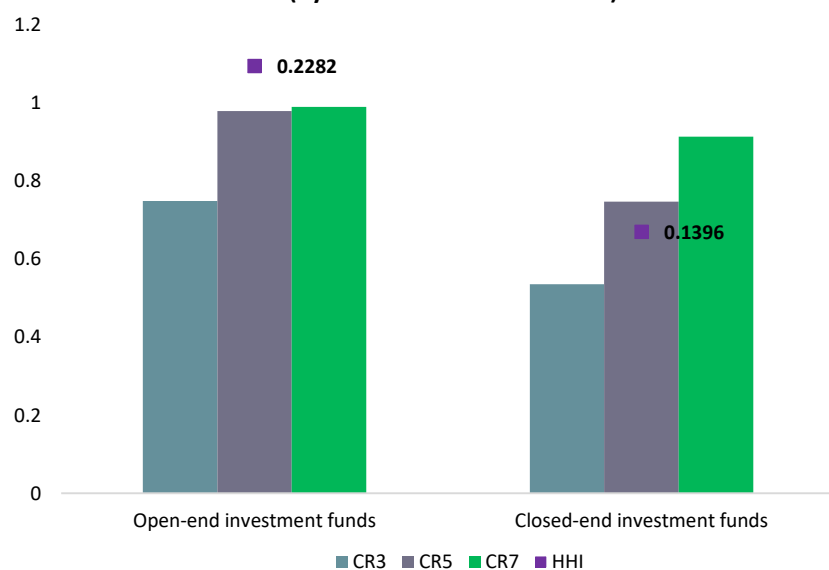
**Concentration risk of non-life insurance undertakings  
(by value of GWP at 30 June 2021)**



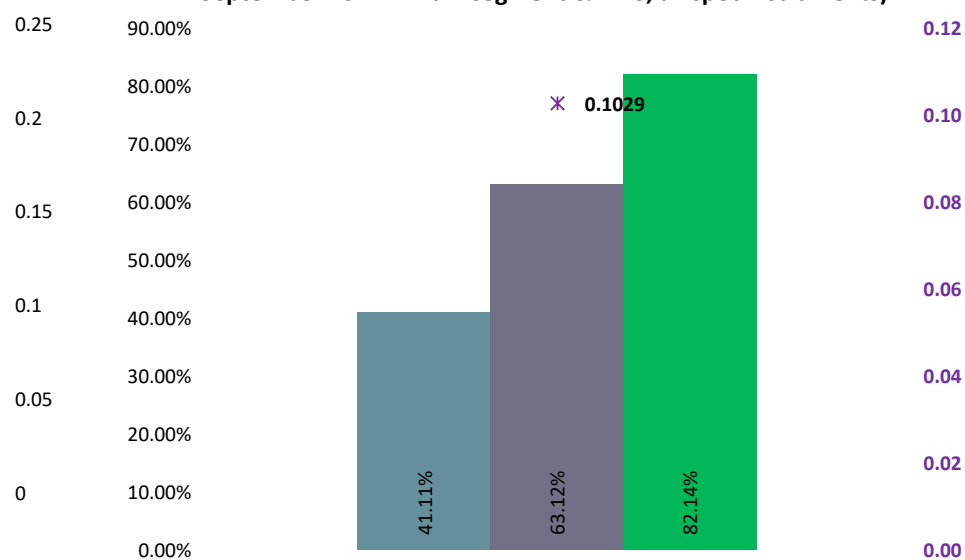
**Concentration risk of life insurance undertakings  
(by value of GWP at 30 June 2021)**



**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  
September 2021 – Main segment & MTS, all spot instruments)**

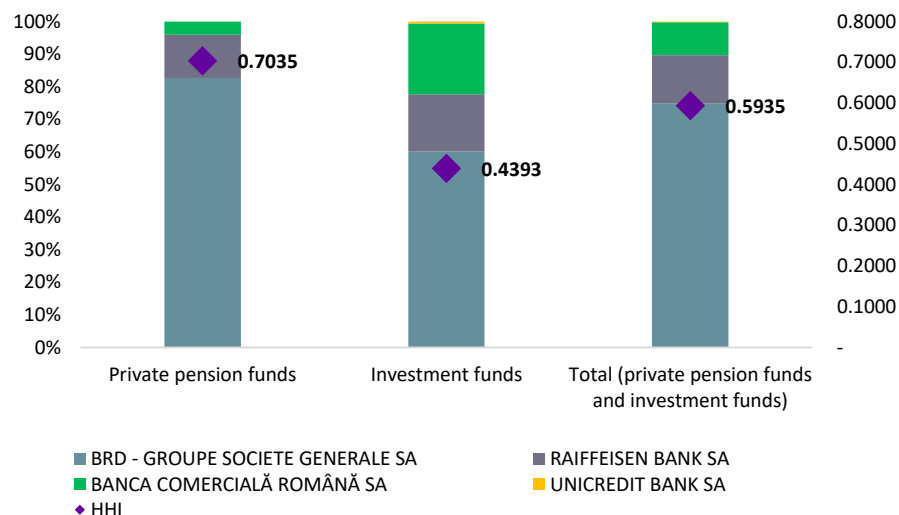


Source: ASF

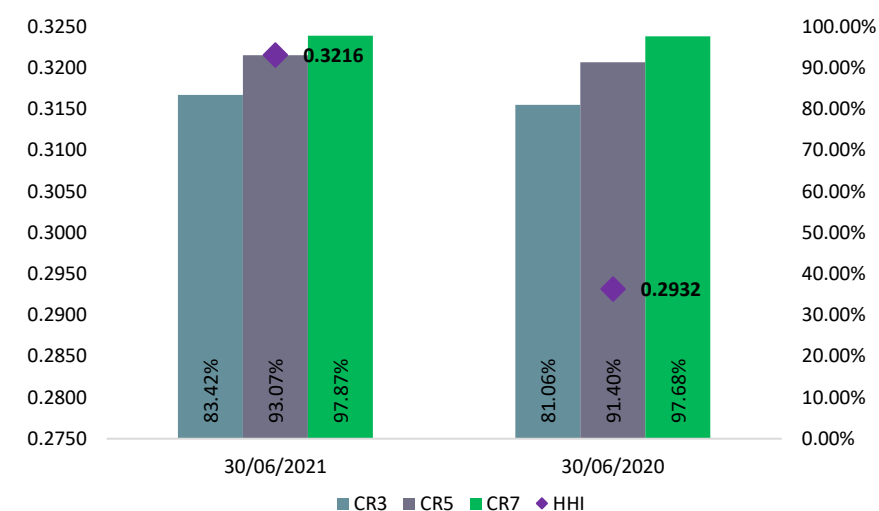
Source: ASF

## Concentration risk

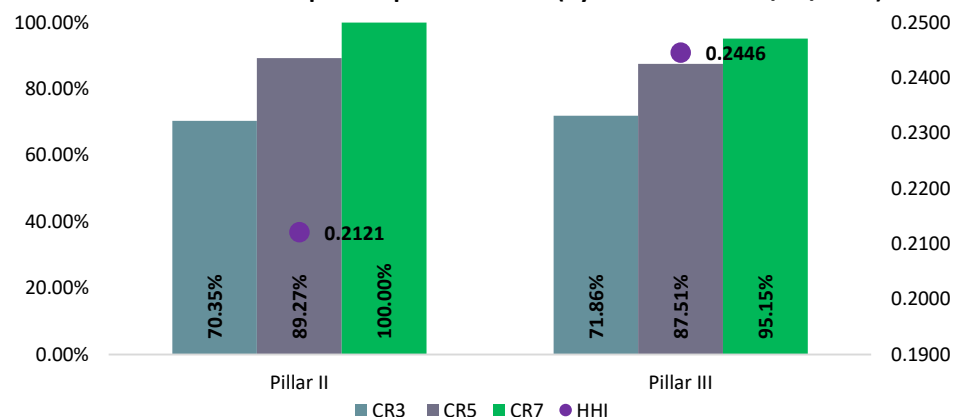
Concentration risk of depositaries of private pension funds and investment funds (by total assets at 6/30/2021)



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 9/30/2021)



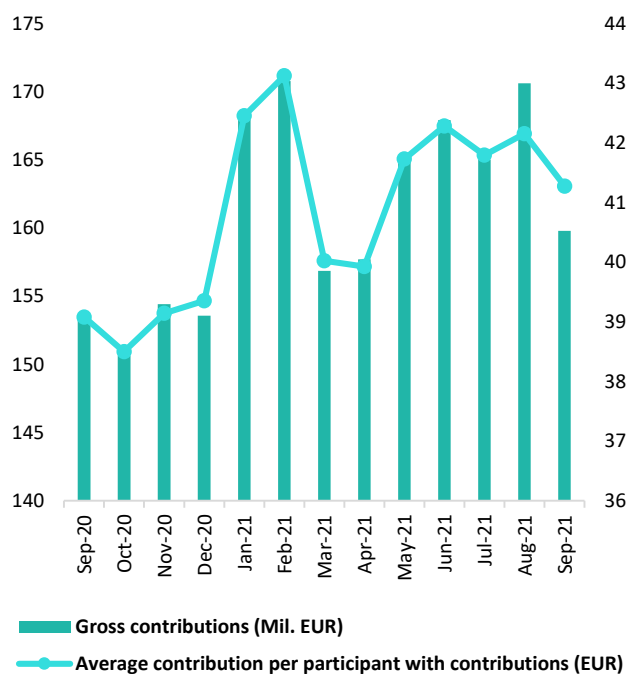
According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high. The situation is similar in the case of private pension funds market (Pillar II and Pillar III), 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 30 September 2021 (EUR)	Participants (persons) September 2021	Rate of return September 2021
ARIPI*	1,570,868,580	804,348	6.35%
AZT VIITORUL TAU	3,790,704,619	1,625,286	5.99%
BCR	1,197,046,543	707,461	5.85%
BRD	692,596,703	492,766	4.85%
METROPOLITAN LIFE	2,434,045,874	1,080,315	5.70%
NN	6,161,958,964	2,052,151	5.99%
VITAL	1,759,958,574	970,259	6.06%
<b>Total</b>	<b>17,607,179,859</b>	<b>7,732,586</b>	<b>n/a</b>

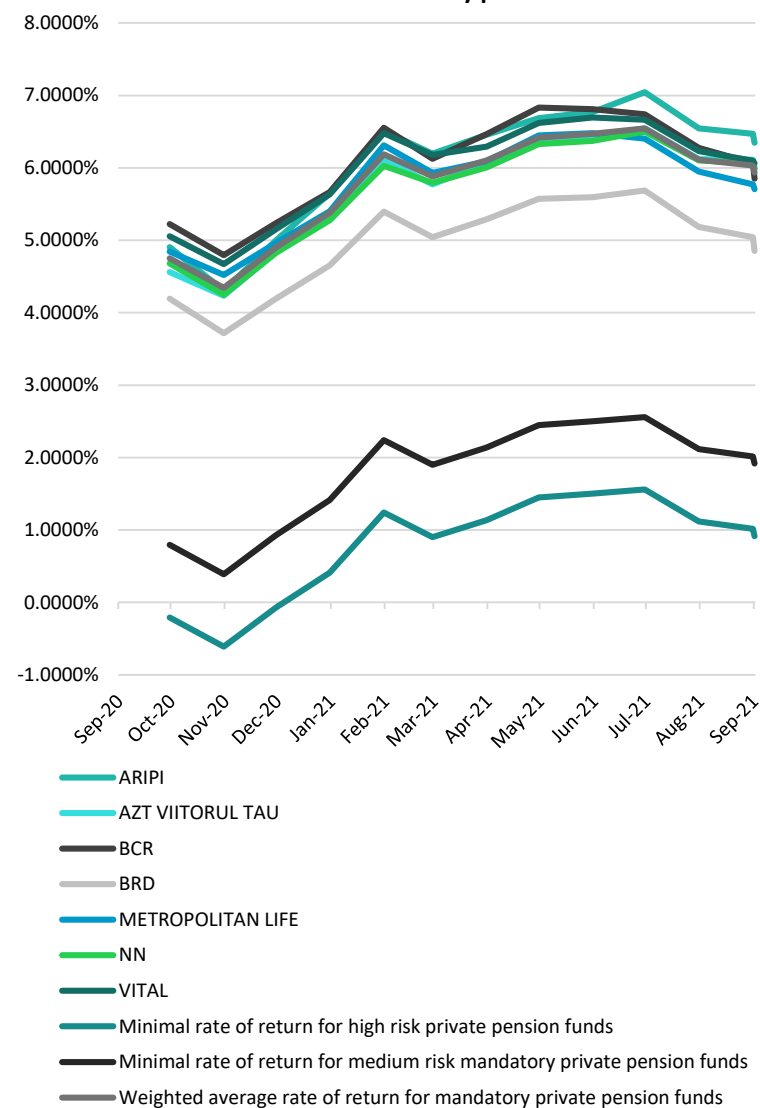
Evolution of gross contributions



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

11,260 persons

Rate of return for mandatory pension funds



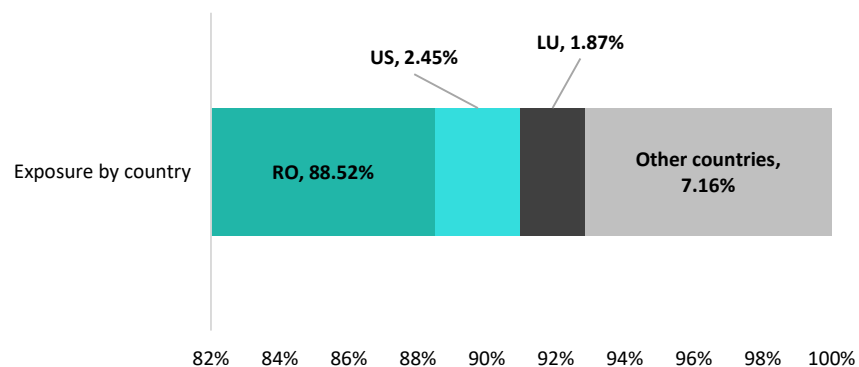
Source: ASF

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

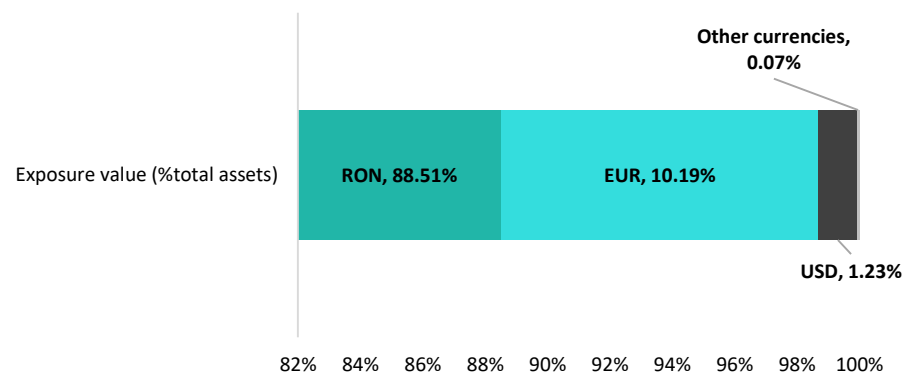
Mandatory pension fund's portfolio at 30 September 2021 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	10,773,382,456	61.19%
Equity	4,382,856,018	24.89%
Corporate bonds	1,017,068,363	5.78%
Investment funds	575,395,094	3.27%
Bank deposits	443,210,860	2.52%
Supranational bonds	361,731,960	2.05%
Municipal bonds	37,405,836	0.21%
Metal funds	22,672,064	0.13%
Derivatives	(192,116)	-0.001%
Other assets	(6,350,676)	-0.04%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



Source: ASF

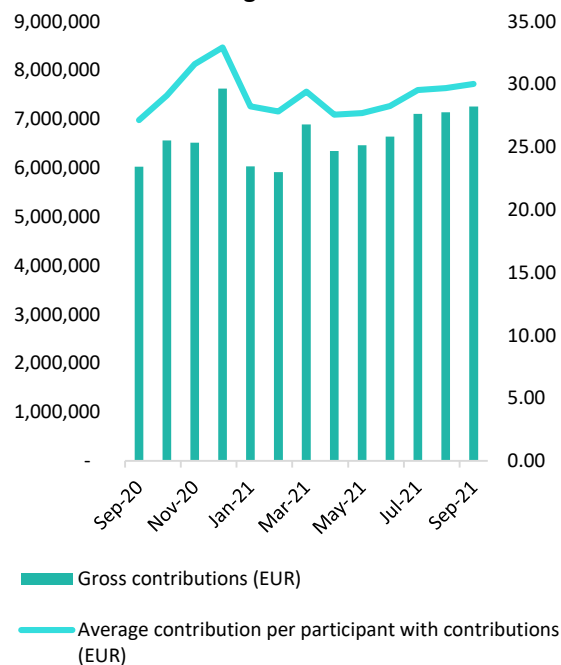
The value of the total assets of the privately managed pension funds reached EUR 17.61 billion at the end of September 2021, registering an annual rate of growth of 25%. At the end of September 2021, the privately managed pension funds' investments were generally made locally, in a percentage of 89%, 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)

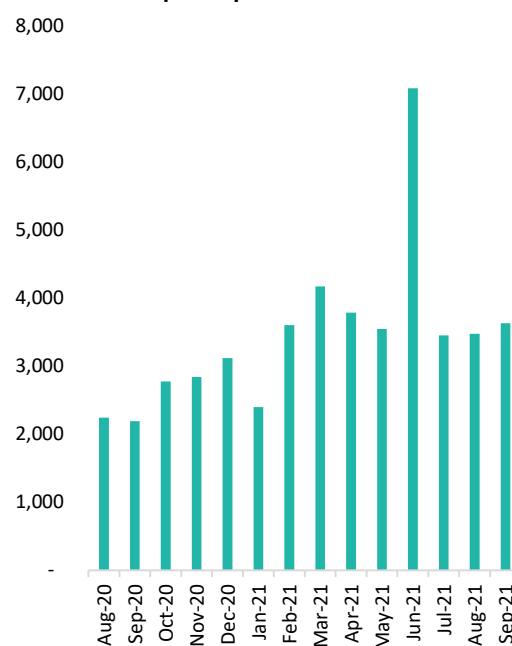
Total assets (EUR), number of participants and return rates

Voluntary pension fund	Total assets (EUR), 30 September 2021	Participants (persons) September 2021	Rate of return September 2021
AEGON ESENTIAL	2,201,050	3,928	6.3131%
AZT MODERATO	69,804,458	45,032	6.5751%
AZT VIVACE	26,113,696	20,619	8.0892%
BCR PLUS	116,159,818	140,388	5.0801%
BRD MEDIO	35,289,758	35,588	3.8750%
GENERALI STABIL	6,566,991	5,509	6.4418%
NN ACTIV	79,291,534	58,353	6.8600%
NN OPTIM	287,243,326	208,110	5.5325%
PENSIA MEA	23,821,908	20,783	5.6092%
RAIFFEISEN ACUMULARE	25,216,213	15,465	6.2434%
<b>Total</b>	<b>671,708,752</b>	<b>553,775</b>	<b>n/a</b>

Evolution of gross contributions

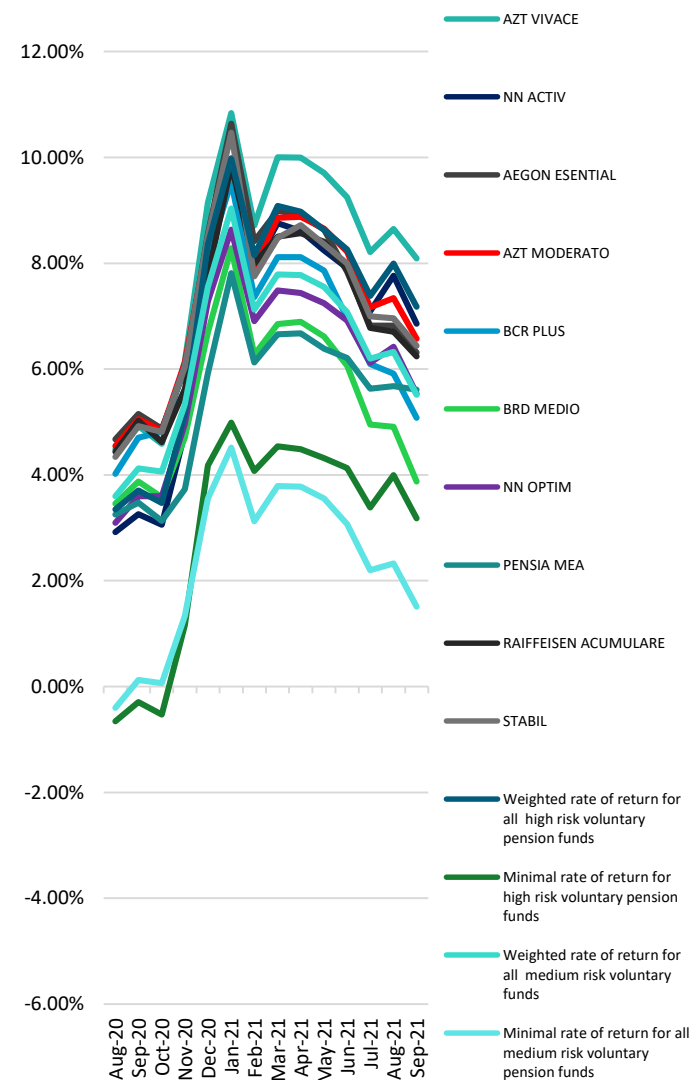


New participants in 3<sup>rd</sup> Pillar



Source: ASF

Rate of return for voluntary pension funds



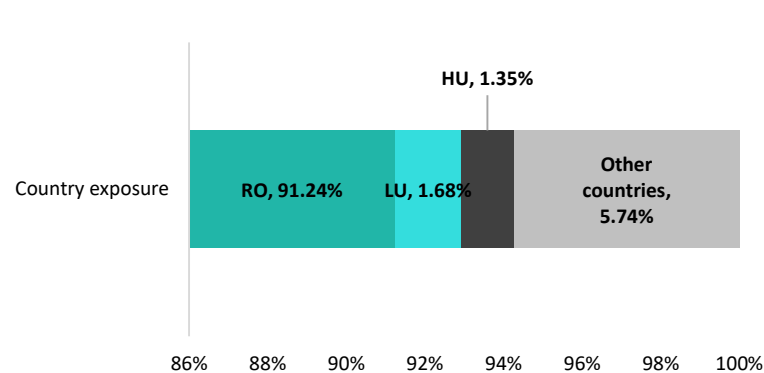
## Current evolutions in optional private pension funds (3rd Pillar)

### Optional pension fund's portfolio at 30 September 2021 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government Bonds	410,593,179	61.13%
Equity	188,767,201	28.10%
Corporate Bonds	18,823,261	2.80%
Investment Funds	16,871,272	2.51%
Bank Deposits	15,389,840	2.29%
Supranational Bonds	14,163,219	2.11%
Municipal Bonds	4,650,804	0.69%
Metal funds	1,735,585	0.26%
Other assets	692,130	0.10%
Derivatives	22,261	0.003%

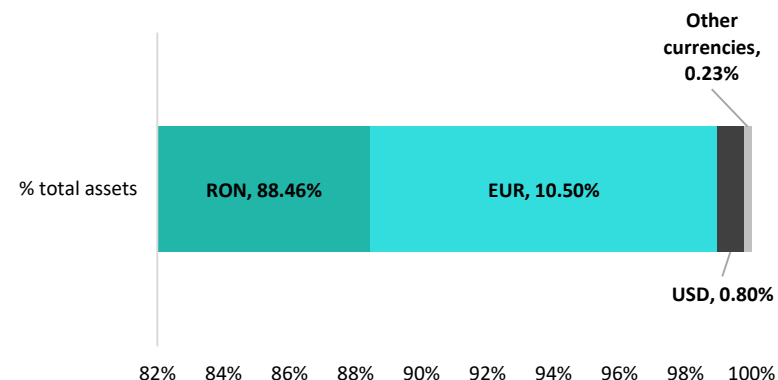
Source: ASF

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



Source: ASF

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

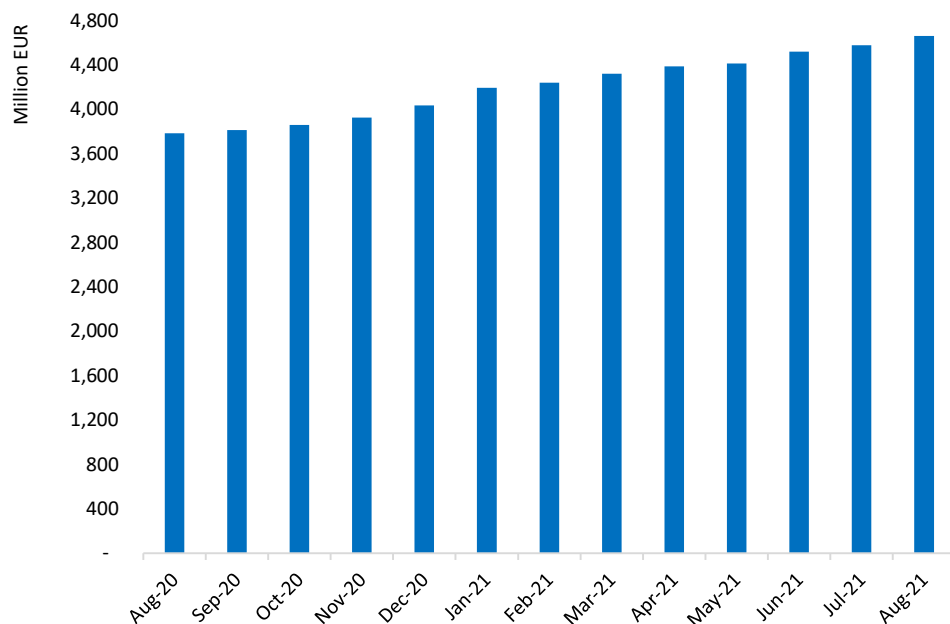


Source: ASF

The value of the total assets of the voluntary pension funds, at the end of September 2021, was EUR 672 million, registering an annual rate of growth of 22%. At the end of September 2021, the voluntary pension funds' investments were generally made locally, in a percentage of 91%, a large majority being denominated in lei.

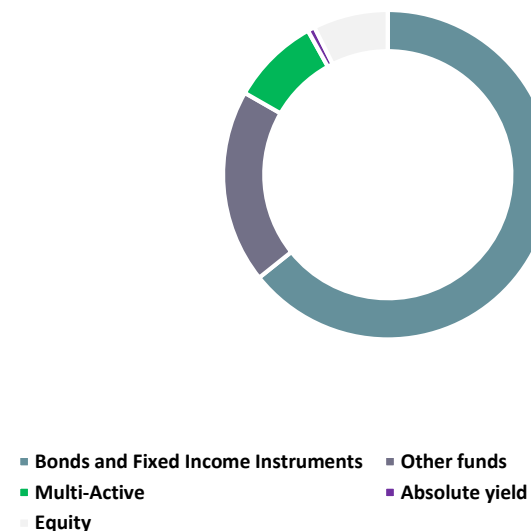
## Specific developments in the investment funds sector

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



Source: AAF

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



According to data published by AAF, the net assets of open-end investment funds (OeIF) reached a value of EUR 4.66 billion in August 2021, an increase of approximately 1.8% compared to the previous month. Net assets of all categories of investment funds increased in August 2021 compared to the previous month.

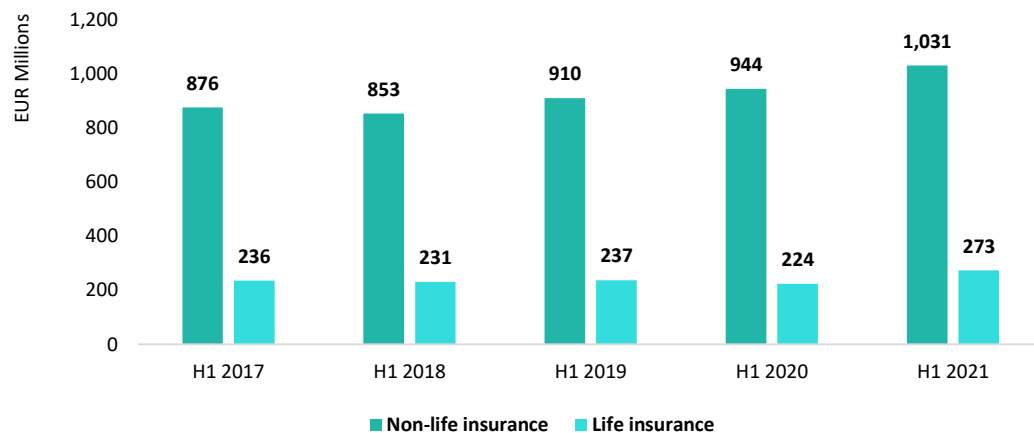
In August 2021, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 64%<sup>1</sup>), while the "other funds" category has a market share of approximately 19%.

<sup>1</sup> There was a change in Open end investment funds' classification

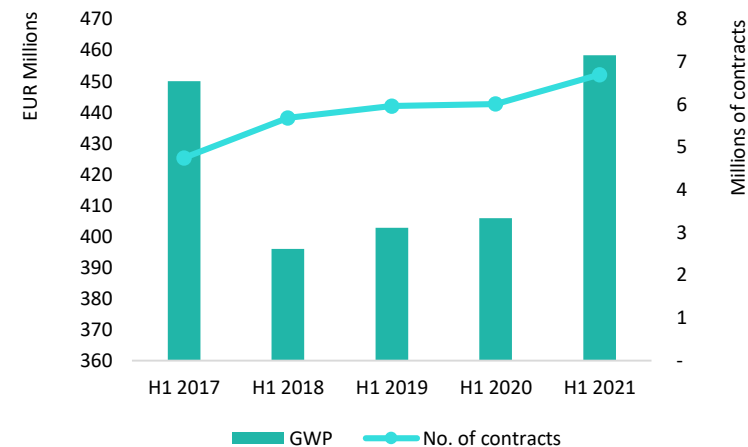
## Specific developments in the insurance market in Romania

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

#### Gross written premiums (total)

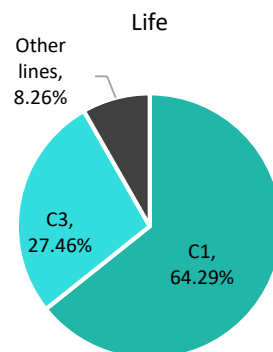
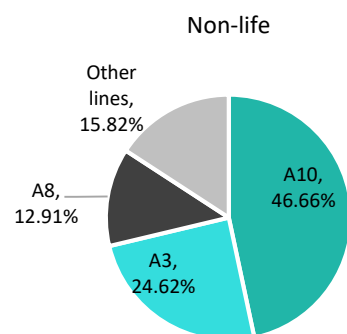


#### MTPL gross written premiums



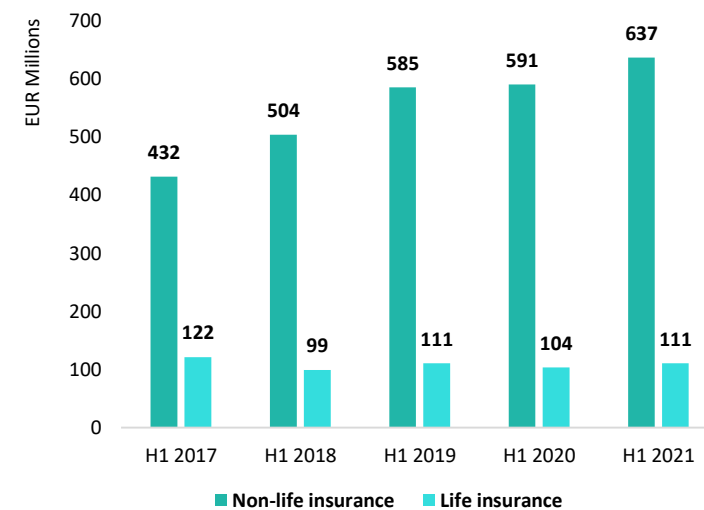
Source: ASF

#### Share of main insurance classes by GWP



Source: ASF

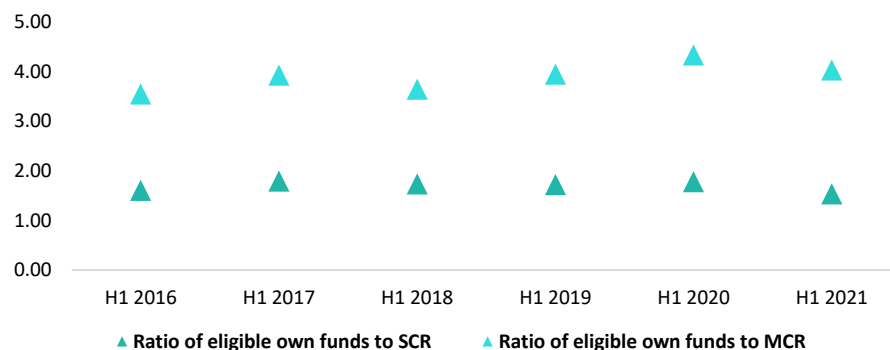
#### Gross claims paid





## Specific developments in the insurance market in Romania

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

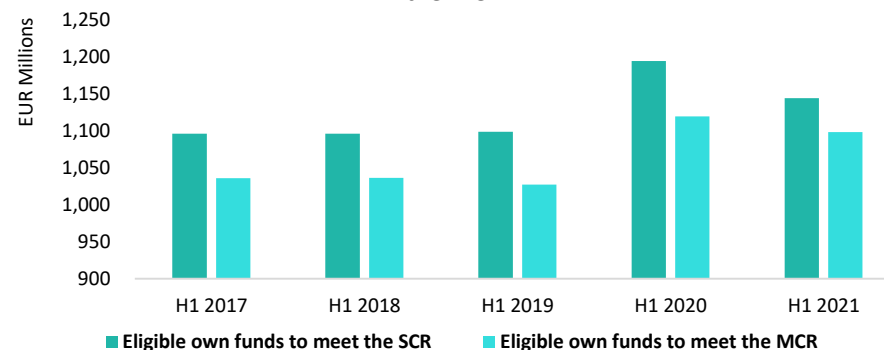


Total assets and total liabilities



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 September 2021

<b>EUROPEAN UNION</b>	<ul style="list-style-type: none"> <li>22 September: <a href="#">European Commission adopts a comprehensive review of EU insurance rules (known as “Solvency II”).</a></li> </ul>
<b>ESMA</b>	<ul style="list-style-type: none"> <li>1 September: <a href="#">ESMA publishes its second Trends, Risks and Vulnerabilities Report of 2021.</a></li> <li>24 September: <a href="#">ESMA consults on the review of the short selling regulation.</a></li> <li>24 September: <a href="#">ESMA consults on proposals for a review of the MiFID II best execution reporting regime.</a></li> <li>29 September: <a href="#">ESMA publishes MiFID II review report on algorithmic trading.</a></li> <li>30 September: <a href="#">ESMA calls for legislative changes to improve access to and use of credit ratings.</a></li> </ul>
<b>EIOPA</b>	<ul style="list-style-type: none"> <li>13 September: <a href="#">EIOPA presents the criteria for the independence of supervisory authorities.</a></li> </ul>
<b>ESA</b>	<ul style="list-style-type: none"> <li>8 September: <a href="#">ESAs issues their second joint risk assessment report for 2021.</a></li> </ul>
<b>IOSCO</b>	<ul style="list-style-type: none"> <li>7 September: <a href="#">IOSCO publishes guidance for intermediaries and asset managers using Artificial Intelligence and Machine Learning.</a></li> </ul>
<b>ECB</b>	<ul style="list-style-type: none"> <li>9 September: <a href="#">ECB keeps the monetary policy unchanged.</a></li> <li>22 September: <a href="#">ECB publishes the results of its economy-wide climate stress test.</a></li> </ul>
<b>BIS</b>	<ul style="list-style-type: none"> <li>16 September: <a href="#">BIS analysis the possibility of reviewing the insurers capital requirements for pandemic risk.</a></li> </ul>
<b>OECD</b>	<ul style="list-style-type: none"> <li>21 September: <a href="#">OECD updates global economic prognosis.</a></li> <li>24 September: <a href="#">OECD releases Business and Finance Outlook 2021.</a></li> </ul>