

At the beginning of January 2023, the contagion between the stock markets continued to decline.

MONTHLY MARKET REPORT

- During December 2022, Romania's Credit Default Swaps quotations decreased, reaching the lowest value in mid-December (13th December: 267 bp).
- The value of the total assets of the privately managed pension funds reached EUR 19.5 billion at the end of December 2022, having an annual growth rate of 8,2%, in terms of EUR.

World Macroeconomic Outlook

According to the autumn 2022 economic forecast, the European Commission expects the euro area economy to grow by 3.2%, an upward revision (+0.6 pp) compared to the previous forecast, and the EU economy to grow by 3.3% in 2022. According to the European Commission, Romania's gross domestic product will grow by 5.8% in 2022, an upward revision (from 3.9% in the summer 2022 economic forecast).

According to the data published by Eurostat, **the seasonally adjusted GDP**, in the third quarter of 2022, increased by 0.3% in the euro area and by 0.4% in the EU compared to the previous quarter. Compared to the same period last year, the seasonally adjusted GDP increased by 2.4% in the euro area and by 2.5% in the EU in the third quarter of 2022.

According to the data published by NIS, **the gross domestic product** increased by 1.3% in **Romania** in the third quarter of 2022 compared to the previous quarter. Compared to the same period of the previous year, in the third quarter of 2022, Romania's gross domestic product increased by 4% on the gross series and by 4.6% on the seasonally adjusted series.

The National Commission for Strategy and Prognosis (NCSP) revised the economic forecast regarding Romania's GDP growth rate for 2022 upward to 4.6% according to the autumn 2022 economic forecast (from 3.5% according to the NCSP summer 2022 forecast).

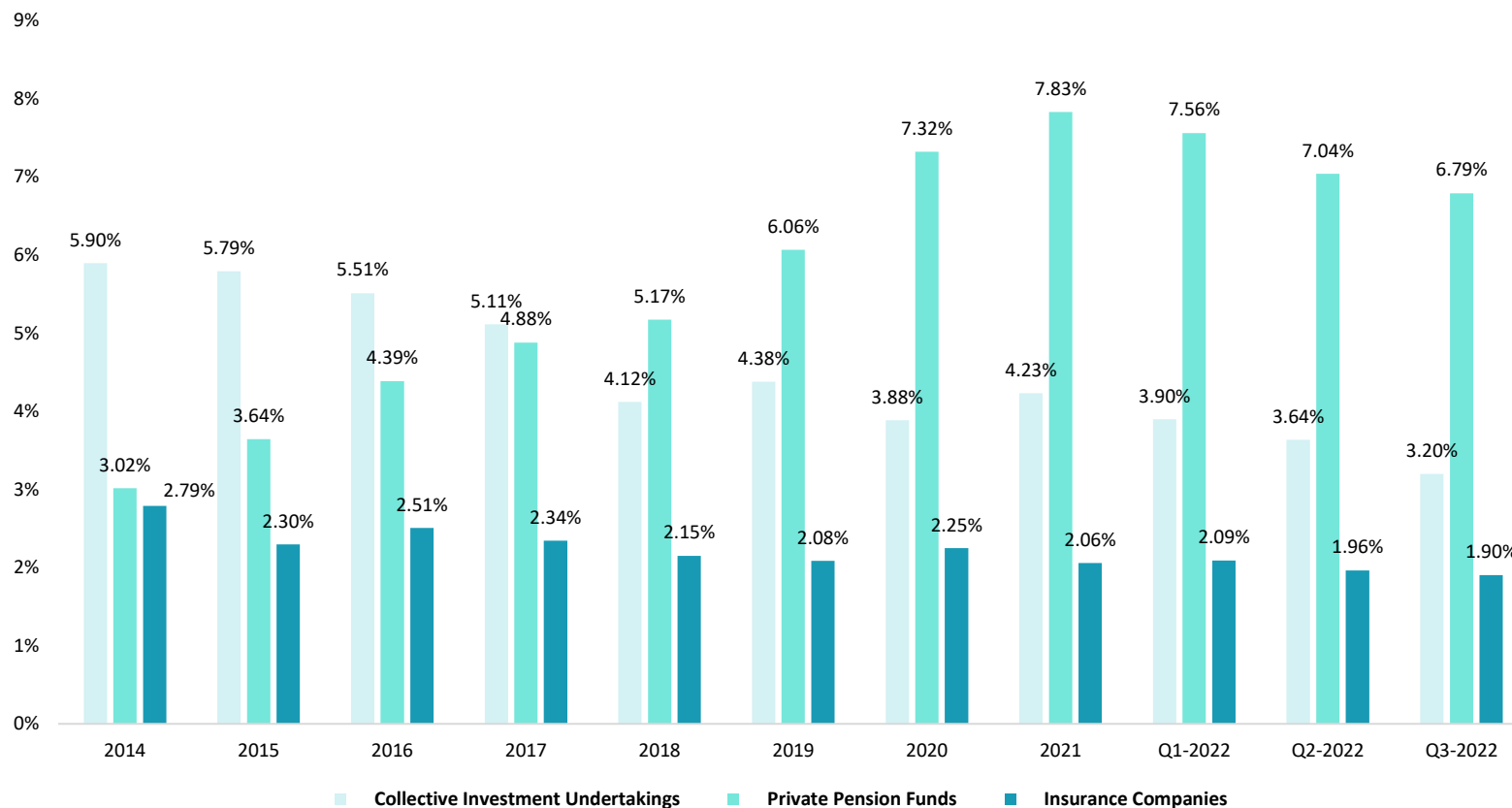
Evolution of GDP (%) and GDP forecast (%)

Country	2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	Q1 2022	Q2 2022	Q3 2022	European Commission		IMF	
										2022f	2023f	2022f	2023f
										Euro area	-6.1	-0.8	14.2
Germany	-3.7	-2.2	10.2	1.8	1.2	2.6	3.5	1.7	1.3	1.6	-0.6	1.5	-0.3
Bulgaria	-4.0	3.1	9.8	8.0	7.6	7.6	5.2	4.6	3.3	3.1	1.1	3.9	3.0
Hungary	-4.5	-1.7	17.5	6.7	7.4	7.1	7.9	6.3	4.1	5.5	0.1	5.7	1.8
Poland	-2.0	-0.5	12.0	7.1	8.7	6.8	10.5	5.6	4.5	4.0	0.7	3.8	0.5
Romania	-3.7	-1.3	11.0	7.6	4.6	5.8	4.3	3.9	4.6	5.8	1.8	4.8	3.1

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

Dimension of the non-bank financial sector

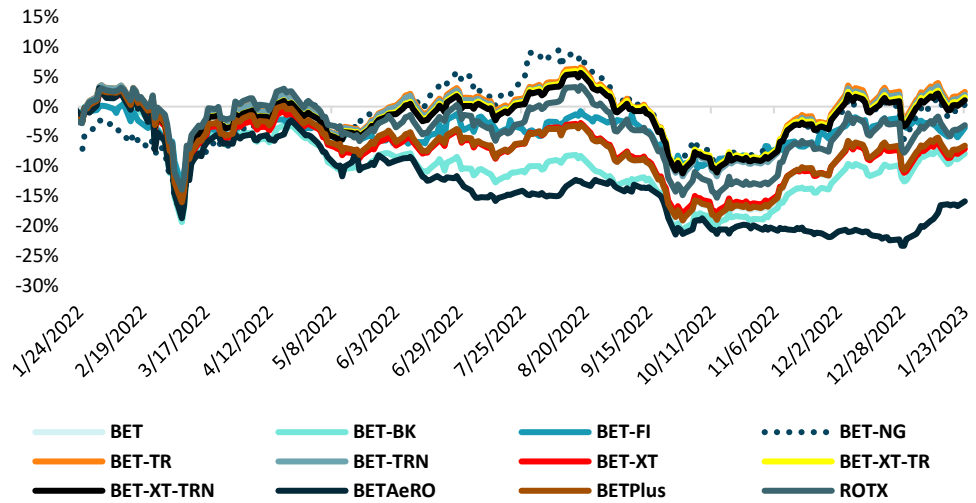
Evolution of non-banking system's assets (% of GDP)



Source: NBR, NIS, ASF

Current trends in Romanian capital markets

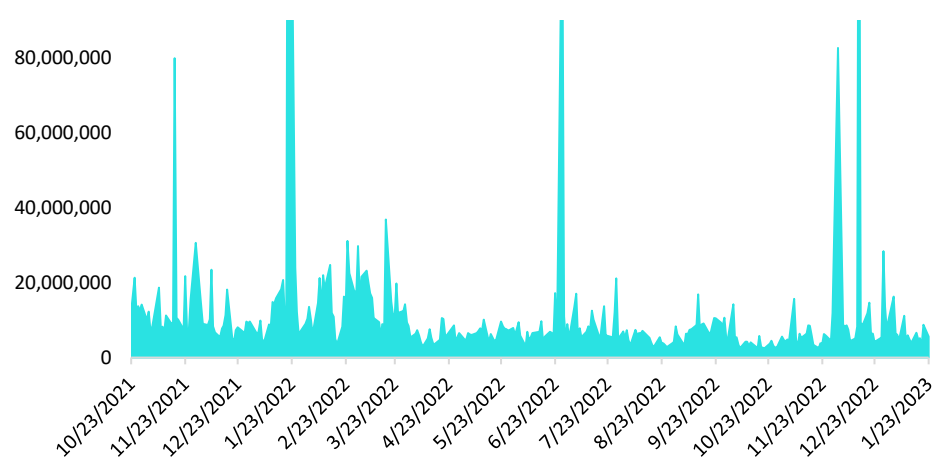
Evolution of local stock indices



Romanian stock indices evolution in 2023 (30.12.2021 = 100)

Date	BET	BET-BK	BET-FI	BET-NG
01/23/2022	-6.75%	-7.87%	-3.53%	0.32%
	BET-TR	BET-TRN	BET-XT	BET-XT-TR
	2.49%	1.98%	-7.08%	1.53%
	BET-XT-TRN	BETAeRO	BETPlus	ROTX
	1.05%	-15.87%	-6.52%	-3.09%

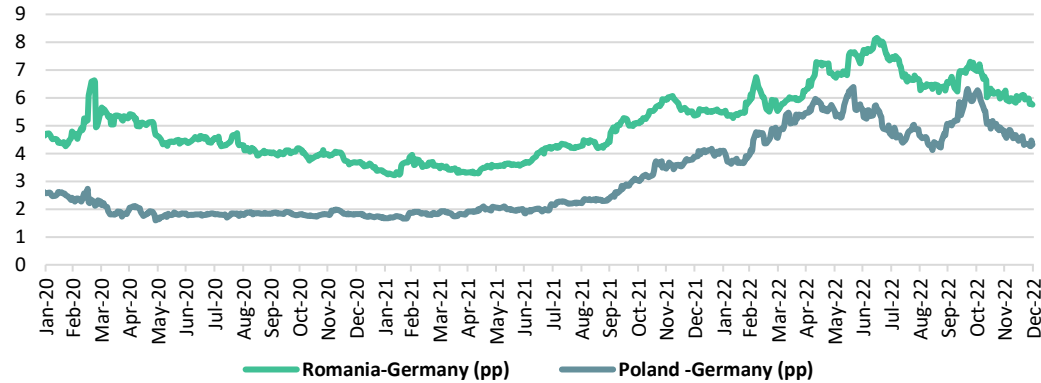
Equities traded value on BSE (EUR)



Source: BSE; ASF calculations

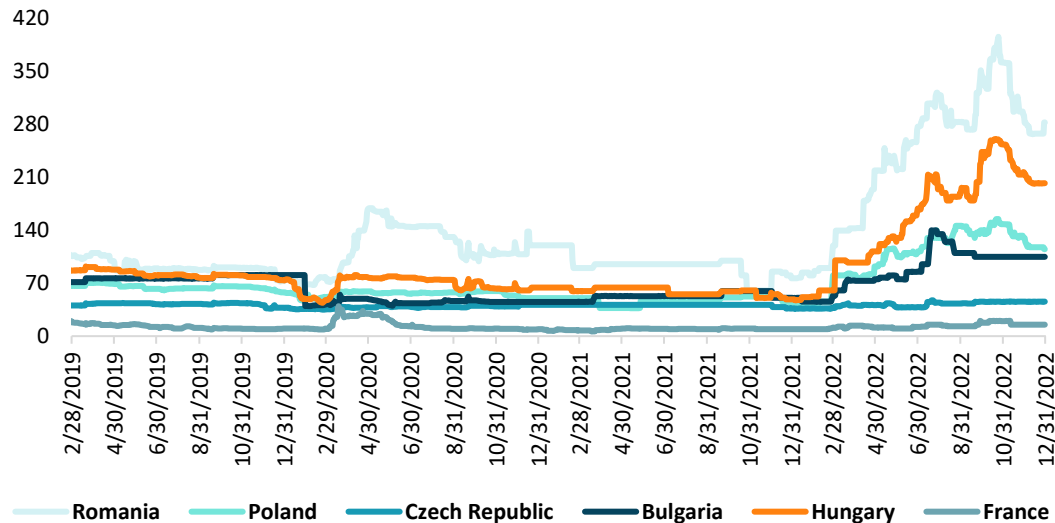
Macroeconomic risk in Romania: external position and market perception of sovereign risk

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



The spread between Romanian and German government bonds (10Y) decreased in December 2022 and stands at a lower level compared to the peaks recorded in July 2022. This decrease can be interpreted as a recovery of investors' confidence in Romania's country rating.

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



During December 2022, Romania's Credit Default Swaps quotations decreased, reaching the lowest value in mid-December (13th December: 267 bp). At the end of the month, Romania's CDS quotations stood at a value of 282 bp, decreasing as compared to the end of November (292 bp).

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

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-3.54%	12.44%	7.18%
FR (CAC 40)	-3.93%	12.35%	9.30%
DE (DAX)	-3.29%	14.93%	8.92%
IT (FTSE MIB)	-3.67%	14.81%	11.33%
GR (ASE)	1.91%	17.26%	14.73%
IE (ISEQ)	-2.20%	12.63%	13.23%
ES (IBEX)	-1.60%	11.71%	1.61%
UK (FTSE 100)	-1.60%	8.09%	3.94%
US (DJIA)	-4.17%	15.39%	7.71%
IN (NIFTY 50)	-3.48%	5.91%	14.73%
SHG (SSEA)	-1.97%	2.16%	-9.09%
JPN (N225)	-6.70%	0.61%	-1.13%
BSE indices	1 M	3 M	6 M
BET	-0.57%	9.63%	-5.13%
BET-BK	0.60%	9.90%	-2.13%
BET-FI	0.86%	6.50%	-0.24%
BET-NG	-2.89%	3.25%	-8.97%
BET-TR	-0.58%	9.67%	-2.66%
BET-TRN	-0.58%	9.67%	-2.79%
BET-XT	-0.84%	8.05%	-5.10%
BET-XT-TR	-0.82%	8.12%	-2.58%
BET-XT-TRN	-0.82%	8.12%	-2.71%
BETAeRO	-0.46%	-1.36%	-10.78%
BETPlus	-0.20%	10.06%	-4.73%
ROTX	-1.55%	7.72%	-5.34%

Source: Refinitiv, ASF calculations

Note: 1M=12/30/2022 vs. 11/30/2022; 3M=12/30/2022 vs. 09/30/2022; 6M=12/30/2022 vs. 06/30/2022

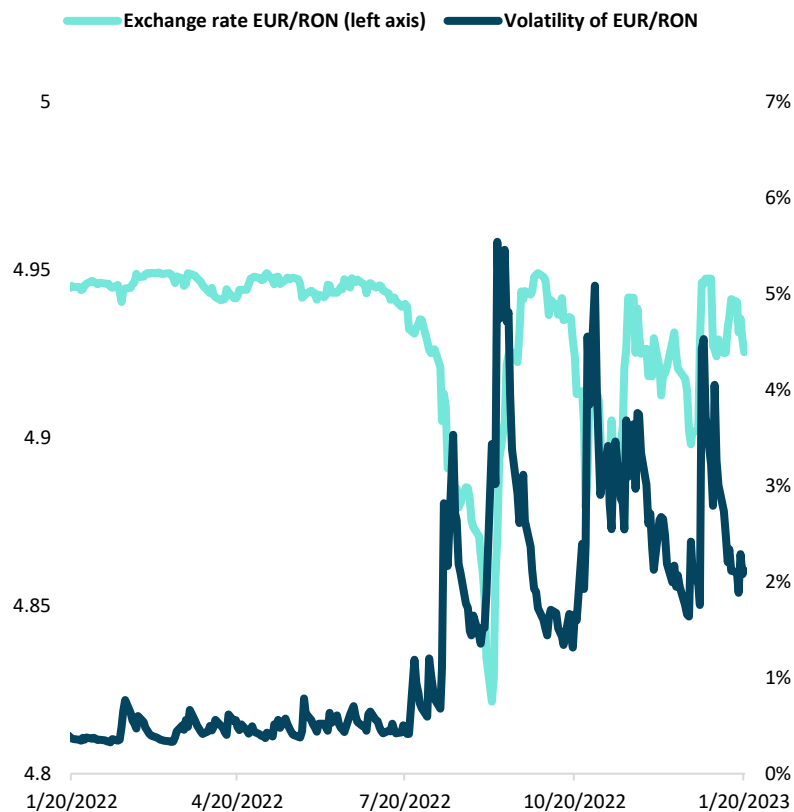
The European indices recorded negative developments (1M), except for the ASE index (GR: +1,91%). The strongest decrease was recorded by CAC 40 index (FR: -3.93%), followed by the FTSE MIB index (IT: -3.67%).

The main American and Asian indices have also registered negative developments. Therefore, the N225 index manifested the most significant increase (JPN: -6.70%), followed by the DJIA index (US: -4.17%).

The BSE stock indices have recorded mixed evolutions (1M). The most significant increase was recorded by the BET-FI index (+0.86%), while the most important decrease was observed in the case of the BET-NG index (-2.89%).

Market Risk: exchange rate volatility

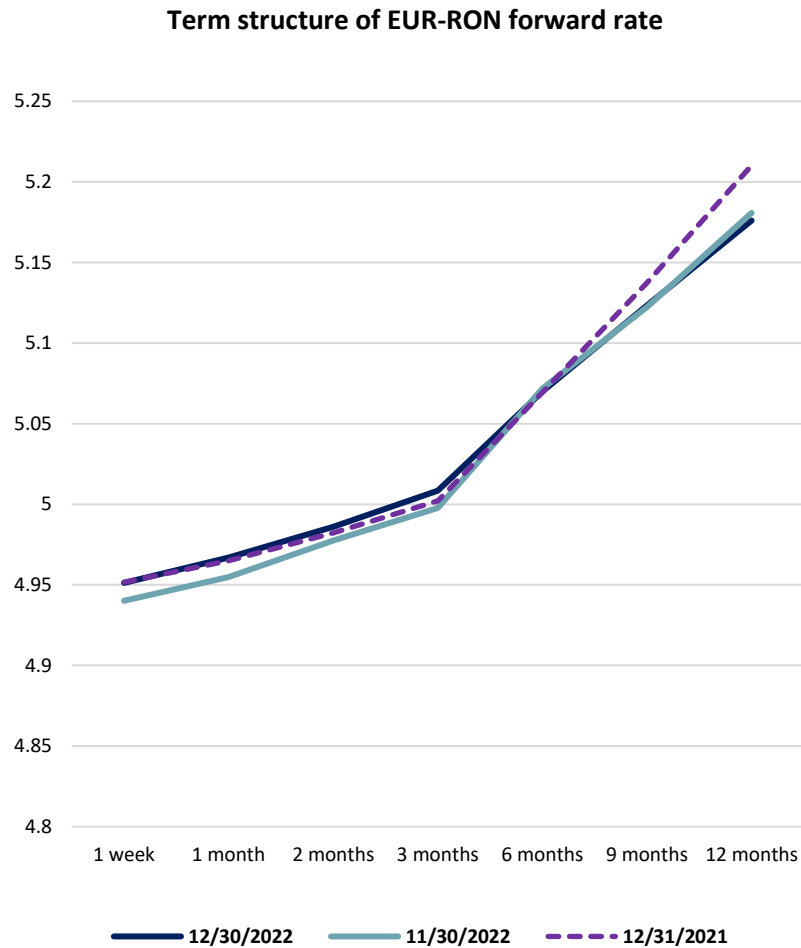
EUR/RON Exchange Rate vs Volatility



Between 6-20 January 2023, the volatility of the EUR/RON exchange rate fluctuated between 2-5% and the exchange rate level hovered close to the level of 4.93 EUR/RON. We estimate that exchange rate volatility will remain low (around <2%) for the next four weeks.

Source: Refinitiv, ASF model for volatility

Market Risk: term structure of EUR-RON forward rate

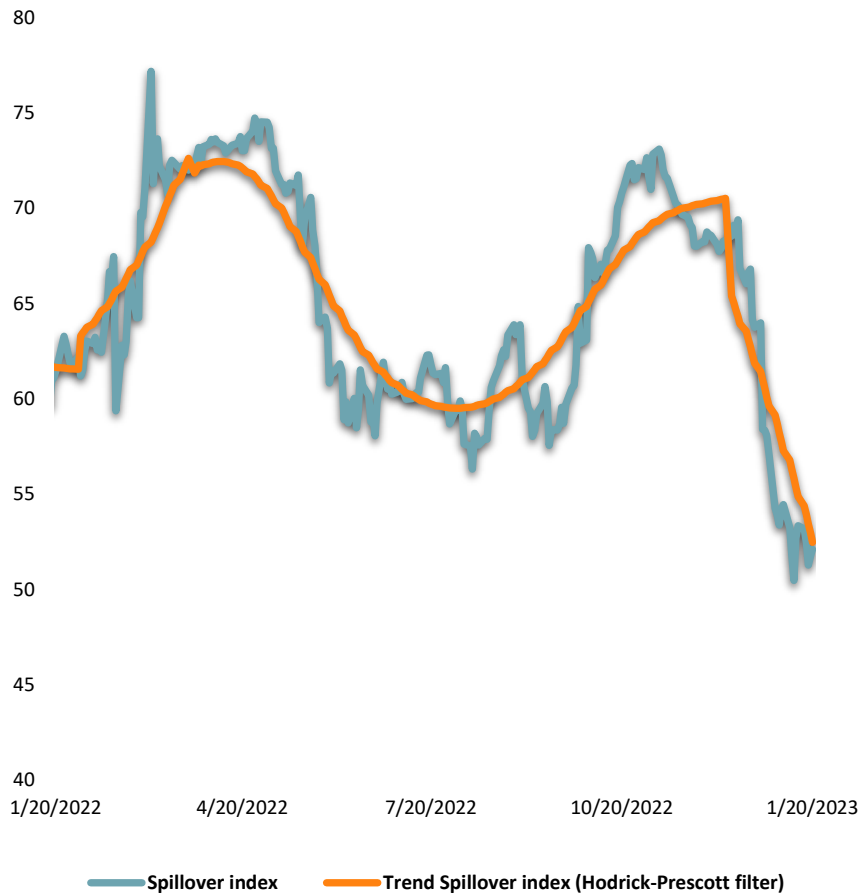


The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON appreciation for maturities between 1 week and 3 months with respect to the previous month (RON depreciation).

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index

Spillover index



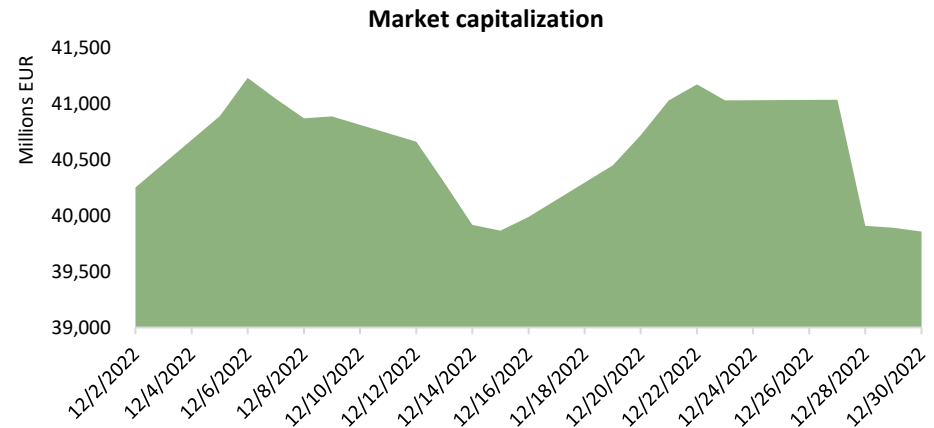
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link 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. The Bucharest Stock Exchange as well as the main European stock markets have recorded increases in the first two weeks of 2023.

At the beginning of January 2023, the contagion between the stock markets continued to decline.

Liquidity indicators on Romanian Stock Exchanges

The market capitalization recorded a 2% increase at the end of December 2022 compared to the end of H1 2022.

In December 2022, the 3 most traded companies on BVB were OMV Petrom with a share of 55.40% of the total value traded in that period, Fondul Proprietatea (FP: 22.90%), and Banca Transilvania (TLV: 7.10%).



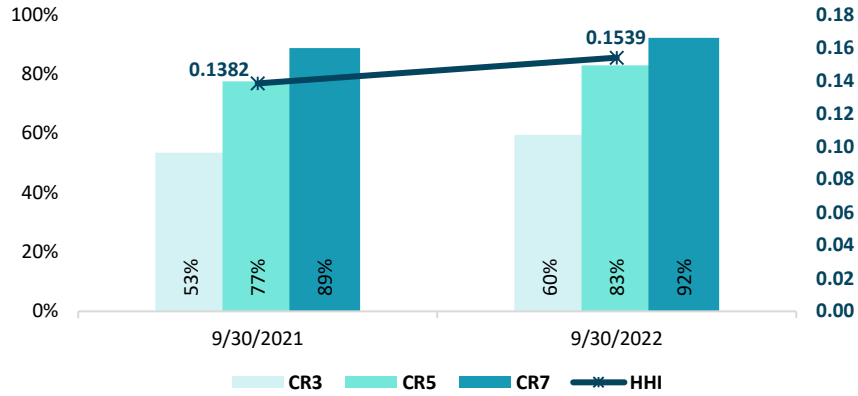
The BSE's Most Traded Companies during December 2022 (Only the Main Segment)

Symbol	Main Market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
SNP	76,239,283	40.43%	1,946,761	2.67%	233,423,149	55.40%
FP	28,211,142	14.96%	68,258,857	93.71%	96,469,999	22.90%
TLV	29,926,407	15.87%	0	0.00%	29,926,407	7.10%
SNG	15,600,508	8.27%	0	0.00%	15,600,508	3.70%
BRD	6,304,349	3.34%	556,639	0.76%	6,860,988	1.63%
SNN	5,592,567	2.97%	0	0.00%	5,592,567	1.33%
CRC	670,785	0.36%	0	0.00%	5,383,933	1.28%
TGN	3,023,294	1.60%	0	0.00%	3,023,294	0.72%
EL	2,807,549	1.49%	190,151	0.26%	2,997,700	0.71%
EBS	2,498,328	1.33%	0	0.00%	2,498,328	0.59%
M	2,337,235	1.24%	0	0.00%	2,337,235	0.55%
TTS	2,196,639	1.17%	0	0.00%	2,196,639	0.52%
TRP	1,988,110	1.05%	0	0.00%	1,988,110	0.47%
ONE	1,855,770	0.98%	0	0.00%	1,855,770	0.44%
WINE	1,255,141	0.67%	0	0.00%	1,255,141	0.30%
Top 15 Total						97.64%

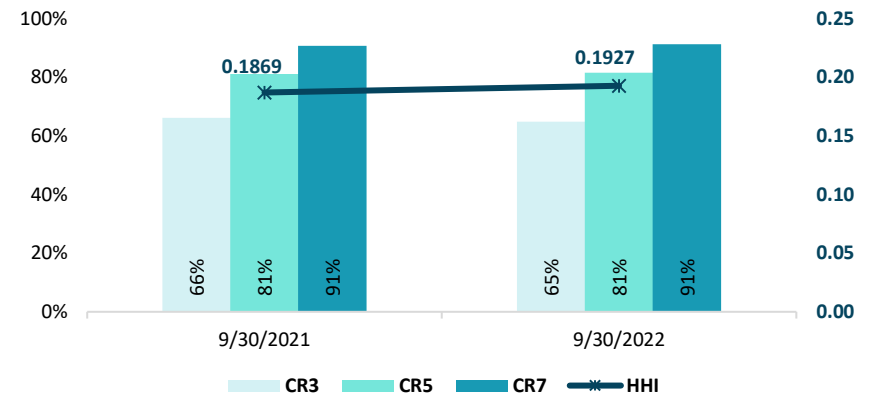
Source: NBR, BSE data, ASF calculations

Concentration risk

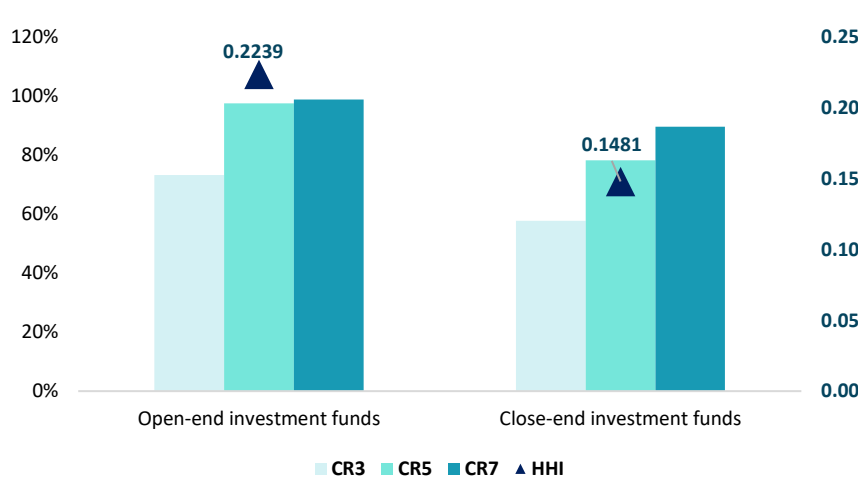
**Concentration risk of non-life insurance undertakings
(by the value of GWP on 30 September 2022)**



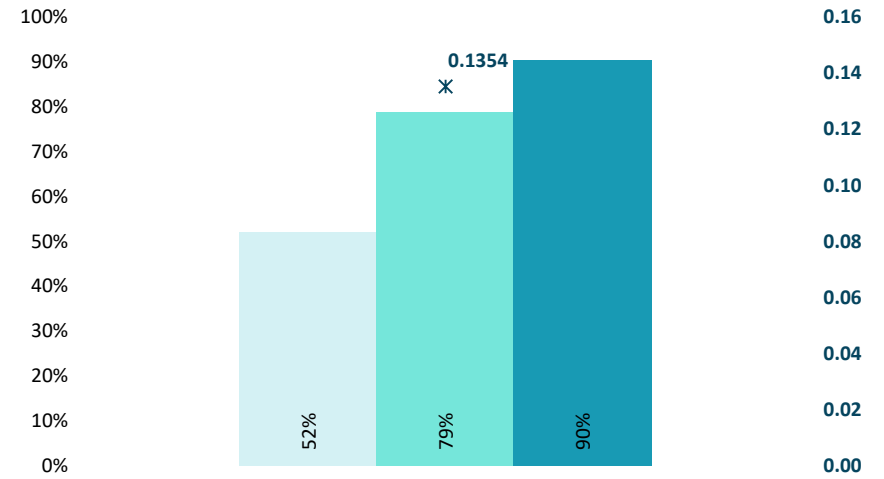
**Concentration risk of life insurance undertakings
(by the value of GWP on 30 September 2022)**



**Concentration risk of investment funds in Romania
(by net assets – 30 September 2022)**



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

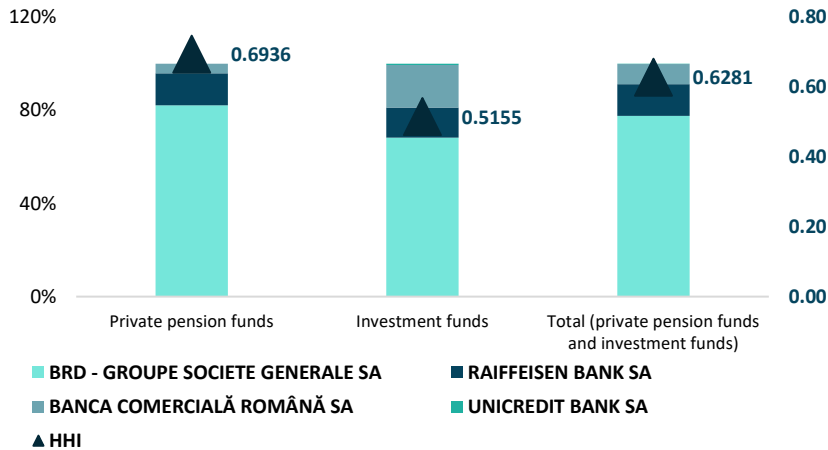


Source: ASF

Source: ASF

Concentration risk

Concentration risk of depositaries of private pension funds and investment funds (by total assets on 09/30/2022)

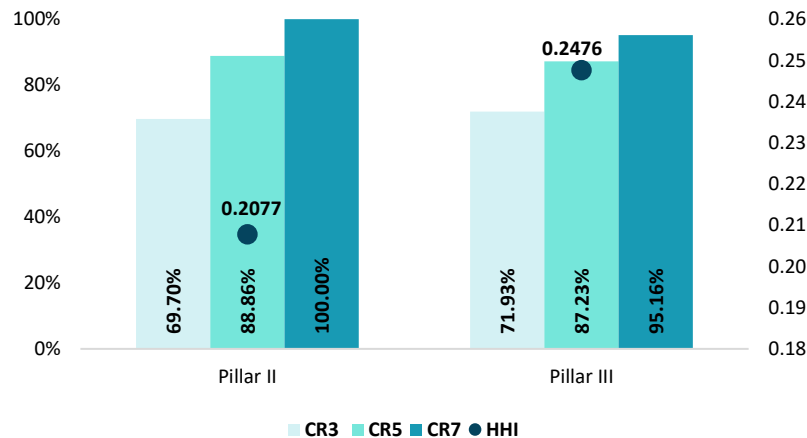


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

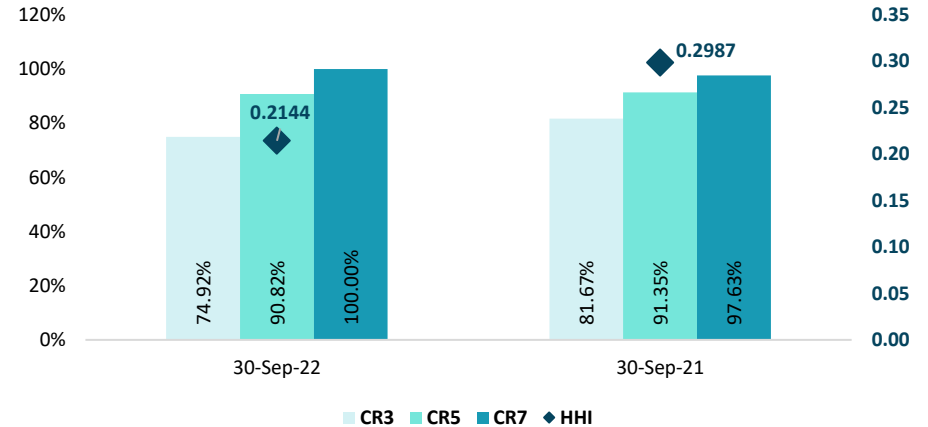
The situation is similar in the case of the private pension funds market (Pillar II and Pillar III) but explainable by objective reasons related to their operating mechanism and the current state of the market.

Regarding the capital market, the concentrations risk is also medium to high for both the OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE because top market participants sum up a significant share of the total assets.

Concentration risk of private pension funds (by total assets on 12/30/2022)

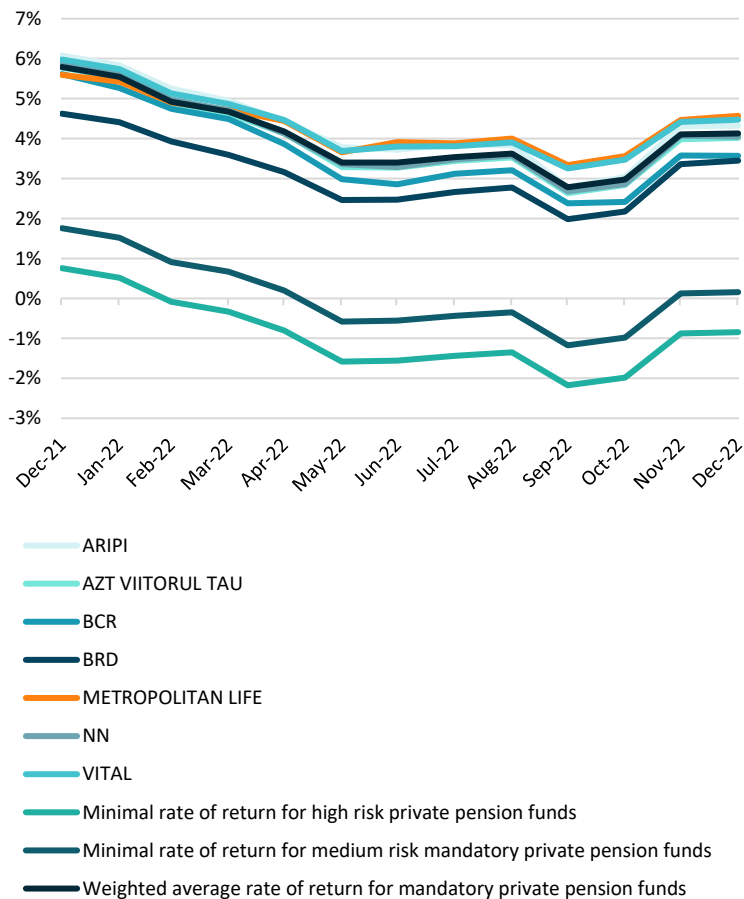


The concentration risk of insurance companies in the MTPL market (by gross written premiums on 09/30/2022)



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

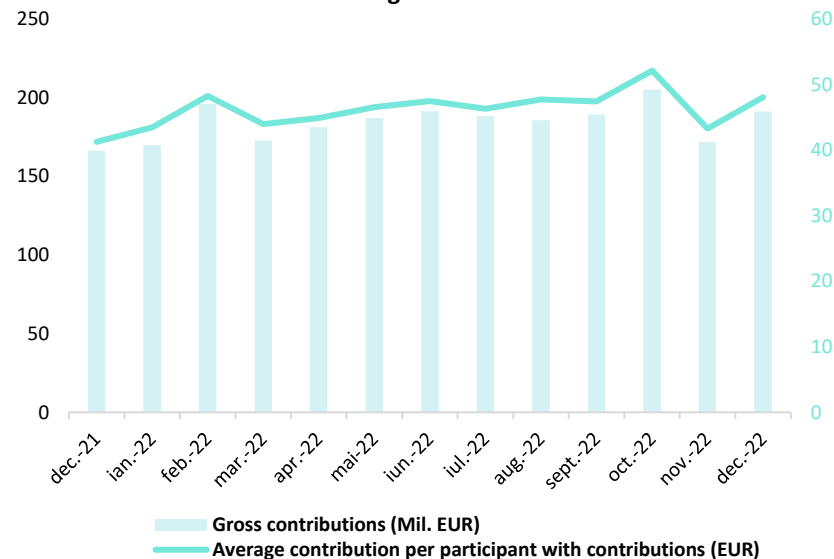
Rate of return for mandatory pension funds



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

Mandatory pension fund	Total Assets Dec. 2022 (EUR)	Participants (persons) Dec. 2022	Rate of return Dec. 2022
ARIPi	1,750,500,719	840,145	4.32%
AZT VIITORUL TAU	4,123,412,151	1,658,196	4.02%
BCR	1,358,000,329	744,439	3.57%
BRD	814,122,026	531,204	3.45%
METROPOLITAN LIFE	2,777,139,212	1,096,250	4.57%
NN	6,687,891,953	2,084,794	4.05%
VITAL	1,983,842,662	1,005,302	4.48%
Total	19,494,909,051	7,960,330	n/a

Evolution of gross contributions



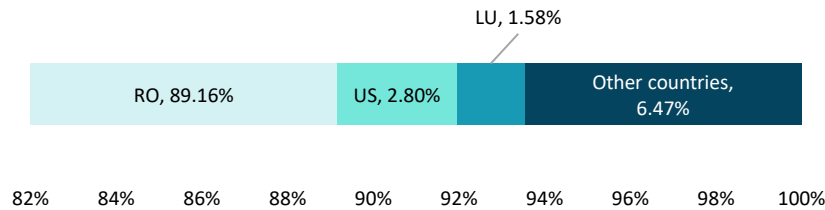
Source: ASF

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

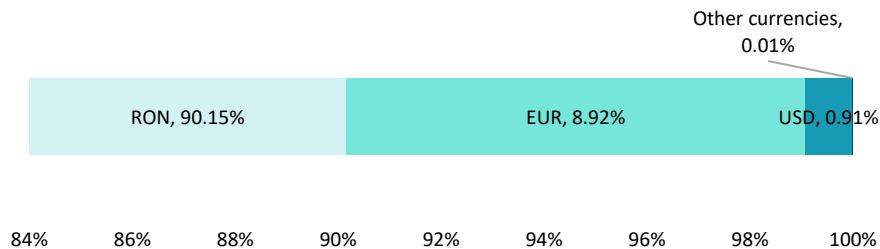
Mandatory pension fund's portfolio on 31 Dec. 2022 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	12,144,832,798	62.29%
Equity	4,212,200,959	21.60%
Corporate bonds	1,480,533,385	7.59%
Bank deposits	771,721,981	3.96%
Investment funds	539,775,399	2.77%
Supranational bonds	282,060,378	1.45%
Municipal bonds	48,136,379	0.25%
Commodities and precious metals funds	17,904,730	0.09%
Other assets	223,616	0.00%
Derivatives	(509,615)	0.00%

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



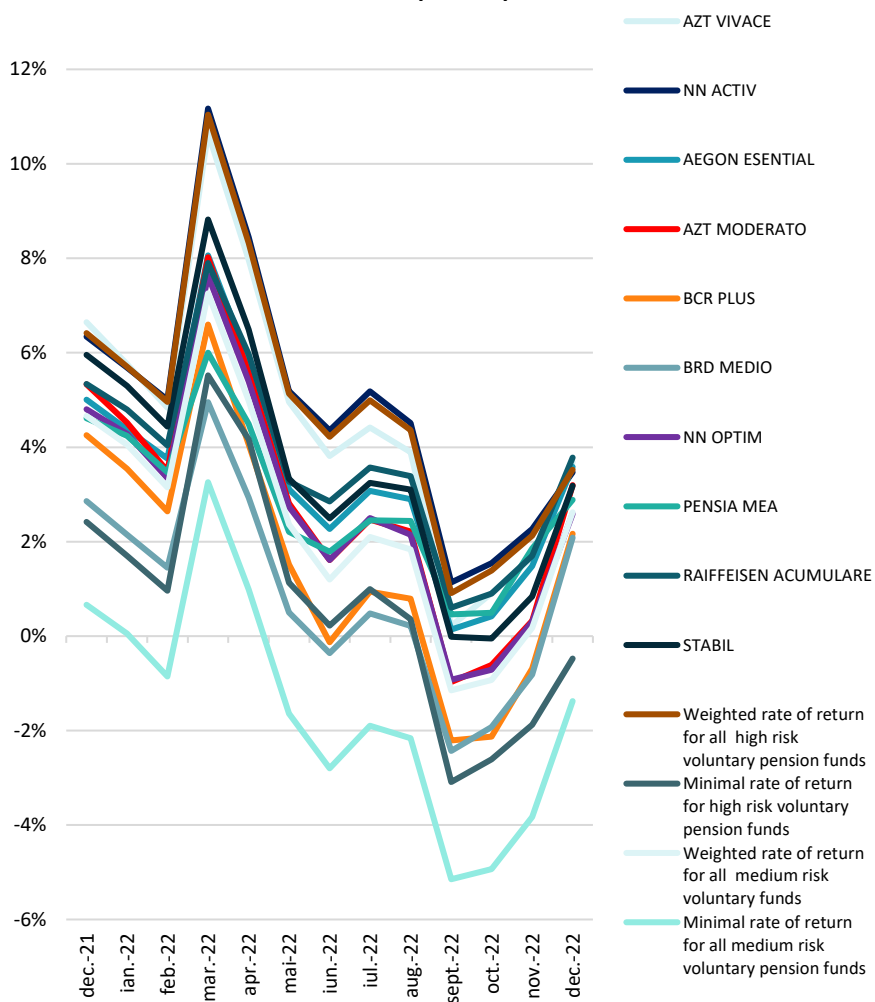
Source: ASF

The value of the total assets of the privately managed pension funds reached EUR 19.5 billion at the end of December 2022, registering an annual growth rate of 8,2%, in terms of EUR.

At the end of December 2022, 89% of the investments of privately managed pension funds were conducted locally, a large majority being denominated in RON. Most Romanian instruments are represented by government bonds and equities listed on the Bucharest Stock Exchange.

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

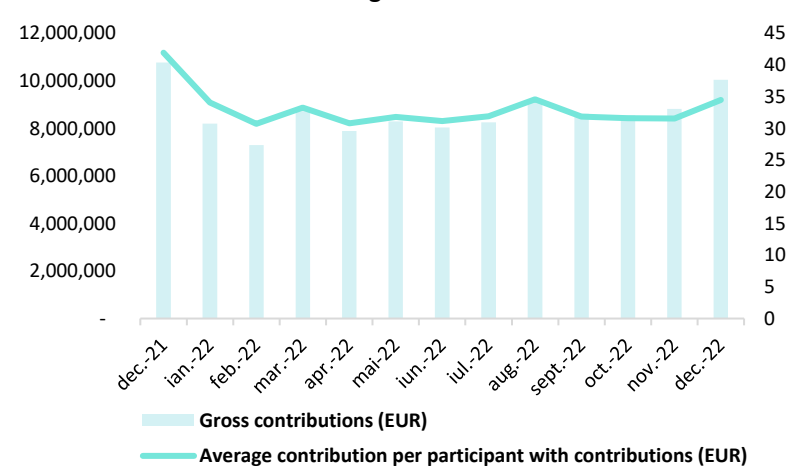
Rate of return for optional pension funds



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

Voluntary pension fund	Total assets (EUR), Dec. 2022	Participants (persons) Dec. 2022	Rate of return Dec. 2022
AEGON ESENTIAL	2,375,817	4,004	3.6797%
AZT MODERATO	73,630,395	47,941	3.4656%
AZT VIVACE	25,997,072	21,496	3.5835%
BCR PLUS	121,002,901	145,413	3.1948%
BRD MEDIO	38,413,167	38,191	2.1654%
GENERALI STABIL	7,082,059	65,999	2.0857%
NN ACTIV	87,745,372	234,618	2.5877%
NN OPTIM	317,917,950	36,660	2.8858%
PENSIA MEA	30,455,404	26,715	3.7808%
RAIFFEISEN ACUMULARE	27,570,180	5,575	3.1867%
Total	732,190,317	626,612	n/a

Evolution of gross contributions



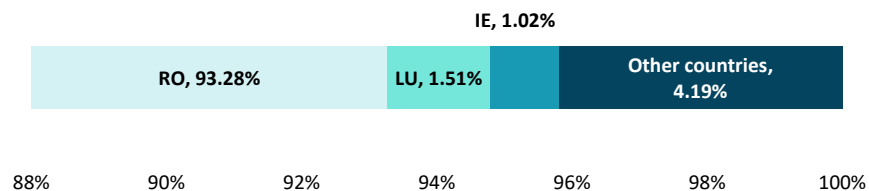
Source: ASF

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

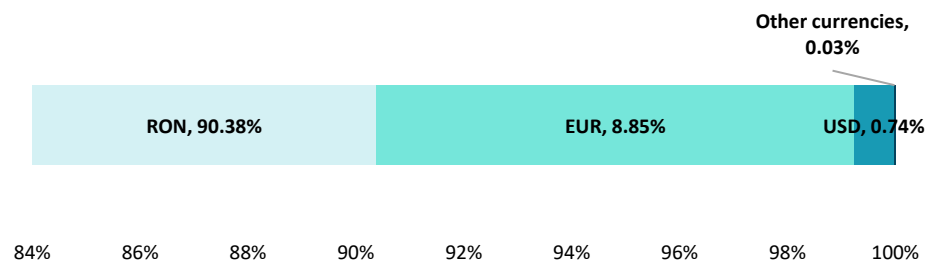
Optional pension fund's portfolio on 31 December 2022 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	459,195,240	62.72%
Equity	173,461,409	23.69%
Bank deposits	38,340,955	5.24%
Corporate bonds	31,075,470	4.24%
Investment funds	16,242,048	2.22%
Supranational bonds	7,641,458	1.04%
Municipal bonds	4,321,038	0.59%
Commodities and precious metals funds	1,623,705	0.22%
Derivatives	288,994	0.04%

Country exposure of optional pension fund's assets



Currency exposure of optional pension fund's assets



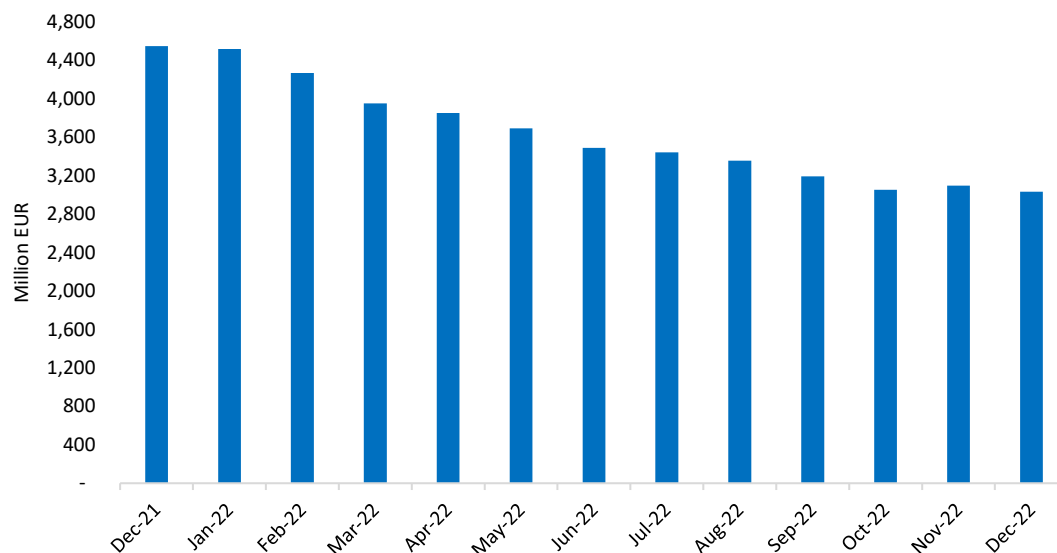
Source: ASF

The value of the total assets of the voluntary pension funds, at the end of December 2022, was EUR 732 million, registering an annual growth rate of 6%, in terms of EUR.

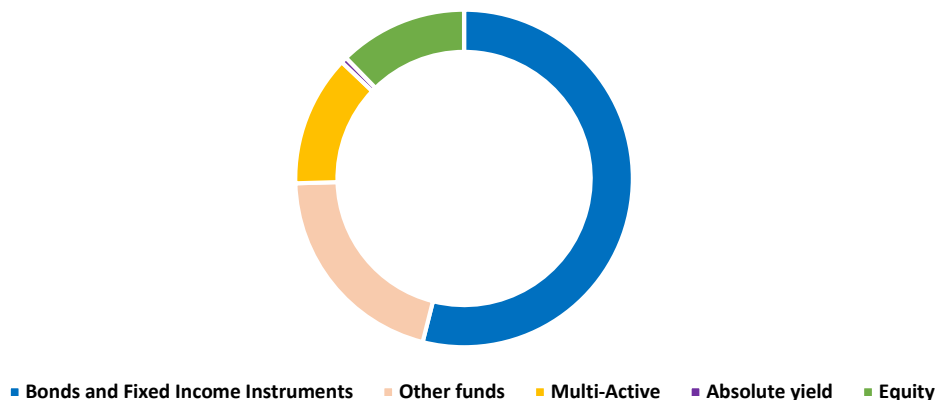
At the end of December 2022, the voluntary pension funds' investments were generally oriented towards local assets, in a percentage of 93%, a large majority being denominated in RON.

Specific developments in the investment funds sector

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



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



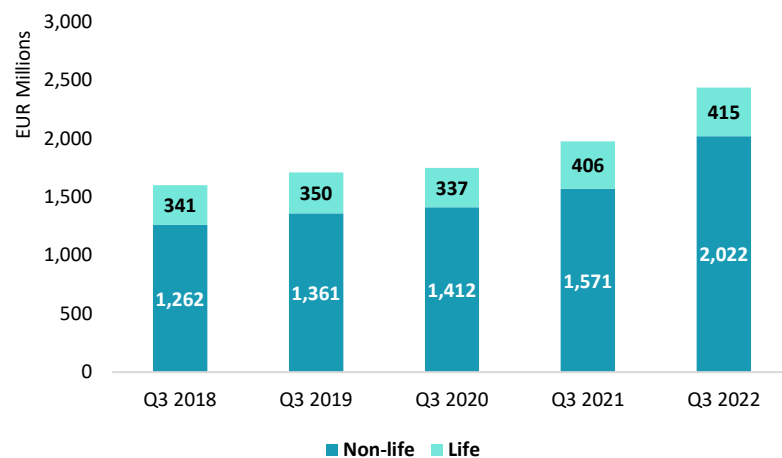
Source: AAF

According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of approx. EUR 3 billion in December 2022, down compared to the previous month (EUR 3.1 billion). At the end of December 2022, the net assets of all local open-end investment funds decreased compared to the previous month.

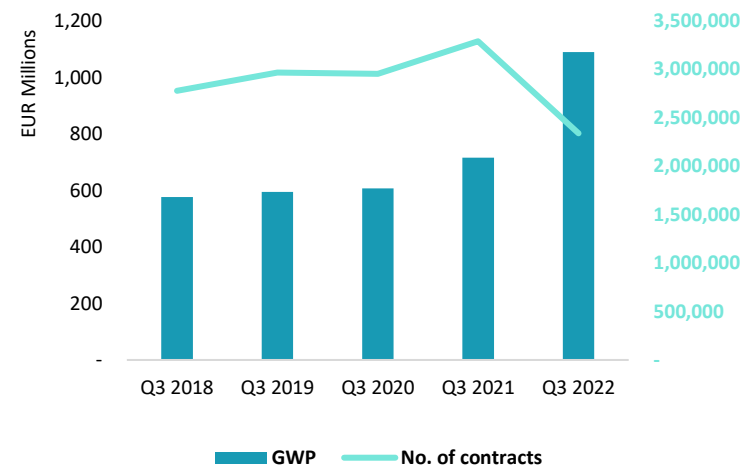
In December 2022, open-end bond and fixed-income instruments funds hold the largest share in total net assets of OeIF (around 54%), while the "other funds" category has a market share of approximately 21%.

Specific developments in the insurance market in Romania

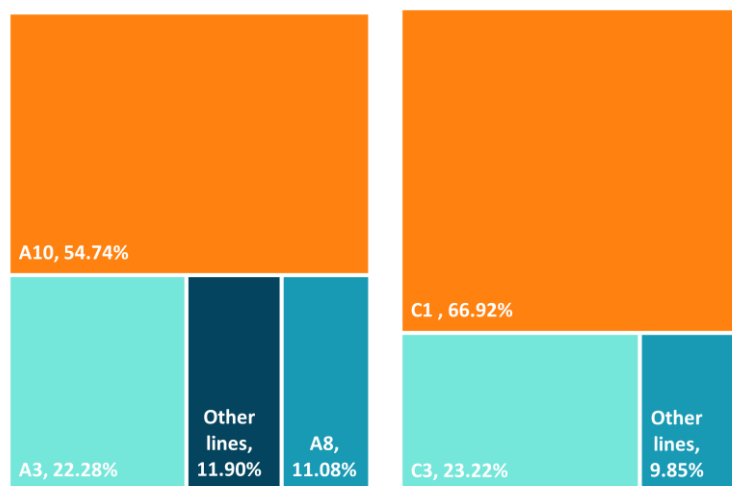
Gross written premiums (total)



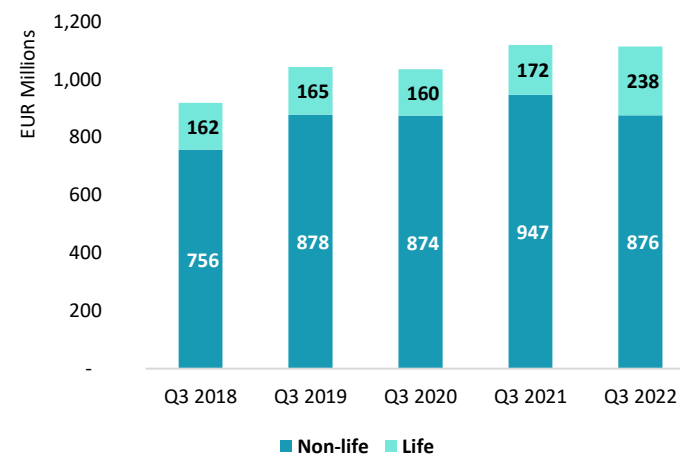
MTPL gross written premiums



Share of main insurance classes by GWP



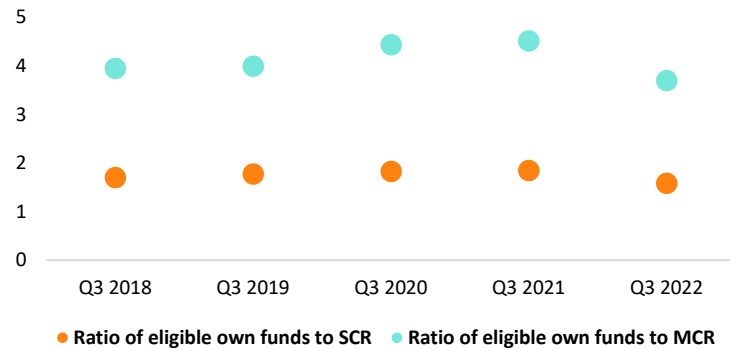
Gross claims paid



Source: ASF

Specific developments in the insurance market in Romania

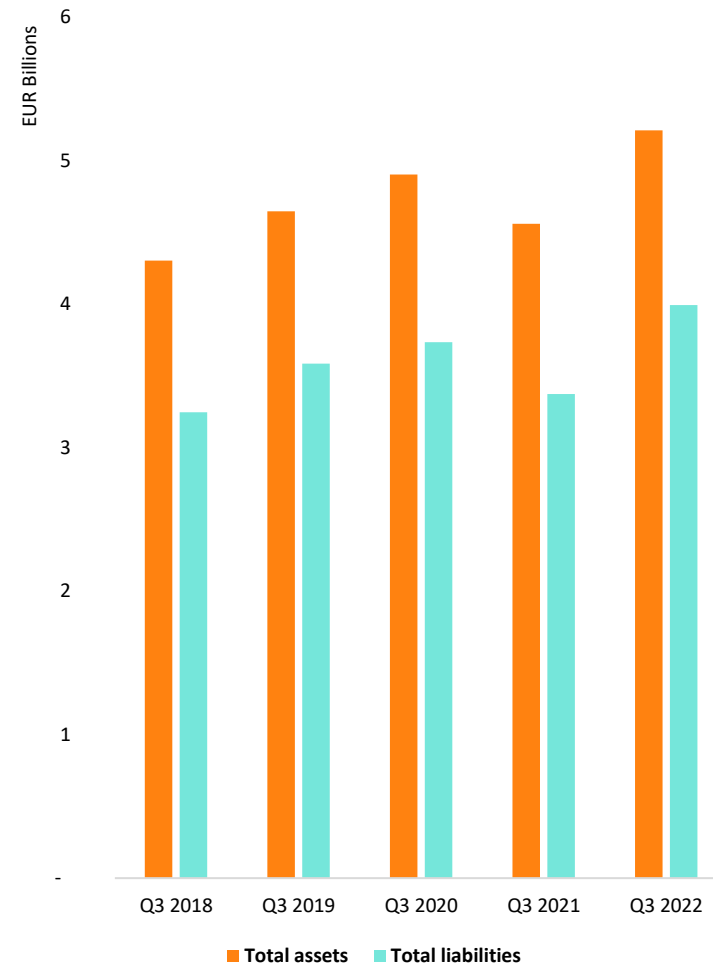
Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR



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



Total assets and total liabilities



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

ESMA

- 08 December: [ESMA publishes its assessment of the Brexit relocation processes.](#)
- 12 December: [The three European Supervisory Authorities \(EBA, EIOPA and ESMA – ESAs\) published a joint advice in response to the European Commission’s October 2021 call for advice on the review of the securitisation prudential framework.](#)
- 13 December: [The European Securities and Markets Authority \(ESMA\), the EU’s financial markets regulator and supervisor, has published the November edition of its Spotlight on Markets Newsletter.](#)
- 14 December: [ESMA published a Supervisory Briefing to ensure convergence across the European Union \(EU\) in the supervision of the cross-border activities of investment firms.](#)
- 14 December: [ESMA issued a Public Statement to promote coordinated action by National Competent Authorities \(NCAs\) under MiFID II.](#)
- 15 December: [ESMA published a Final Report including Guidelines on standard templates, forms and formats to apply for permission to operate a DLT market infrastructure.](#)
- 19 December: [ESMA issued a positive Opinion on the European Commission’s \(EC\) review of the regulatory technical standards – RTS 1 equity and RTS 2 non-equity transparency – on pre-trade and post-trade transparency requirements under the Markets in Financial Instruments Regulation \(MiFIR\).](#)
- 20 December: [ESMA clarified the legal provisions on reporting and data management under the amended EMIR rules and provided practical guidance on their implementation.](#)
- 20 December: [ESMA published an Opinion on the proposed position limits for the ICE Endex Dutch Title Transfer Facility \(TTF\) Gas contracts.](#)
- 21 December: [ESMA published a final report specifying the information to be provided, and the templates to be used, to inform competent authorities of the cross-border marketing and management of investment funds and the cross-border provision of services by fund managers.](#)

	<ul style="list-style-type: none"> • 22 December: The Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published the list of identified financial conglomerates for 2022. • 22 December: ESMA published the 2022 European Single Electronic Format (ESEF) XBRL taxonomy files and an update to the ESEF Conformance Suite to facilitate the implementation of the ESEF Regulation.
<p>EIOPA</p>	<ul style="list-style-type: none"> • 05 December: EIOPA published a Discussion paper on the Prudential Treatment of Sustainability Risks. • 05 December: EIOPA released the dashboard which depicts the insurance protection gap for natural catastrophes across Europe. • 05 December: EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of November 2022. • 05 December: EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of November 2022. • 13 December: EIOPA published the updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II. • 13 December: EIOPA published the results of its climate stress test of European Institutions for Occupational Retirement Provisions (IORPs). • 15 December: EIOPA published its December 2022 Financial Stability Report which sheds light on key developments and risks in the European insurance and pension sectors. • 16 December: EIOPA published a report on recent developments in the cross-border arrangements of Institutions for Occupational Retirement Provision (IORPs). • 22 December: EIOPA published a Supervisory Statement on inflation, which addresses inflation-related issues in (re)insurance from a prudential perspective.

The report reflects the latest available statistical data, some of which are provisional and will be revised in future editions.

The frequency with which information in tables and graphs is updated is highest for stock market indicators, macroeconomic indicators and investment and pension fund indicators, with most updates occurring monthly, while insurance market indicators are usually updated quarterly.