

According to the data published by NIS, the gross domestic product increased by 2.1% in Romania in the second quarter of 2022 compared to the previous quarter.

MONTHLY MARKET REPORT

- The market capitalization registered a decrease of 14% at the end of July 2022 compared to the end of 2021.
- The value of the total assets of the privately managed pension funds reached EUR 18.33 billion at the end of July 2022, registering an annual rate of growth of 2%.

World Macroeconomic Outlook

According to the Summer 2022 Economic Forecast, the European Commission expects the euro area economy to grow by 2.6%, a downward revision (-0.1 pp) from the previous forecast, and the EU economy to grow by 2.7% in 2022. According to the European Commission, Romania's gross domestic product will grow by 3.9% in 2022, an upward revision compared to the Spring Economic Forecast (2.6%).

According to flash estimates published by Eurostat, in the second quarter of 2022, **seasonally adjusted GDP** increased by 0.6% both in the euro area in the EU compared to the previous quarter. Compared to the same period of the previous year, seasonally adjusted GDP increased by 3.9% in the euro area and by 4% in the EU in the second quarter of 2022.

According to the data published by NIS, **the gross domestic product** increased by 2.1% in **Romania** in the second quarter of 2022 compared to the previous quarter. Compared to the similar period of the previous year, in the second quarter of 2022, Romania's gross domestic product increased by 5.3% on both the gross and seasonally adjusted series.

The National Commission for Strategy and Prognosis (NCSP) revised upward the economic forecast regarding Romania's GDP growth rate for 2022 at 3.5% (from 2.9% according to the NCSP spring 2022 forecast).

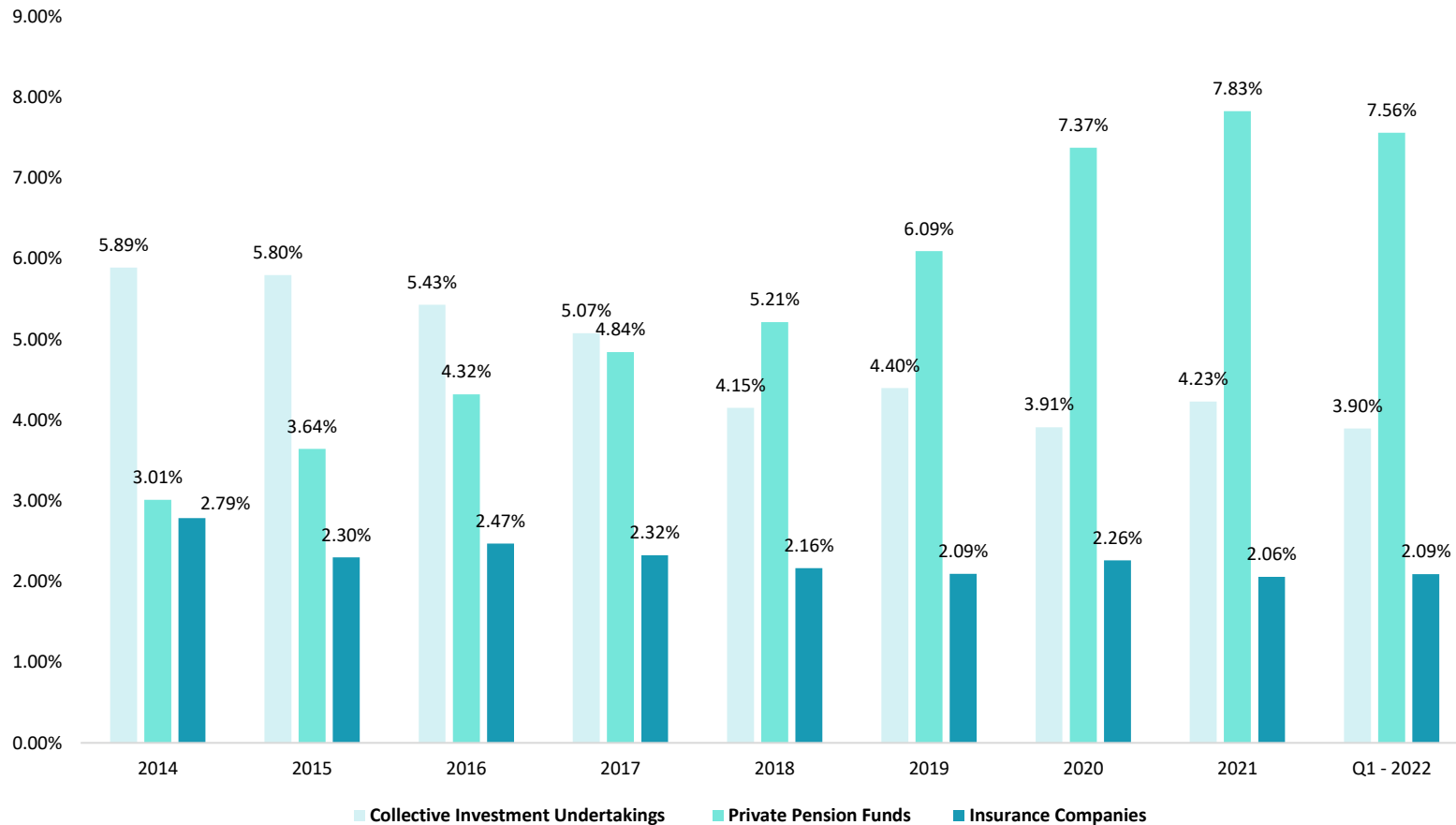
Evolution of GDP (%) and GDP forecast (%)

| Country | 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | 2021 | Q1 2022 | Q2 2022 | European Commission | | IMF | |
|-----------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------------------|------------|------------|------------|
| | | | | | | | | | 2022f | 2023f | 2022f | 2023f |
| | | | | | | | | | Euro area | -6.3 | -0.9 | 14.6 |
| Germany | -3.7 | -2.2 | 10.2 | 1.8 | 1.2 | 2.6 | 3.6 | 1.5 | 1.4 | 1.3 | 2.1 | 2.7 |
| Bulgaria | -4.4 | -1.5 | 7.8 | 5.1 | 5.0 | 4.2 | 4.0 | | 2.8 | 2.3 | 3.2 | 4.5 |
| Hungary | -4.5 | -1.4 | 17.6 | 6.5 | 7.1 | 7.1 | 8.0 | | 5.2 | 2.1 | 3.7 | 3.6 |
| Poland | -2.2 | -1.1 | 11.0 | 6.1 | 8.0 | 5.9 | 9.2 | | 5.2 | 1.5 | 3.7 | 2.9 |
| Romania | -3.7 | -0.1 | 15.4 | 6.9 | 2.4 | 5.9 | 6.4 | 5.3 | 3.9 | 2.9 | 2.2 | 3.4 |

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Summer 2022 Economic Forecast, World Economic Outlook – April 2022, IMF.

World Macroeconomic Outlook

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



Source: NBR, NIS, ASF

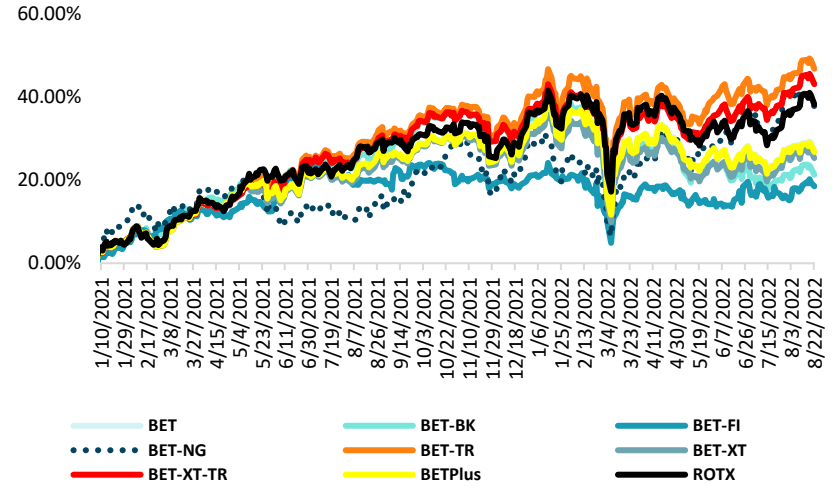
Current trends and headlights on Romanian markets

Romanian stock indices evolution in 2022 (30.12.2021 = 100)

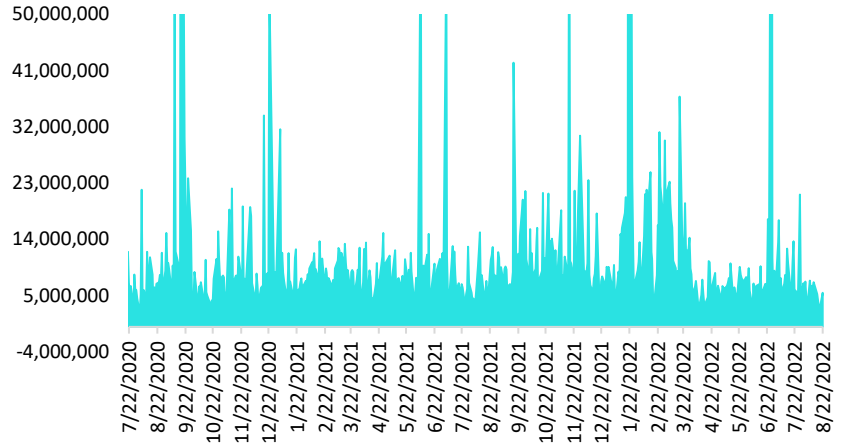
| Date | BET | BET-BK | BET-FI | BET-NG | BET-TR | BET-TRN |
|------------|--------|--------|--------|--------|--------|---------|
| 08/22/2022 | -4.62% | -9.94% | -2.11% | 6.40% | 4.77% | 4.25% |

| Data | BET-XT | BET-XT-TR | BET-XT-TRN | BETAeRO | BETPlus | ROTX |
|------------|--------|-----------|------------|---------|---------|-------|
| 08/22/2022 | -4.42% | 4.35% | 3.87% | -13.34% | -4.68% | 1.49% |

Evolution of local stock indices

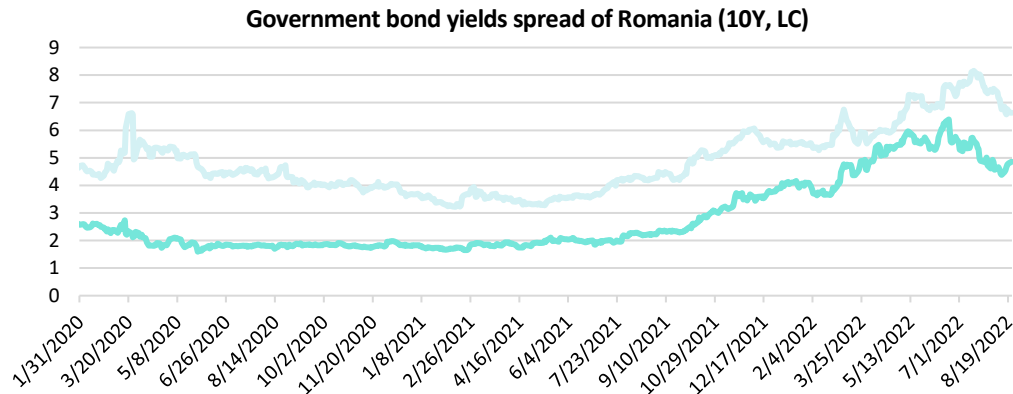


Equities traded value on BSE (EUR)

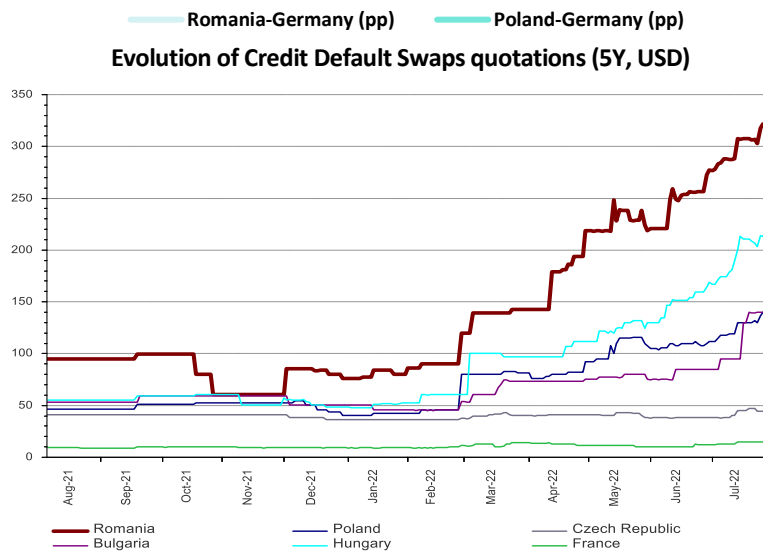


Source: BSE; ASF calculations

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



Romania 5 - year bond yields decreased, reaching 8.21% at the end of July, down by 8% compared to the end of June (8.93%). Germany 5 – year bond yields have also decreased to 0.53% at the end of month.



Romania Credit Default Swaps quotations increased by 15%, reaching 317 bp at the end of July as compared to the end of June (277 bp).

The spread between Romanian and German government bonds (10Y) decreased in July-August 2022, which can be interpreted as a recovery of investors' confidence in Romania's country rating.

Market risk: evolution of local and international stock indices at the end of July 2022

International and local stock indices yields

| International indices | 1 M | 3 M | 6 M |
|-----------------------|--------|--------|---------|
| EA (EUROSTOXX) | 7.17% | -3.67% | -11.00% |
| FR (CAC 40) | 8.87% | -1.31% | -7.87% |
| DE (DAX) | 5.48% | -4.35% | -12.84% |
| IT (FTSE MIB) | 5.22% | -7.61% | -16.44% |
| GR (ASE) | 5.01% | -7.74% | -9.15% |
| IE (ISEQ) | 8.45% | -7.08% | -17.18% |
| ES (IBEX) | 0.71% | -4.99% | -5.30% |
| UK (FTSE 100) | 3.54% | -1.61% | -0.55% |
| US (DJIA) | 6.73% | -0.40% | -6.51% |
| IN (NIFTY 50) | 8.73% | 0.33% | -1.05% |
| SHG (SSEA) | -4.29% | 6.75% | -3.22% |
| JPN (N225) | 5.34% | 3.55% | 2.96% |

| BSE indices | 1 M | 3 M | 6 M |
|-------------|--------|---------|---------|
| BET | 1.35% | -2.07% | -5.53% |
| BET-BK | 0.56% | -4.54% | -10.50% |
| BET-FI | -0.62% | -0.34% | -3.38% |
| BET-NG | 4.39% | 7.89% | 12.73% |
| BET-TR | 2.27% | 3.77% | 1.47% |
| BET-TRN | 2.22% | 3.45% | 1.08% |
| BET-XT | 1.61% | -1.49% | -5.12% |
| BET-XT-TR | 2.61% | 3.95% | 1.49% |
| BET-XT-TRN | 2.56% | 3.66% | 1.13% |
| BETAeRO | -2.00% | -10.09% | -14.72% |
| BETPlus | 1.26% | -2.08% | -5.51% |
| ROTX | 1.72% | -0.94% | -1.64% |

Source: Refinitiv, ASF calculations

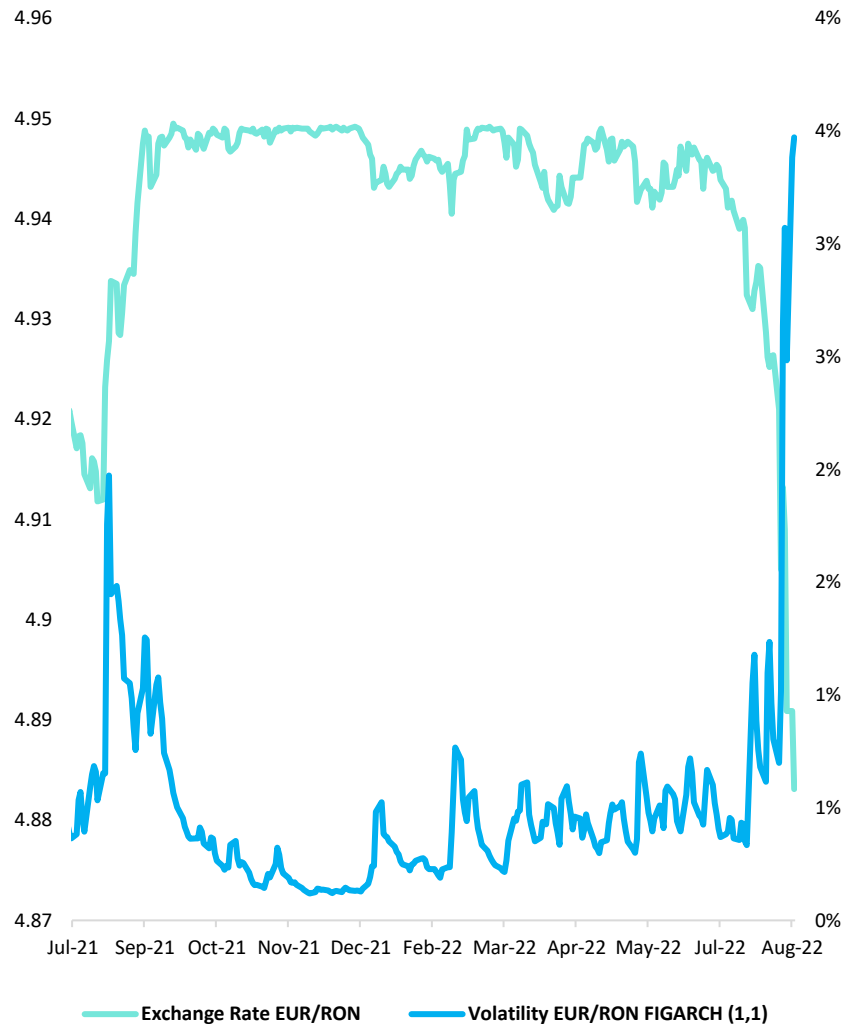
Note: 1M=07/29/2022 vs. 06/30/2022; 3M=07/29/2022 vs. 04/29/2022; 6M=07/29/2022 vs. 01/31/2022

The European indices have recorded positive developments (1M). The most significant increase was recorded by CAC 40 index (FR: +8.87%), followed by ISEQ index (IE: +8.45%).

The main American and Asian indices showed positive developments, except for the SSEA index (SHG: -4.29%). Therefore, the most significant increase was registered by NIFTY 50 index (IN: +8.73%), followed by DJIA index (US: +6.73%).

The BSE stock indices have recorded mixed developments (1M). Therefore, the most important increase was registered by the BET-NG index (+4.39%), while the most significant decrease was observed at BETAeRO index (-2%). BET-NG is a sectoral index that reflects the performance of companies listed on the regulated market of the BVB whose main activity is energy and related utilities, while BETAeRO reflects the evolution of representative companies on the AeRO market.

Market Risk: exchange rate volatility



Source: Refinitiv, ASF model for volatility

Against the background of the accelerated increase of inflation, the exchange rate stabilized in the 4.88-4.89 range.

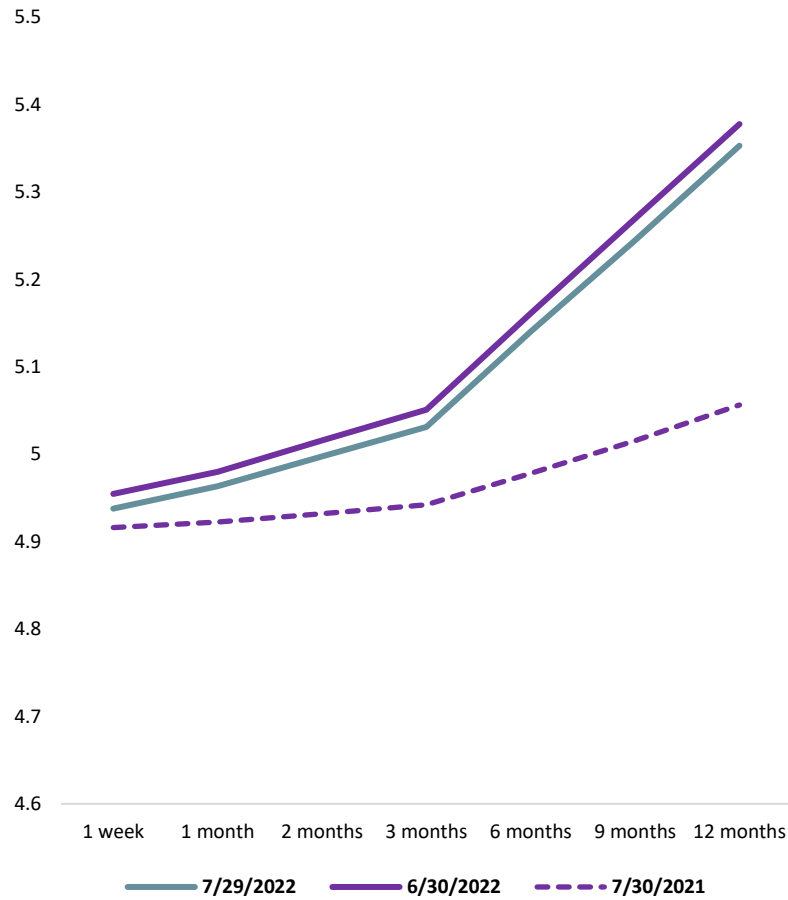
The evolution of the exchange rate has been stable since the beginning of the year and has registered the slightest depreciation against the currencies of the neighboring economies.

The increase in the monetary policy rate, as well as the expectations for its increase, have temporarily tempered the depreciation of Romanian leu.

Although the Romanian economy experienced an increase in the degree of financial stress, the rating agencies did not lower the country rating for Romania, which received from the European Union an anchor of financial stability in the form of the PNRR program.

Market Risk: exchange rate volatility

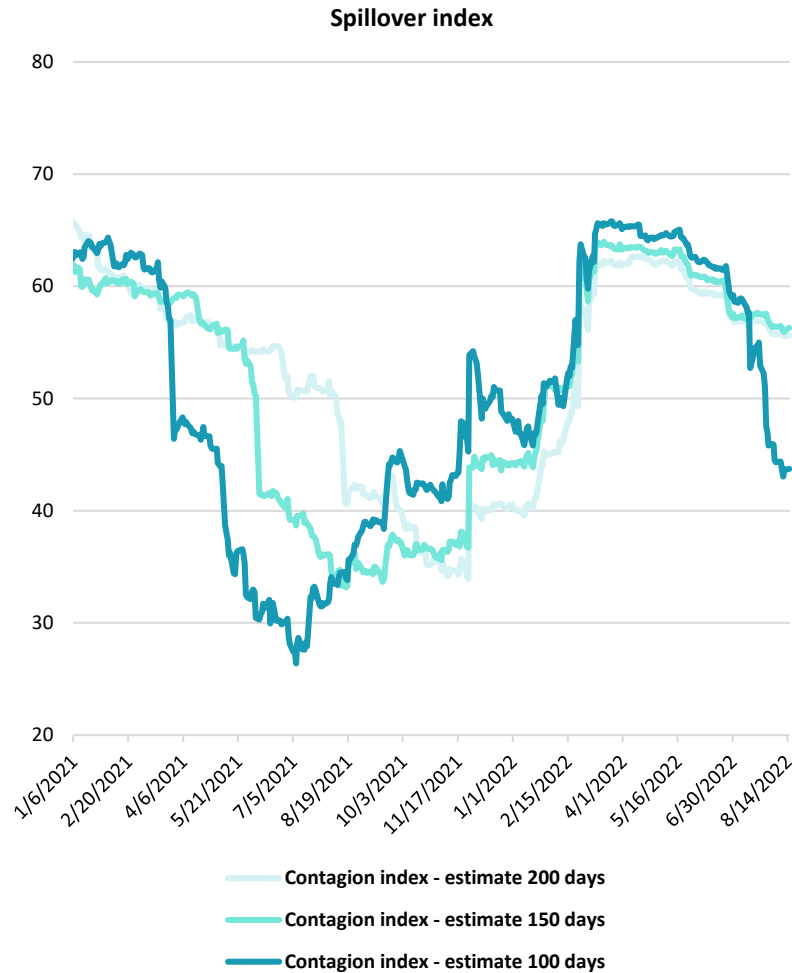
Term structure of EUR/RON forward rate



Source: Refinitiv, ASF calculations

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 depreciation for all maturities with respect to the previous month (RON appreciation).

Market Risk: Spillover Index



Source: Refinitiv, ASF model

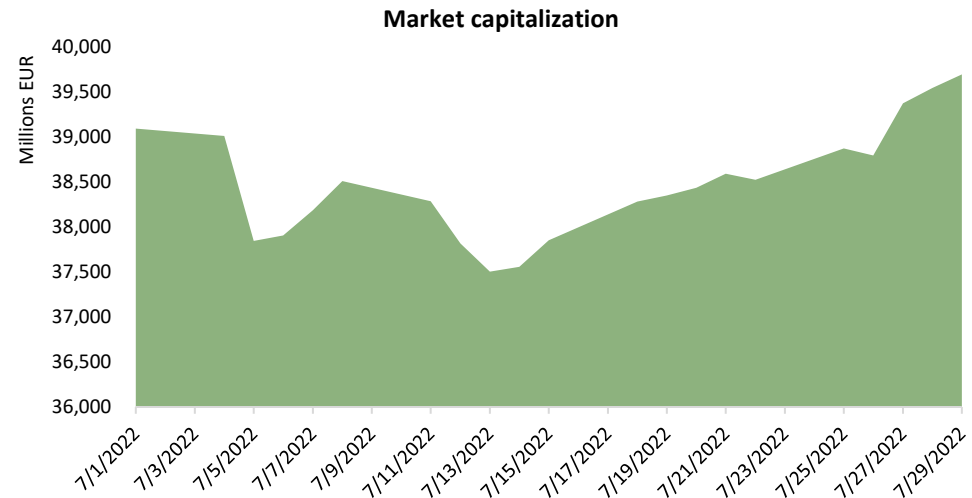
The contagion analysis reveals that the Romanian capital market is sensitive to the risk factors influencing neighboring capital markets (Poland, Austria and Hungary). Contagion (IMF) is defined as the impact of changes in the price of assets in one region (stock exchange) on prices in another region (stock exchange). Contagion increases when stock market movements have the same tendency, whether it is growth or decline. The rapid rise or fall in prices can easily be transmitted through contagion to capital markets.

In July 2022, the contagion index reversed its growth trend and entered a sharp downward trend.

Liquidity indicators on Romanian Stock Exchanges

The market capitalization registered a decrease of 14% at the end of July 2022 compared to the end of 2021 and an increase of 27% compared to the end of 2020.

In July 2022, the first 3 companies traded on BVB were Fondul Proprietatea with a share of 37.02% of the total value traded in that period, OMV Petrom SA (SNP: 17.98%) and Banca Transilvania SA (TLV: 11.85%).



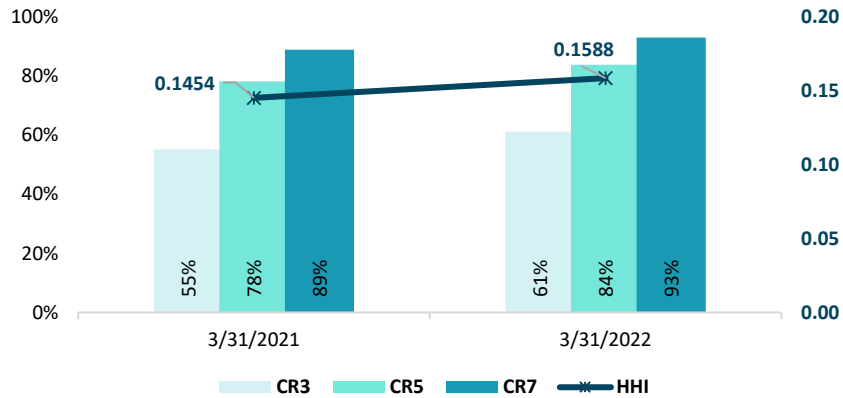
The BSE's Most Traded Companies during July 2022 (Only the Main Segment)

| Symbol | Main Market | | Deal | | Total | |
|---------------------|-------------|--------|-------------|--------|-------------|---------------|
| | Value (EUR) | % | Value (EUR) | % | Value (EUR) | % |
| FP | 62,318,731 | 41.75% | 3,026,783 | 15.42% | 65,345,514 | 37.02% |
| SNP | 28,569,580 | 19.14% | 3,172,323 | 16.16% | 31,741,903 | 17.98% |
| TLV | 20,923,210 | 14.02% | 0 | 0.00% | 20,923,210 | 11.85% |
| SNG | 9,028,447 | 6.05% | 0 | 0.00% | 9,028,447 | 5.11% |
| SIF4 | 359,373 | 0.24% | 543,747 | 2.77% | 8,527,511 | 4.83% |
| SNN | 4,002,000 | 2.68% | 3,399,045 | 17.32% | 7,401,044 | 4.19% |
| EVER | 1,366,330 | 0.92% | 3,824,548 | 19.49% | 5,190,877 | 2.94% |
| BRD | 4,961,697 | 3.32% | 121,462 | 0.62% | 5,083,159 | 2.88% |
| IMP | 414,761 | 0.28% | 4,053,808 | 20.65% | 4,468,569 | 2.53% |
| ONE | 3,440,856 | 2.31% | 0 | 0.00% | 3,440,856 | 1.95% |
| EBS | 1,919,599 | 1.29% | 0 | 0.00% | 1,919,599 | 1.09% |
| M | 1,609,619 | 1.08% | 0 | 0.00% | 1,609,619 | 0.91% |
| WINE | 586,271 | 0.39% | 931,212 | 4.74% | 1,517,483 | 0.86% |
| TRP | 1,238,890 | 0.83% | 0 | 0.00% | 1,238,890 | 0.70% |
| EL | 1,108,987 | 0.74% | 0 | 0.00% | 1,108,987 | 0.63% |
| Top 15 Total | | | | | | 95.48% |

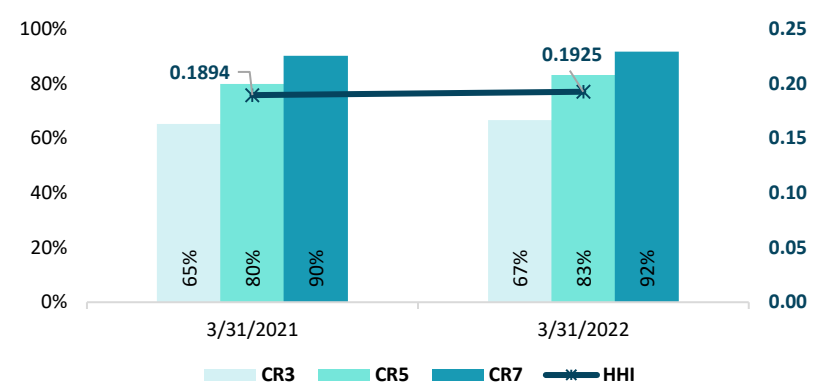
Source: NBR, BSE data, ASF calculations

Concentration risk

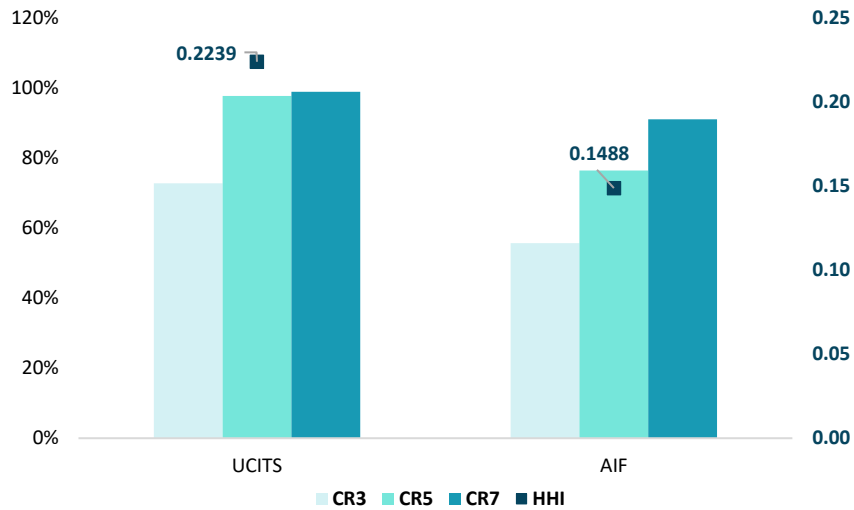
Concentration risk of non-life insurance undertakings
 (by value of GWP at 31 March 2022)



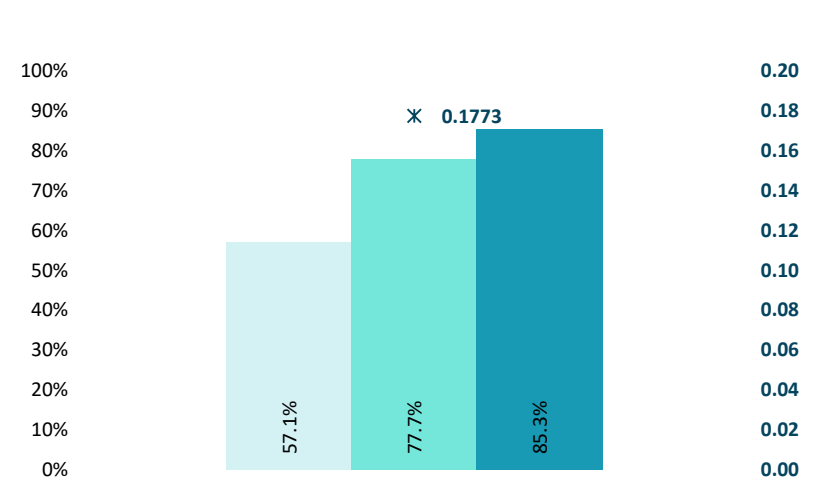
Concentration risk of life insurance undertakings
 (by value of GWP at 31 March 2022)



Concentration risk of investment funds in Romania
 (by net assets – 31 March 2022)



Concentration risk of intermediaries on the BSE (by value of transactions
 in July 2022 – Main segment & MTS, all spot instruments)

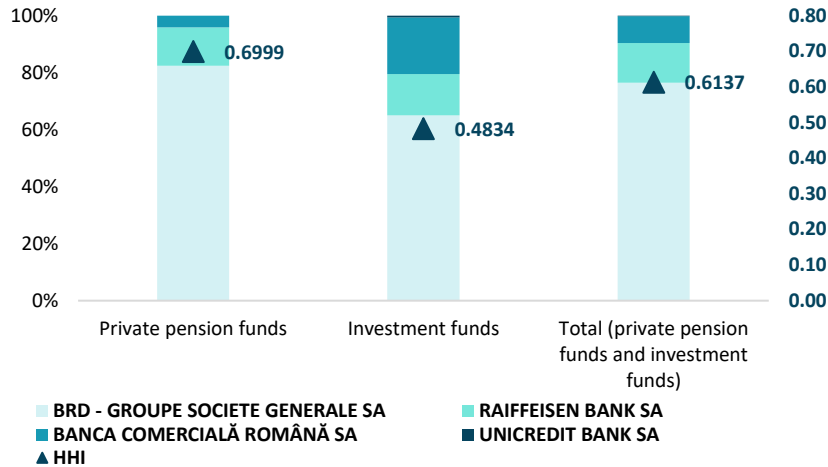


Source: ASF

Source: ASF

Concentration risk

Concentration risk of depositaries of private pension funds and investment funds (by total assets at 03/31/2022)

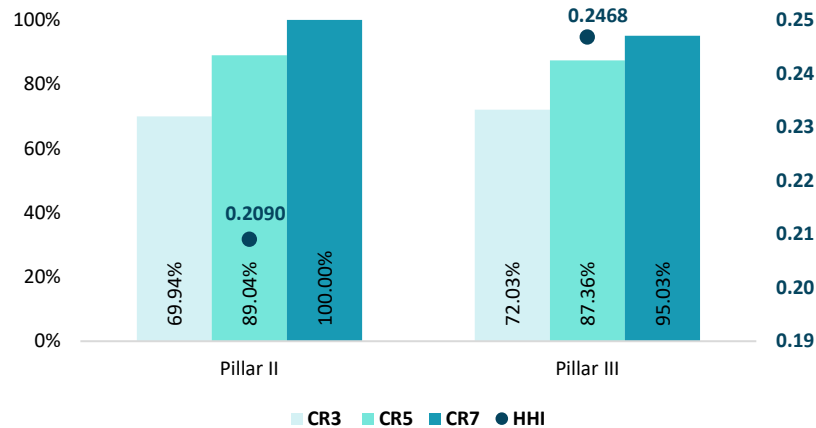


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

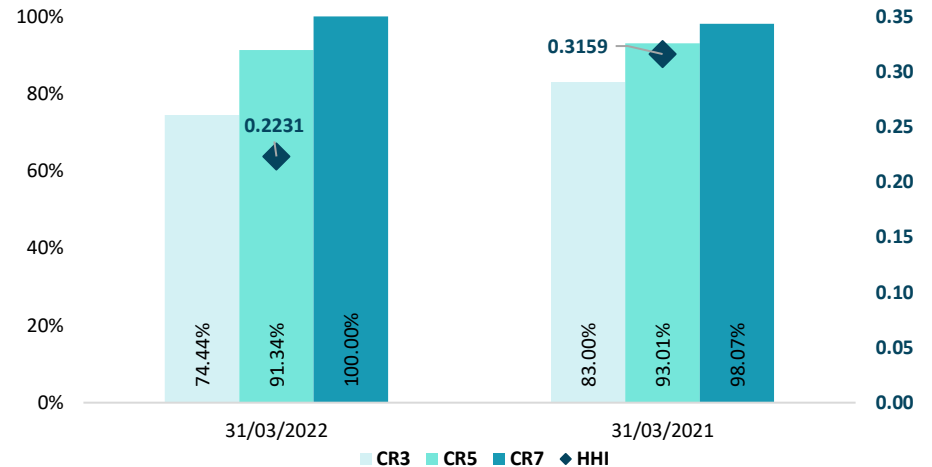
The situation is similar in the case of private pension funds market (Pillar II and Pillar III), but explainable by objective reasons related to their operating mechanism and the current state of the market.

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.

Concentration risk of private pension funds (by total assets at 07/29/2022)

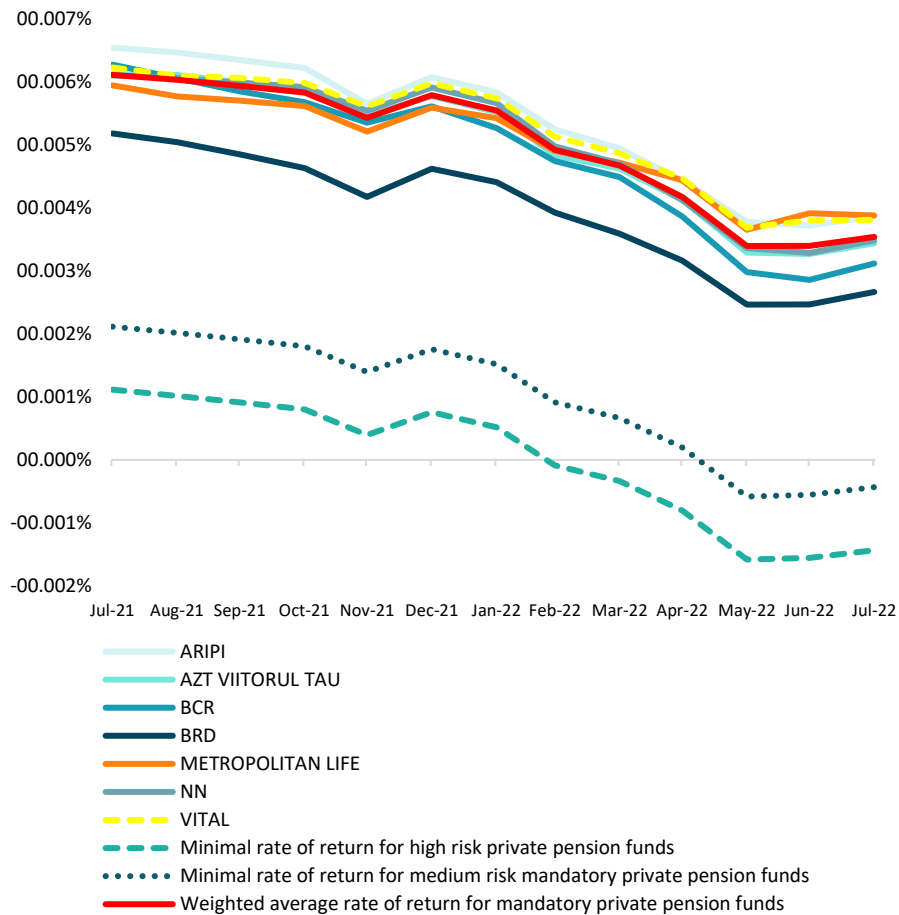


The degree of concentration of insurance companies in the MTPL market (by gross written premiums at 03/31/2022)



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

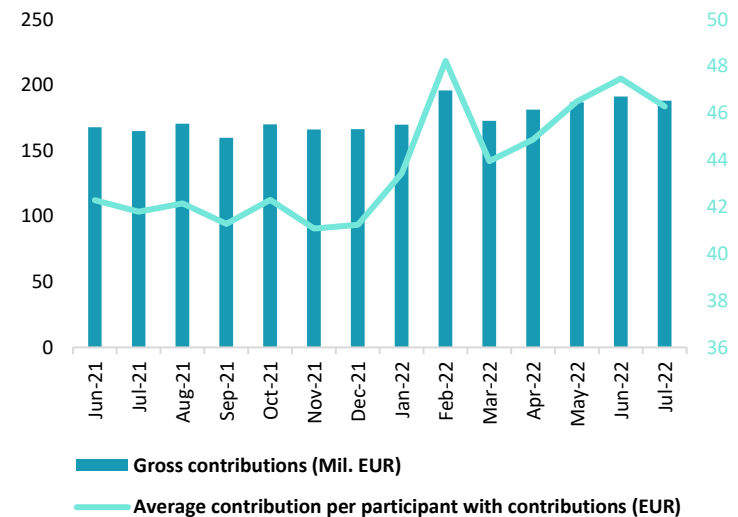
Rate of return for mandatory pension funds



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

| Mandatory pension fund | Total Assets July 2022 (EUR) | Participants (persons) July 2022 | Rate of return July 2022 |
|------------------------|------------------------------|----------------------------------|--------------------------|
| ARIPI | 1,642,156,412 | 826,890 | 3.86% |
| AZT VIITORUL TAU | 3,890,445,397 | 1,645,980 | 3.44% |
| BCR | 1,262,974,252 | 730,752 | 3.12% |
| BRD | 746,283,837 | 517,326 | 2.66% |
| METROPOLITAN LIFE | 2,605,584,190 | 1,102,074 | 3.88% |
| NN | 6,325,734,169 | 2,072,721 | 3.48% |
| VITAL | 1,859,177,989 | 992,338 | 3.81% |
| Total | 18,332,356,247 | 7,888,081 | n/a |

Evolution of gross contributions



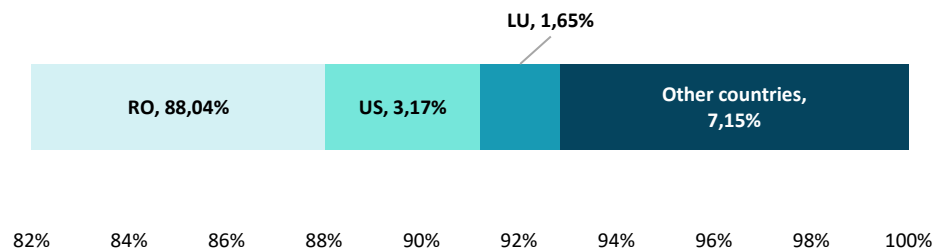
Source: ASF, preliminary data

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

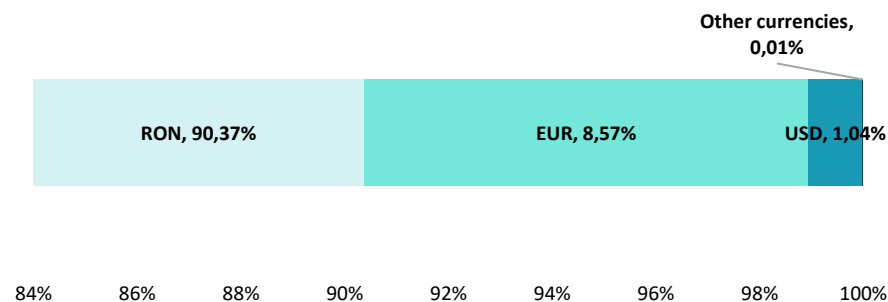
Mandatory pension fund's portfolio at 31 July 2022 (EUR)

| Assets category | Assets value (EUR) | % Total assets |
|---------------------------------------|--------------------|----------------|
| Government bonds | 11,033,983,105 | 60.19% |
| Equity | 4,385,756,531 | 23.92% |
| Corporate bonds | 1,489,142,953 | 8.12% |
| Investment funds | 543,247,648 | 2.96% |
| Bank deposits | 523,755,550 | 2.86% |
| Supranational bonds | 320,996,871 | 1.75% |
| Municipal bonds | 49,532,174 | 0.27% |
| Commodities and precious metals funds | 9,255,117 | 0.05% |
| Derivatives | 300,572 | 0.00% |
| Other assets | (23,614,275) | -0.13% |

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



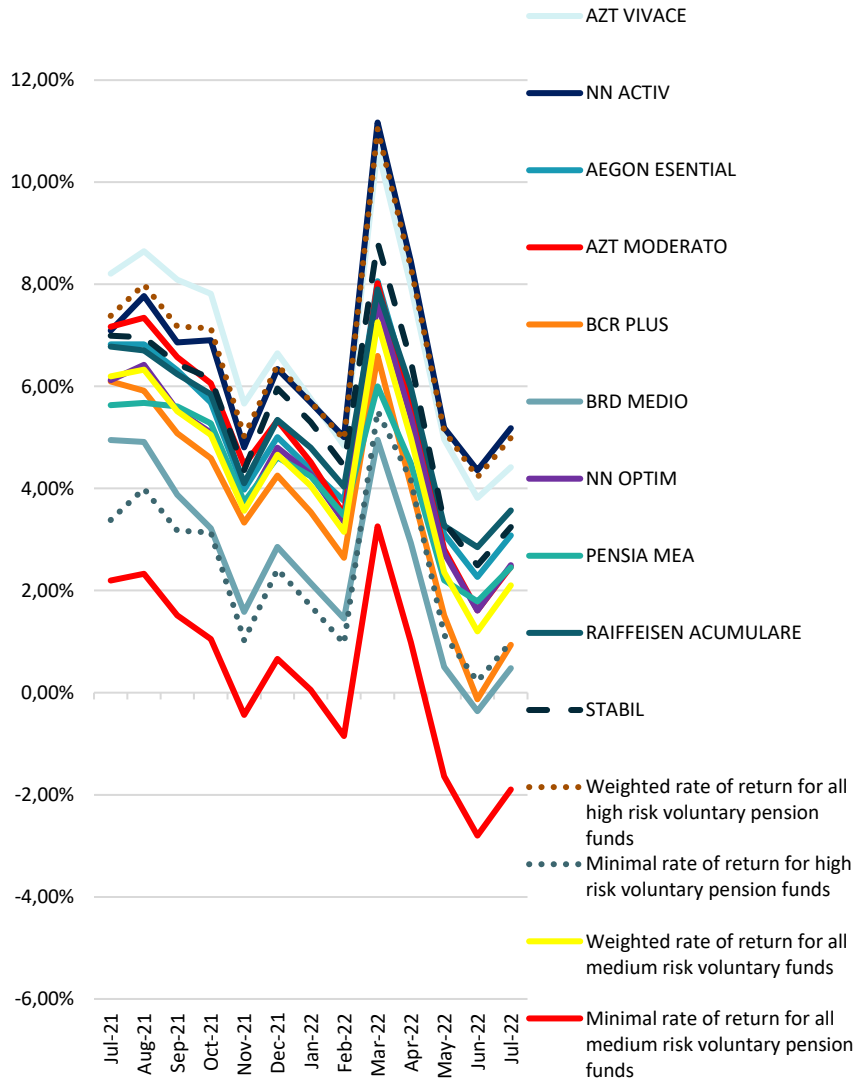
Source: ASF, preliminary data

The value of the total assets of the privately managed pension funds reached EUR 18.33 billion at the end of July 2022, registering an annual rate of growth of 2%, in terms of EUR.

At the end of July 2022, 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)

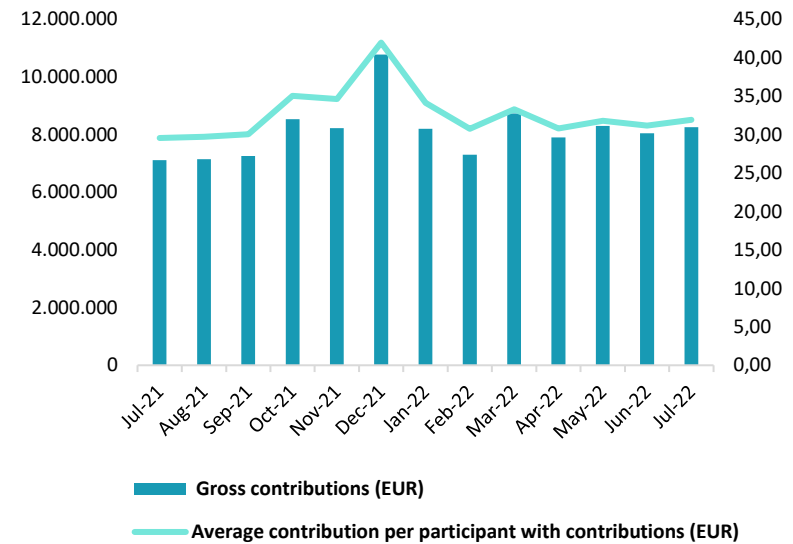
Rate of return for optional pension funds



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

| Voluntary pension fund | Total assets (EUR), July 2022 | Participants (persons) July 2022 | Rate of return July 2022 |
|------------------------|-------------------------------|----------------------------------|--------------------------|
| AEGON ESENTIAL | 2,241,051 | 4,000 | 3.0784% |
| AZT MODERATO | 70,183,795 | 47,006 | 2.4667% |
| AZT VIVACE | 25,401,478 | 21,324 | 4.4181% |
| BCR PLUS | 115,875,302 | 143,826 | 0.9385% |
| BRD MEDIO | 35,889,609 | 37,786 | 0.4812% |
| GENERALI STABIL | 6,729,110 | 5,547 | 3.2452% |
| NN ACTIV | 83,355,944 | 63,563 | 5.1843% |
| NN OPTIM | 298,979,048 | 221,889 | 2.4978% |
| PENSIA MEA | 27,106,173 | 29,176 | 2.4530% |
| RAIFFEISEN ACUMULARE | 25,921,434 | 19,946 | 3.5717% |
| Total | 691,682,946 | 594,063 | n/a |

Evolution of gross contributions



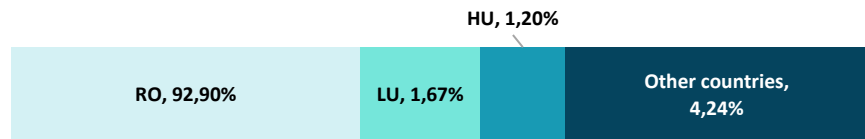
Source: ASF, preliminary data

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

Optional pension fund's portfolio at 31 July 2022 (EUR)

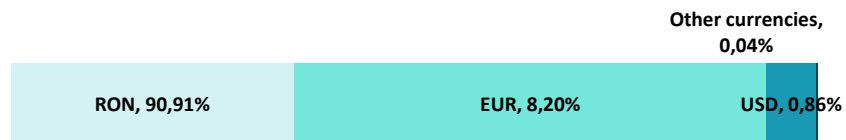
| Assets category | Assets value (EUR) | % Total assets |
|----------------------------|--------------------|----------------|
| Government Bonds | 426,016,008 | 61.59% |
| Equity | 181,457,325 | 26.23% |
| Corporate Bonds | 28,724,421 | 4.15% |
| Bank Deposits | 26,287,307 | 3.80% |
| Investment Funds | 16,893,675 | 2.44% |
| Supranational Bonds | 9,090,108 | 1.31% |
| Municipal Bonds | 4,419,850 | 0.64% |
| Metal funds | 844,359 | 0.12% |
| Oher assets | 24,188 | 0.00% |
| Derivatives | (2,074,295) | -0.300% |

Country exposure of optional pension fund's assets



88% 90% 92% 94% 96% 98% 100%

Currency exposure of optional pension fund's assets



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

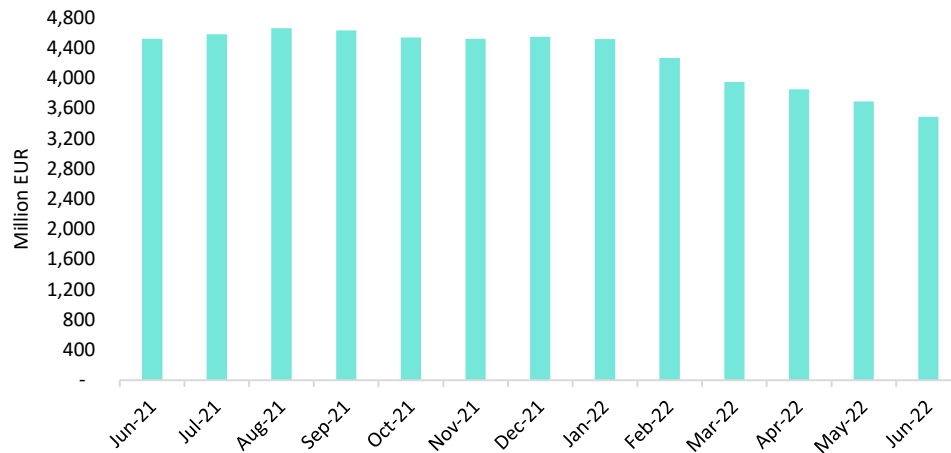
Source: ASF, preliminary data

The value of the total assets of the voluntary pension funds, at the end of July 2022, was EUR 692 million, registering an annual rate of growth of 5%, in terms of RON.

At the end of July 2022, the voluntary pension funds' investments were generally made locally, in a percentage of 93%, a large majority being denominated in lei.

Specific developments in the investment funds sector

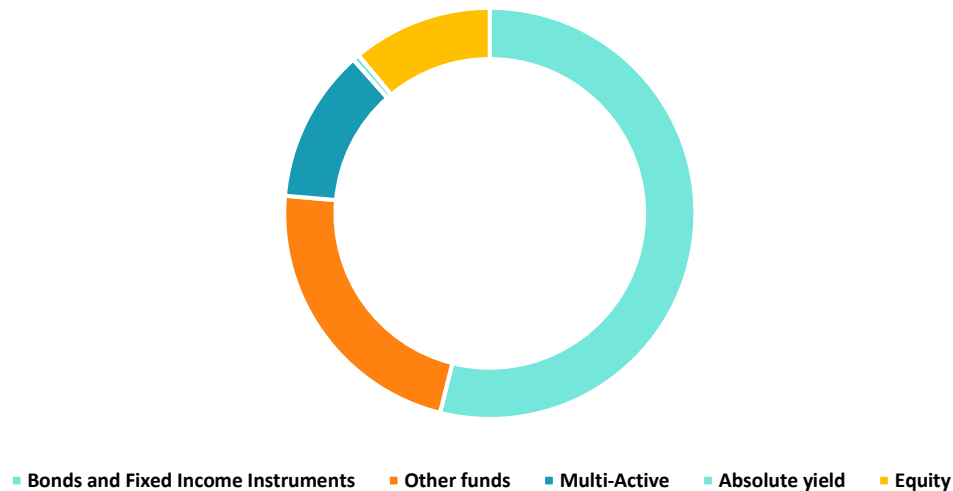
**Evolution of net assets of open-end investment funds
 (June 2021 – June 2022)**



According to data published by AAF, net assets of open-end investment funds (OeIF) reached a value of EUR 3.5 billion in June 2022, down by aprox. 5.5% compared to the previous month (EUR 3.7 billion). At the end of June 2022, net assets of all types of local open-end investment funds decreased compared to the previous month.

In June 2022, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 54%), while the „other funds" category has a market share of approximately 22%.

Open-end investment funds' market share by Fund Type and Net Asset (June 2022)



Source: AAF

Press releases and publications of European and international financial institutions in July 2022

| | |
|------------------------------|---|
| <p>EUROPEAN UNION</p> | <p>11 July: State aid: Commission consults Member States on proposal to amend Temporary Crisis Framework.</p> <p>12 July: NextGenerationEU: European Commission to transfer its bond issuance settlement to a Eurosystem-based infrastructure.</p> <p>12 July: Innovation Fund: EU invests €1.8 billion in clean tech projects.</p> <p>14 July: Commission welcomes political agreement on the Digital Decade policy programme driving a successful digital transformation in Europe.</p> <p>14 July: Summer 2022 Economic Forecast: Russia's war worsens the outlook.</p> <p>18 July: EU and Azerbaijan enhance bilateral relations, including energy cooperation.</p> <p>19 July: EU-China: A stable global economy is a shared responsibility.</p> <p>20 July: Save Gas for a Safe Winter: Commission proposes gas demand reduction plan to prepare EU for supply cuts.</p> <p>25 July: EU Cohesion Policy: €31.5 billion for Romania's economic, social and territorial cohesion, competitiveness and green and digital transition in 2021-2027.</p> <p>26 July: 8th Environment Action Programme: EU sets out to measure progress on Green Deal environment and climate goals.</p> <p>28 July: Digital Economy and Society Index 2022: overall progress but digital skills, SMEs and 5G networks lag behind.</p> |
| <p>ESMA</p> | <p>5 July: ESMA stress test of central counterparties finds clearing system resilient.</p> <p>8 July: ESMA reviews MIFID II product governance guidelines.</p> <p>11 July: ESMA reviews clearing and derivatives trading obligations.</p> <p>19 July: ESMA publishes annual peer review of EU CCP supervision.</p> <p>20 July: ESMA proposes key risk indicators for retail investors.</p> |
| <p>EIOPA</p> | <p>6 July: EIOPA issues a staff paper on the proposal for an Insurance Recovery and Resolution Directive.</p> <p>11 July: EIOPA seeks input on supervisory statement on differential pricing practices.</p> <p>19 July: EIOPA publishes peer review on outsourcing.</p> <p>20 July: EIOPA publishes guidance on integrating the customer's sustainability preferences in the suitability assessment under the IDD.</p> |