

At the beginning of March 2023, the contagion between the stock markets has increased due to the increase in the financial stability risks mainly in the banking sector.

MONTHLY MARKET REPORT

- In February 2023, the 3 most traded companies on BVB were OMV Petrom with a share of 30.87% of the total value traded in that period, Banca Transilvania (TLV: 18.75%) and S.N.G.N. ROMGAZ (SNG: 7.73%).
- The value of the total assets of the privately managed pension funds reached EUR 20,6 billion at the end of February 2023, with an annual increase of 15%.

World Macroeconomic Outlook

According to the winter 2023 economic forecast, the European Commission expects the **euro area economy** to grow by 0.9%, an upward revision (+0.6 pp) compared to the previous forecast, and **the EU economy** to grow by 0.8% in 2023. According to the European Commission, **Romania's gross domestic product** will grow by 2.5% in 2023, an upward revision (from 1.8% in the autumn 2022 economic forecast).

According to the data published by Eurostat, **the seasonally adjusted GDP** remained stable in the euro area in the fourth quarter of 2022 and decreased by 0.1% in the EU compared to the previous quarter. In the third quarter of 2022, the GDP grew by 0.4% in both the euro area and in the EU. Compared to the same quarter of the previous year, in the fourth quarter of 2022, the seasonally adjusted GDP grew by 1.8% in the euro area and by 1.7% in the EU, after displaying an increase of 2.4% in the euro area and 2.6% in the EU in the previous quarter. For the year 2022 as a whole, the GDP increased by 3.5% in both the euro area and the EU, after +5.3% and +5.4% respectively in 2021.

According to data published by the NIS, locally, **the gross domestic product** grew by 1% (in real terms) in Q4 2022 compared to Q3 2022. Compared to Q4 2021, in Q4 2022, Romania's gross domestic product increased by 4.6% on the gross series and by 4.9% on the seasonally adjusted series. In 2022, the gross domestic product increased by 4.8% compared to 2021.

The National Commission for Strategy and Prognosis (NCSP) has maintained the economic forecast for the gross domestic product growth for 2023 at 2.8% according to the NCSP winter 2023 forecast.

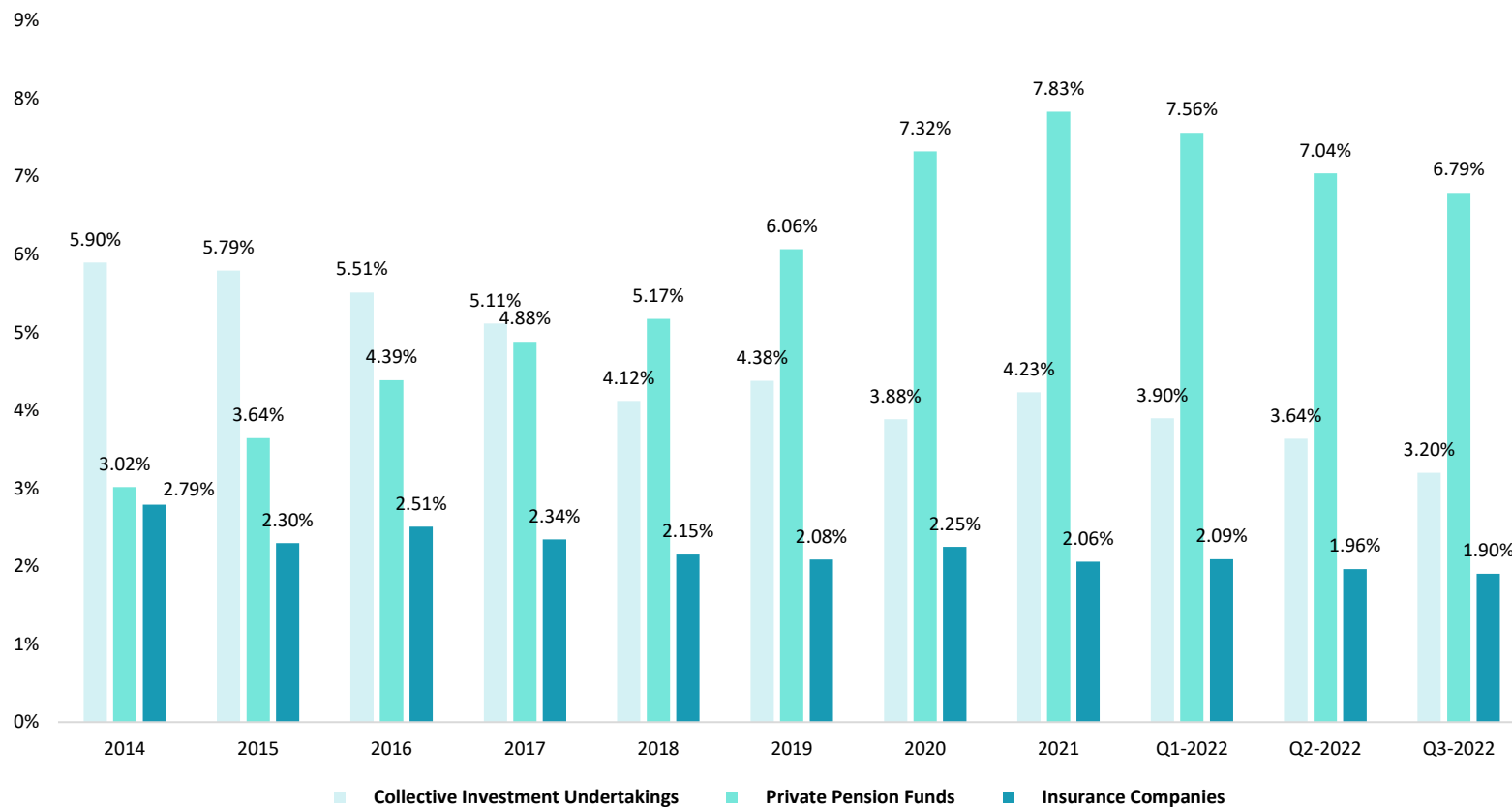
Evolution of GDP (%) and GDP forecast (%)

| Country | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | 2022 | European Commission | | IMF | |
|------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------------------|------------|------------|------------|
| | | | | | | | | | | | 2023f | 2024f | 2023f | 2024f |
| Euro area | -0.8 | 14.3 | 4.0 | 4.9 | 5.4 | 5.5 | 4.4 | 2.5 | 1.9 | 3.5 | 0.9 | 1.5 | 0.5 | 1.8 |
| Germany | -2.2 | 10.2 | 1.8 | 1.2 | 2.6 | 3.5 | 1.7 | 1.4 | 0.9 | 1.8 | 0.2 | 1.3 | -0.3 | 1.5 |
| Bulgaria | 3.1 | 9.8 | 8.0 | 7.6 | 7.6 | 5.1 | 4.6 | 3.2 | 2.3 | 3.4 | 1.4 | 2.5 | 3.0 | 4.1 |
| Hungary | -1.7 | 17.5 | 6.6 | 7.5 | 7.1 | 7.9 | 6.1 | 3.7 | 0.8 | 4.6 | 0.6 | 2.6 | 1.8 | 2.8 |
| Poland | -0.5 | 12.0 | 7.1 | 8.7 | 6.8 | 10.5 | 5.6 | 4.5 | 0.4 | 4.9 | 0.4 | 2.5 | 0.5 | 3.1 |
| Romania | -1.0 | 11.5 | 8.4 | 5.4 | 5.8 | 4.6 | 4.0 | 4.4 | 4.9 | 4.8 | 2.5 | 3.0 | 3.1 | 3.8 |

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Winter 2023 Economic Forecast, World Economic Outlook – October 2022, IMF

Dimension of the non-bank financial sector

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



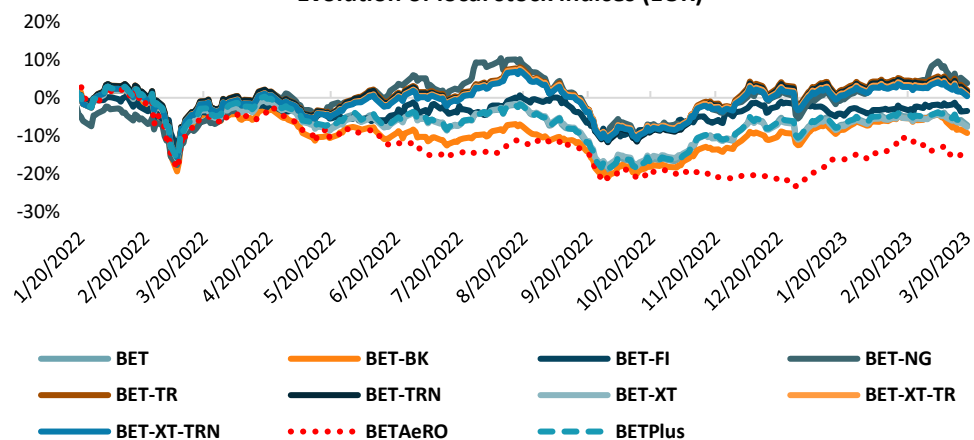
Source: NBR, NIS, ASF

Current trends in Romanian capital markets

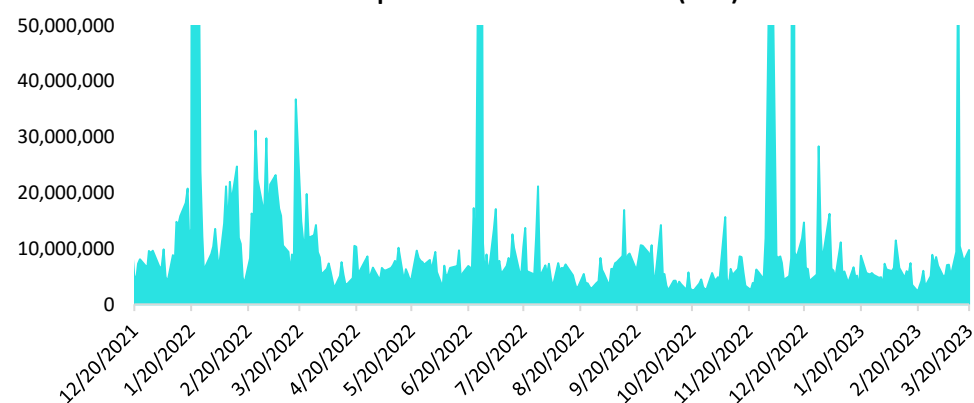
**Romanian stock indices evolution in 2023
(30.12.2022 = 100; EUR)**

| Date | BET | BET-BK | BET-FI | BET-NG |
|------------|------------|---------|---------|-----------|
| | 3.88% | 3.55% | 0.16% | 9.26% |
| 03/20/2023 | BET-TR | BET-TRN | BET-XT | BET-XT-TR |
| | 3.90% | 3.89% | 3.52% | 3.54% |
| | BET-XT-TRN | BETAeRO | BETPlus | |
| | 3.54% | 9.48% | 3.52% | |

Evolution of local stock indices (EUR)

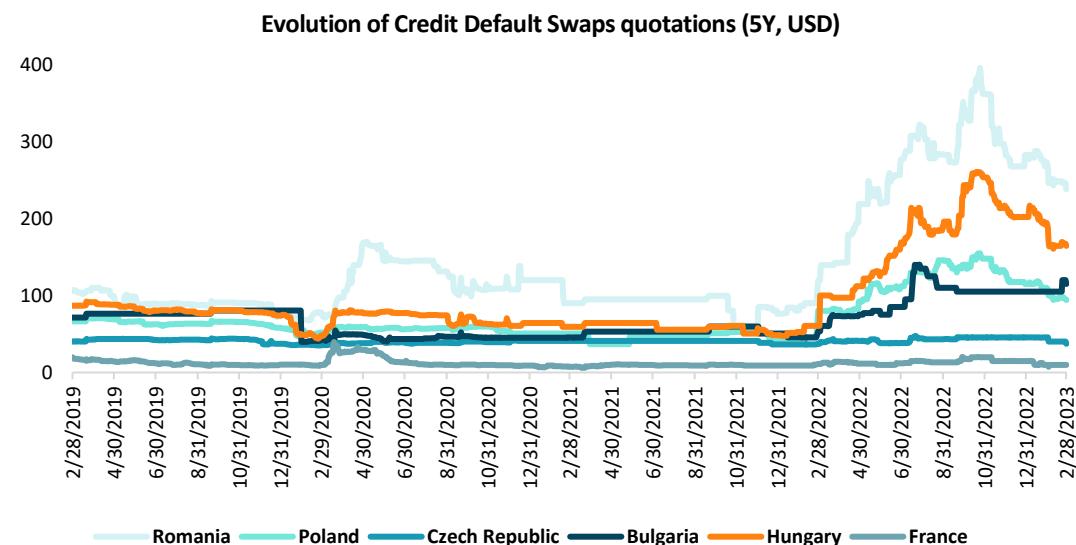
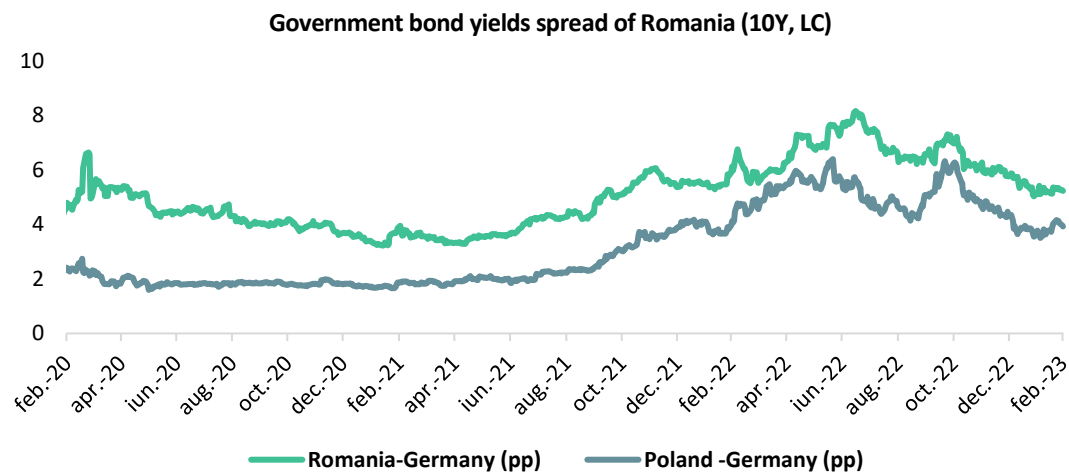


Equities traded value on BSE (EUR)



Source: BSE; ASF calculations

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



Source: Refinitiv

The spread between Romanian and German government bonds (10Y) has increased slightly in February, but is at a lower level compared to the values recorded in July and November 2022. The decrease in the spread may be interpreted as a recovery of investors' confidence in Romania's country rating.

At the end of February 2023, Romania CDS quotations stood at a value of 238 bp, decreasing as compared to the end of January 2023 (270 bp).

Market risk: evolution of local and international stock indices at the end of February 2023

International and local stock indices yields

| International indices | 1 M | 3 M | 6 M |
|-----------------------|--------|--------|--------|
| EA (EUROSTOXX) | 1.85% | 7.29% | 17.18% |
| FR (CAC 40) | 2.62% | 7.86% | 18.66% |
| DE (DAX) | 1.57% | 6.72% | 19.71% |
| IT (FTSE MIB) | 3.30% | 11.65% | 27.45% |
| GR (ASE) | 10.41% | 23.78% | 31.87% |
| IE (ISEQ) | 3.89% | 13.02% | 17.73% |
| ES (IBEX) | 3.99% | 12.33% | 19.13% |
| UK (FTSE 100) | 1.35% | 4.00% | 8.13% |
| US (DJIA) | -4.19% | -5.59% | 3.64% |
| IN (NIFTY 50) | -2.03% | -7.75% | -2.56% |
| SHG (SSEA) | 0.74% | 4.08% | 2.45% |
| JPN (N225) | 0.43% | -1.87% | -2.30% |

| BSE indices | 1 M | 3 M | 6 M |
|-------------|-------|--------|--------|
| BET | 1.41% | 4.94% | 2.09% |
| BET-BK | 2.07% | 8.05% | 7.15% |
| BET-FI | 2.41% | 2.19% | -0.08% |
| BET-NG | 3.21% | 6.24% | 2.15% |
| BET-TR | 1.41% | 4.94% | 2.16% |
| BET-TRN | 1.41% | 4.94% | 2.16% |
| BET-XT | 1.41% | 4.45% | 1.31% |
| BET-XT-TR | 1.41% | 4.46% | 1.39% |
| BET-XT-TRN | 1.41% | 4.46% | 1.39% |
| BETAeRO | 4.46% | 11.51% | -0.12% |
| BETPlus | 1.49% | 5.11% | 2.35% |
| ROTX | 0.44% | 2.99% | -0.83% |

Source: Refinitiv, ASF calculations

Note: 1M=02/28/2023 vs. 01/31/2023; 3M=02/28/2023 vs. 11/30/2022; 6M=02/28/2023 vs. 08/31/2022

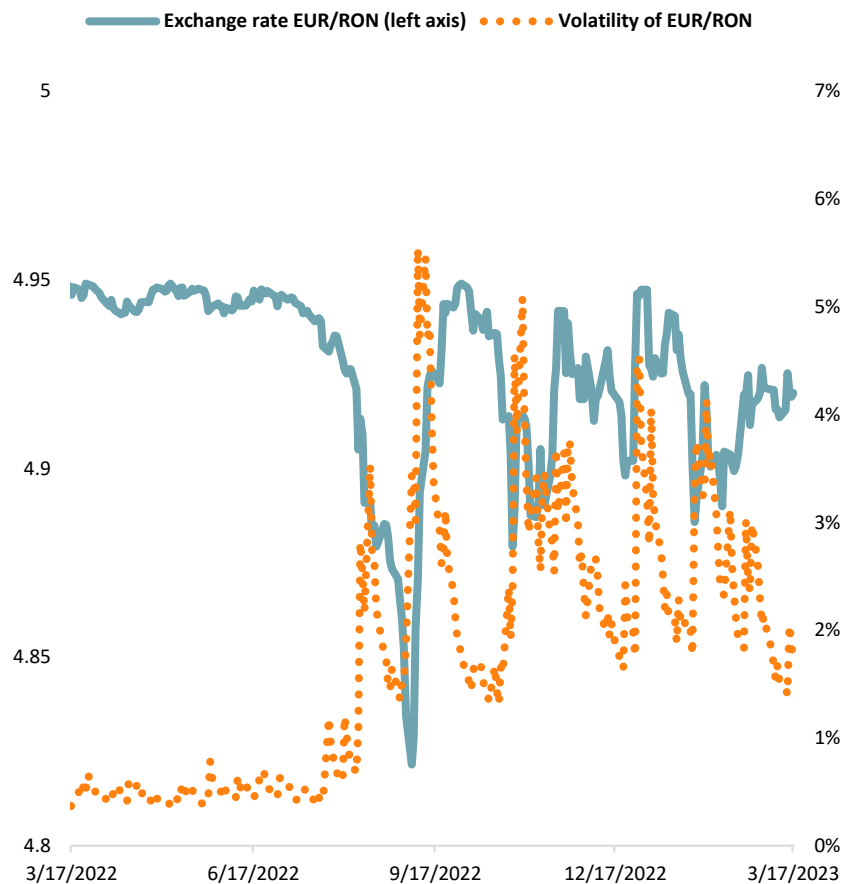
The European indices recorded positive developments (1M). The strongest increase was recorded by ASE index (GR: +10.41%), followed by the IBEX index (ES: +3.99%).

The main American and Asian indices displayed mixed developments. Therefore, the DJIA index manifested the most significant decrease (US: -4.19%), while the most important increase was observed in the case of the SSEA index (SHG: +0.74%).

The BSE stock indices have recorded positive evolutions. The increases ranged from +0.44% (ROTX index) to +4.46% (BETAeRO index).

Market Risk: exchange rate volatility

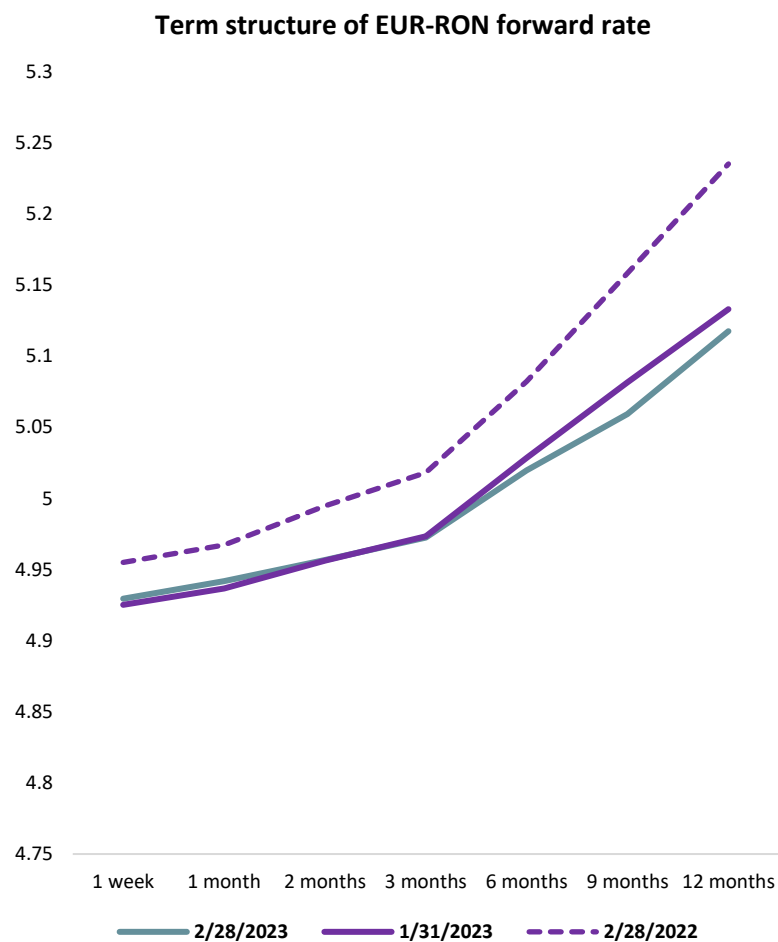
EUR/RON Exchange Rate vs Volatility



Source: Refinitiv, ASF model for volatility

In February 2023, the volatility of the EUR/RON exchange rate fluctuated between 2-3% and the exchange rate level hovered close to the level of 4.91 EUR/RON. We estimate that the exchange rate volatility will remain low (around <2%) for the next four weeks.

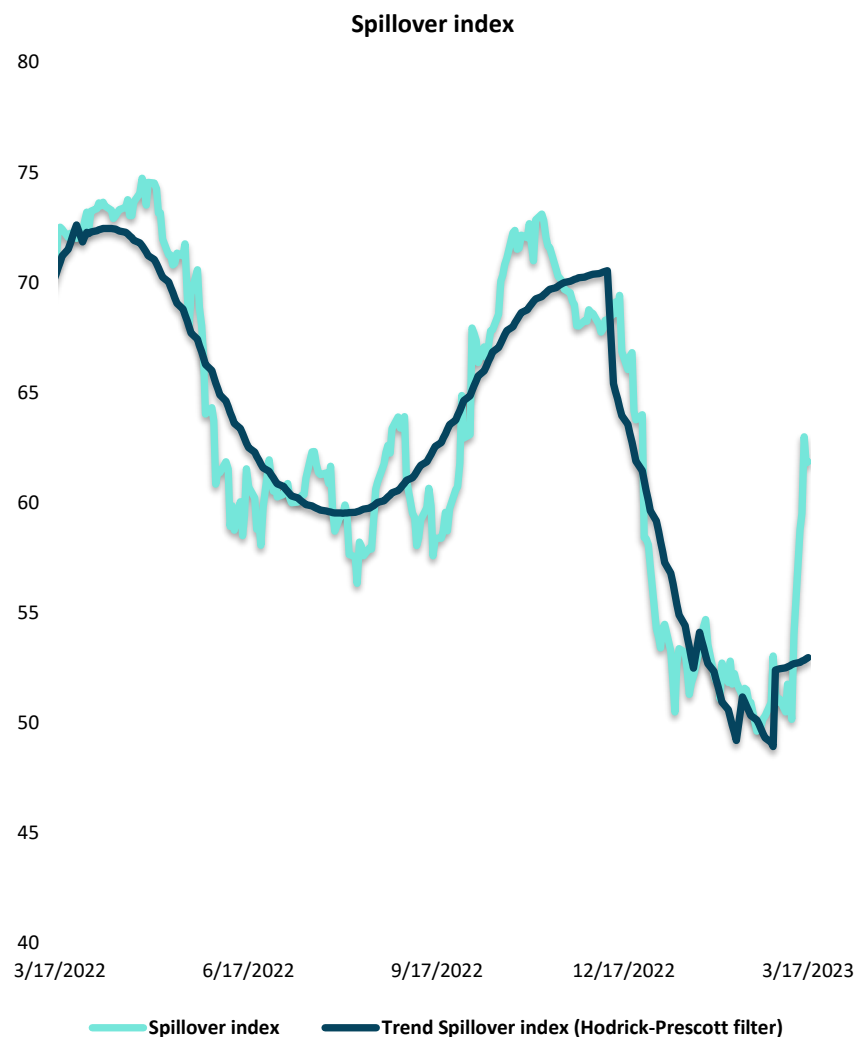
Market Risk: term structure of EUR-RON forward rate



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 depreciation for maturities between 3 months and 12 months with respect to the previous month (RON appreciation).

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index



Source: Refinitiv, ASF model

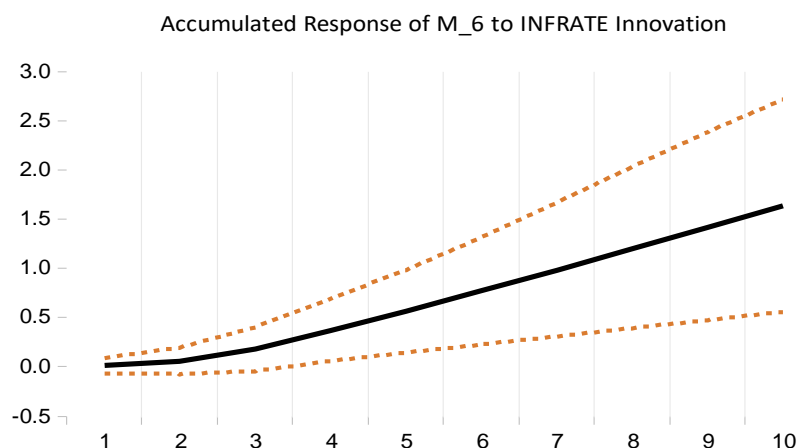
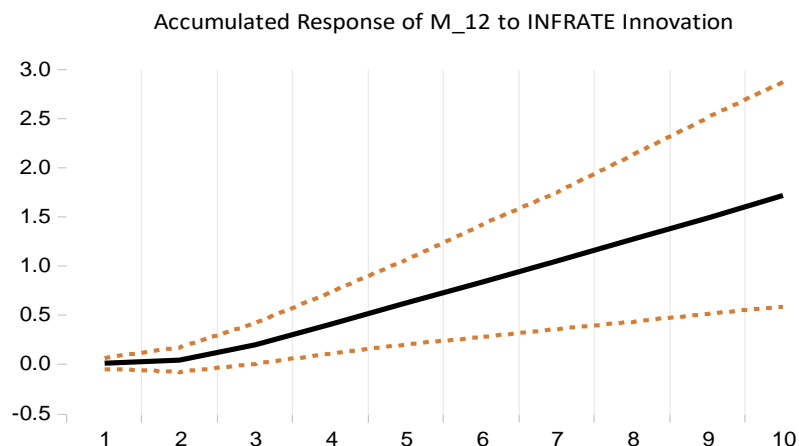
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link 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.

At the beginning of March 2023, the contagion between the stock markets has increased due to the increase in the financial stability risks mainly in the banking sector.

Market Risk: Scenario for Romanian treasury yields for a shock in inflation

Scenario for inflation increase

Accumulated Response to Generalized One S.D. Innovations
95% CI using Standard percentile bootstrap with 999 bootstrap repetitions



Understanding the mechanism and relationship between interest rates and inflation is of crucial importance for effective and timely economic decisions for monetary policy makers. Irving Fisher tested this relationship for the UK and the US in his 1930 study and found strong correlations between changes in inflation rates and changes in nominal interest rates.

Empirically, there is a robust relationship between nominal interest rates and inflation: high rates of inflation are accompanied by high nominal interest rates (Williamson, 2019). The conventional interpretation of this relationship is that high inflation leads to high nominal interest rates because both borrowers and lenders care about real interest rates. To quantify the relationship between inflation and government bond yields, a VEC model was used to analyze the long-run relationship between the variables of interest.

A VEC model with two lags and a cointegrating relationship was estimated. Restrictions were introduced for the inflation rate set in the long-run cointegration vector. The model was estimated on monthly data for Romanian government bond yields with maturities of 6 months, 1 year and 5 years for the period 2010-February 2023.

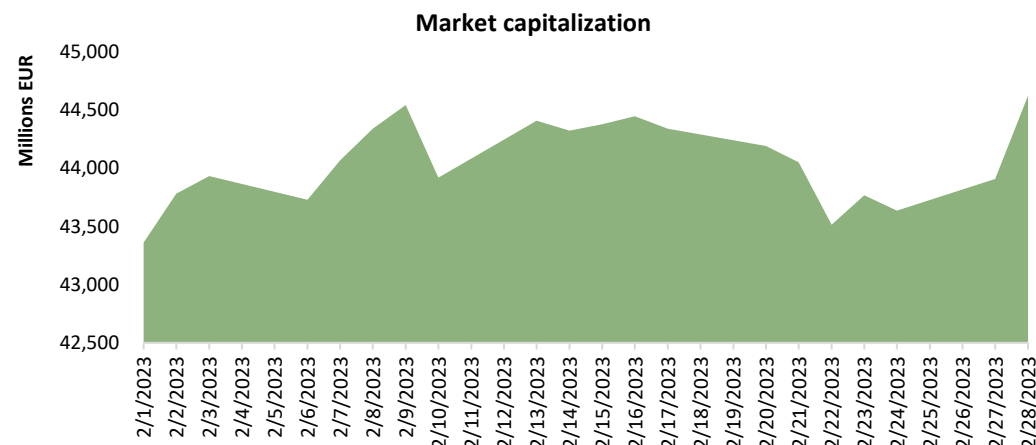
To quantify the effect of rising inflation on government bond yields, a 1 standard deviation shock in the inflation rate was applied.

The results showed that a 0.7% (1 standard deviation) increase in inflation leads to an increase in Treasury yields (6-month maturity) of 1.7% over the next 10 months and 1.83 for 1-year maturity government bonds. A confidence interval has been constructed for the forecast at 95% confidence.

Liquidity indicators on Romanian Stock Exchanges

The market capitalization recorded a 12% increase at the end of February 2023 compared to the end of 2022.

In February 2023, the 3 most traded companies on BVB were OMV Petrom with a share of 30.87% of the total value traded in that period, Banca Transilvania (TLV: 18.75%) and S.N.G.N. ROMGAZ (SNG: 7.73%).



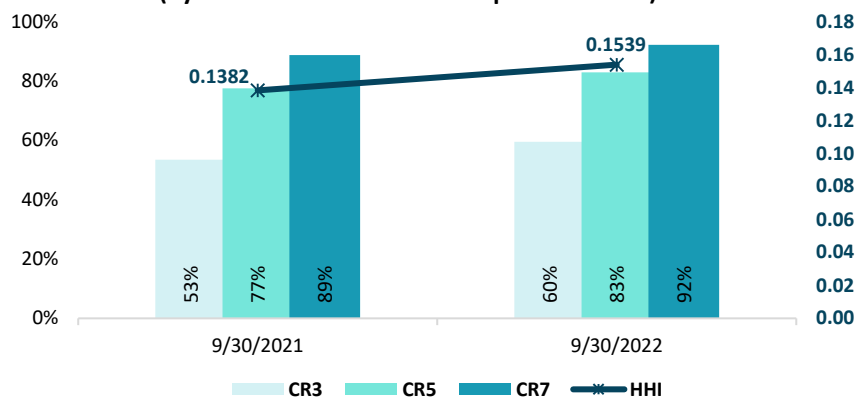
The BSE's Most Traded Companies during February 2023 (Only the Main Segment)

| Symbol | Main Market | | Deal | | Total | |
|--------------|-------------|--------|-------------|--------|-------------|--------|
| | Value (EUR) | % | Value (EUR) | % | Value (EUR) | % |
| SNP | 33,177,296 | 32.31% | 241,967 | 4.36% | 33,419,262 | 30.87% |
| TLV | 19,591,480 | 19.08% | 699,027 | 12.59% | 20,290,507 | 18.75% |
| SNG | 5,061,245 | 4.93% | 3,302,463 | 59.47% | 8,363,708 | 7.73% |
| BRD | 7,043,201 | 6.86% | 1,309,837 | 23.59% | 8,353,038 | 7.72% |
| FP | 7,703,664 | 7.50% | 0 | 0.00% | 7,703,664 | 7.12% |
| SNN | 4,407,868 | 4.29% | 0 | 0.00% | 4,407,868 | 4.07% |
| EL | 3,276,955 | 3.19% | 0 | 0.00% | 3,276,955 | 3.03% |
| ONE | 2,847,372 | 2.77% | 0 | 0.00% | 2,847,372 | 2.63% |
| M | 2,373,621 | 2.31% | 0 | 0.00% | 2,373,621 | 2.19% |
| WINE | 2,033,599 | 1.98% | 0 | 0.00% | 2,033,599 | 1.88% |
| TRP | 1,757,835 | 1.71% | 0 | 0.00% | 1,757,835 | 1.62% |
| TGN | 1,673,413 | 1.63% | 0 | 0.00% | 1,673,413 | 1.55% |
| TEL | 1,536,173 | 1.50% | 0 | 0.00% | 1,536,173 | 1.42% |
| EBS | 1,491,396 | 1.45% | 0 | 0.00% | 1,491,396 | 1.38% |
| TTS | 1,364,204 | 1.33% | 0 | 0.00% | 1,364,204 | 1.26% |
| Top 15 Total | | | | | | 93.21% |

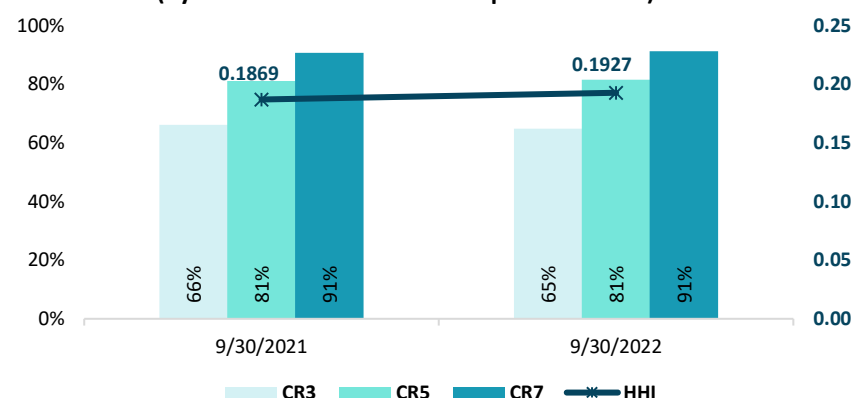
Source: NBR, BSE data, ASF calculations

Concentration risk

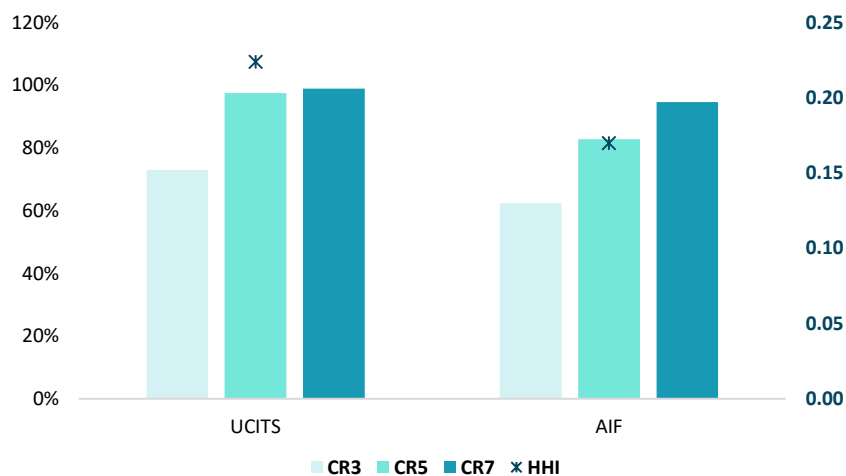
**Concentration risk of non-life insurance undertakings
(by the value of GWP on 30 September 2022)**



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

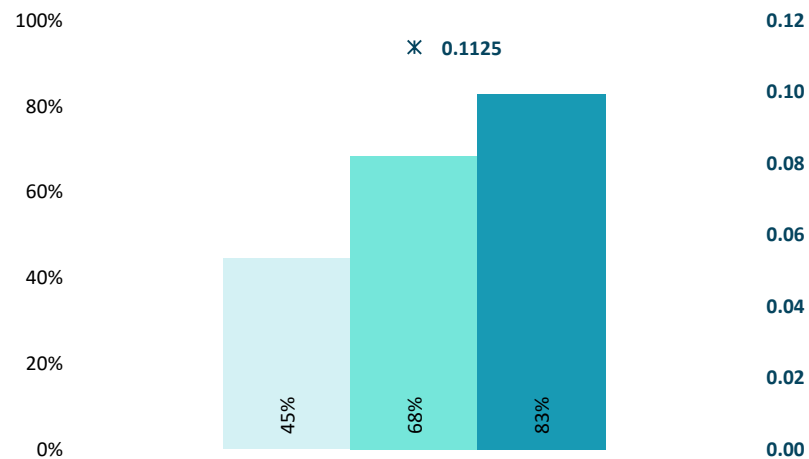


**Concentration risk of investment funds in Romania
(by net assets – 30 December 2022)**



Source: ASF

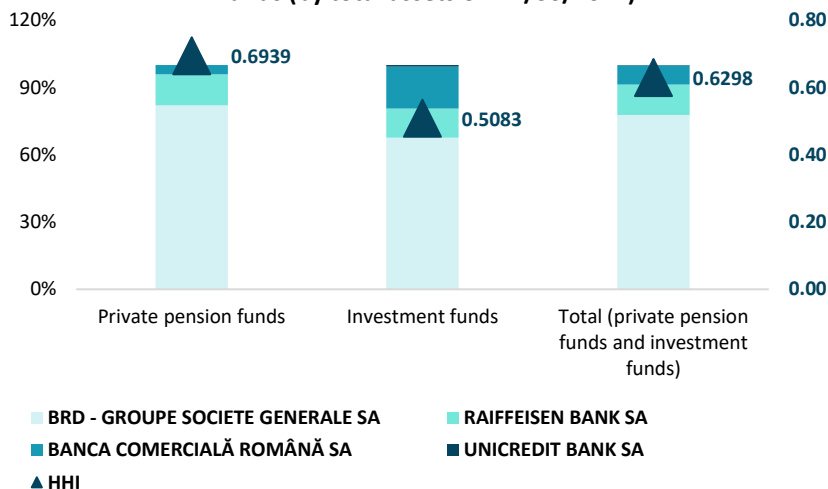
**Concentration risk of intermediaries on the BSE (by value of transactions
in February 2023 – Main segment & MTS, all spot and future
instruments)**



Source: ASF

Concentration risk

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

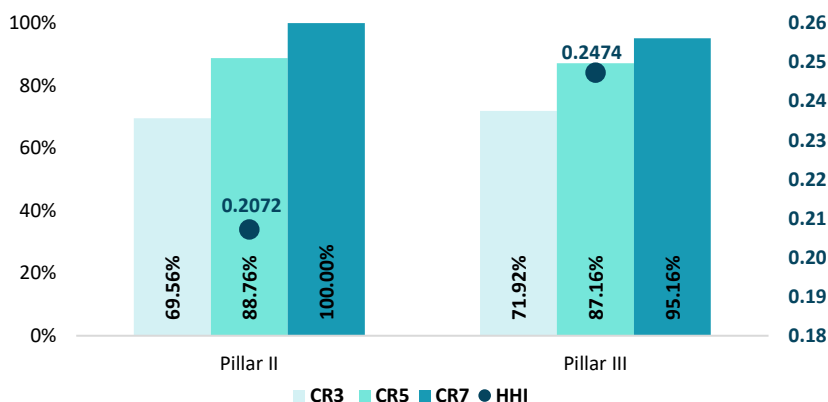


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

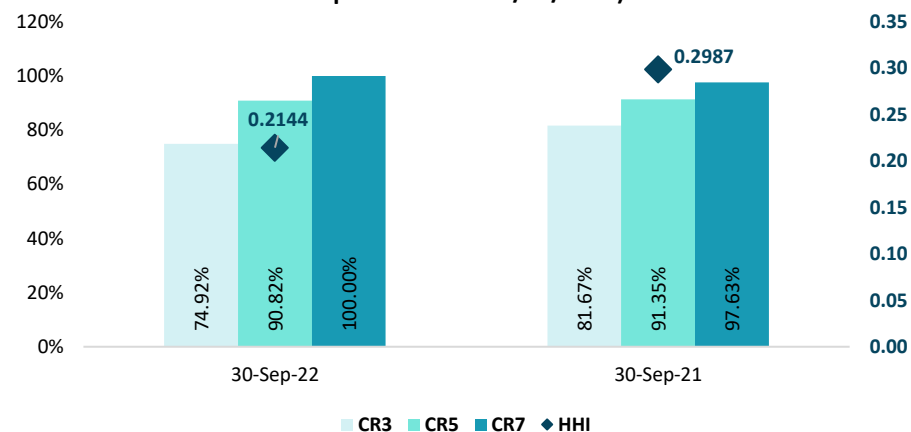
The situation is similar in the case of the private pension funds market (Pillar II and Pillar III) but explainable by objective reasons related to their operating mechanism and the current state of the market.

Regarding the capital market, the concentration 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 02/28/2023)

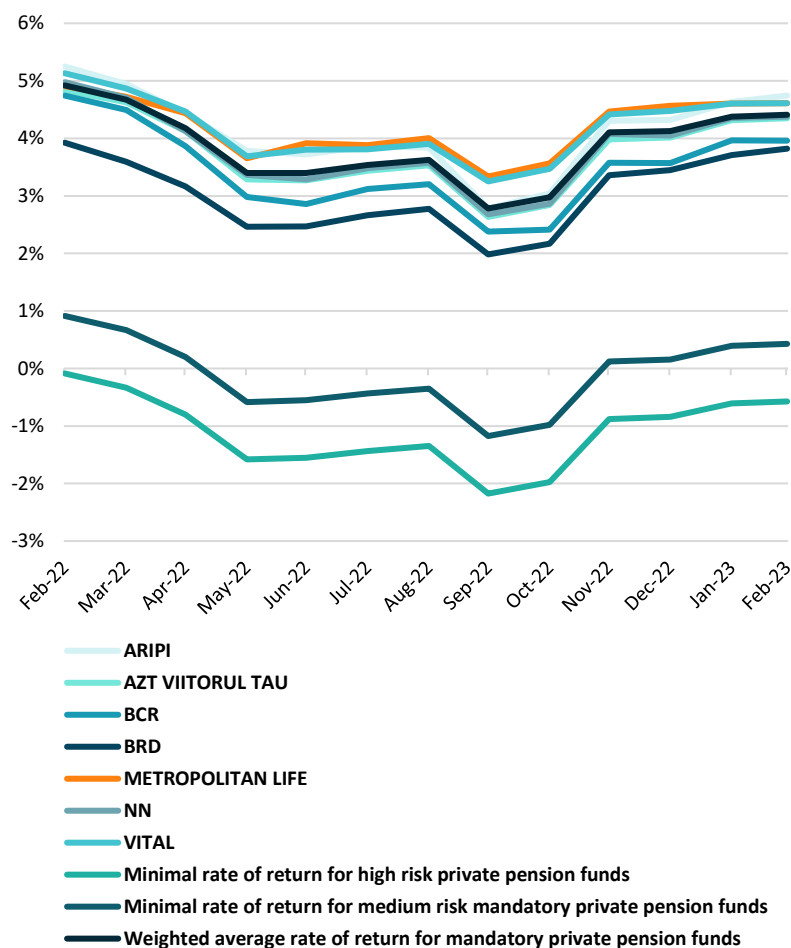


The concentration risk of insurance companies in the MTPL market (by gross written premiums on 09/30/2022)



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

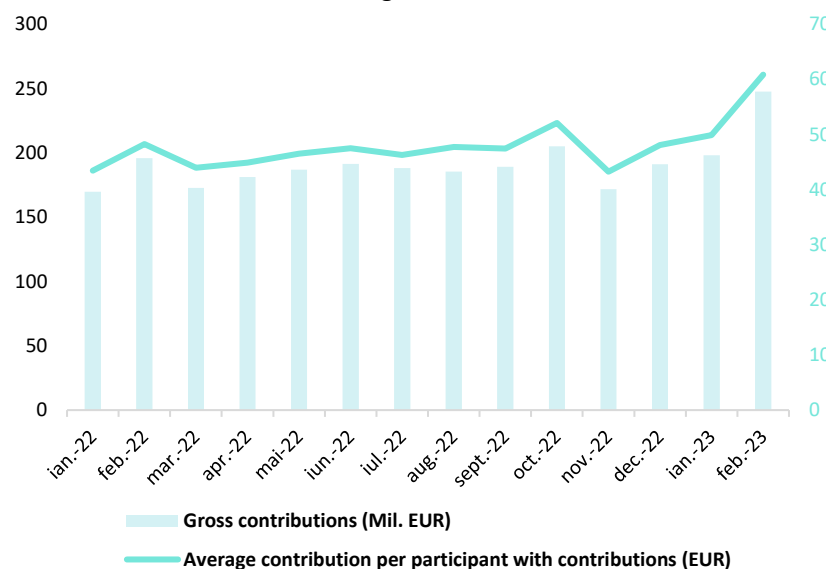
Rate of return for mandatory pension funds



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

| Mandatory pension fund | Total Assets Feb. 2023 (EUR) | Participants (persons) Feb. 2023 | Rate of return Feb. 2023 |
|------------------------|------------------------------|----------------------------------|--------------------------|
| ARIPI | 1,863,417,727 | 849,933 | 4.74% |
| AZT VIITORUL TAU | 4,360,634,463 | 1,667,619 | 4.35% |
| BCR | 1,446,078,646 | 754,366 | 3.96% |
| BRD | 869,839,779 | 541,073 | 3.82% |
| METROPOLITAN LIFE | 2,921,146,068 | 1,105,910 | 4.61% |
| NN | 7,056,150,992 | 2,094,117 | 4.38% |
| VITAL | 2,095,617,693 | 1,015,036 | 4.61% |
| Total | 20,612,885,368 | 8,028,054 | n/a |

Evolution of gross contributions



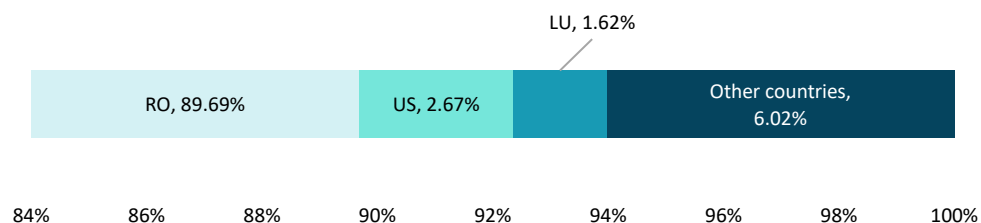
Source: ASF

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

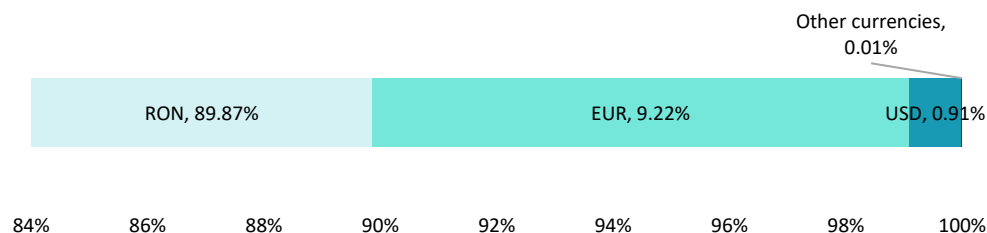
Mandatory pension fund's portfolio on 28 Feb. 2023 (EUR)

| Assets category | Assets value (EUR) | % Total assets |
|---------------------------------------|-----------------------|----------------|
| Government bonds | 12,938,519,685 | 62.77% |
| Equity | 4,531,525,137 | 21.98% |
| Corporate bonds | 1,431,567,889 | 6.95% |
| Bank deposits | 784,991,566 | 3.81% |
| Onvestment funds | 586,214,054 | 2.84% |
| Supranational bonds | 284,579,653 | 1.38% |
| Municipal bonds | 49,066,946 | 0.24% |
| Derivatives | 29,565,217 | 0.14% |
| Commodities and precious metals funds | 18,083,001 | 0.09% |
| Other assets | (41,227,780) | -0.20% |
| Total | 20,612,885,368 | 100.00% |

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



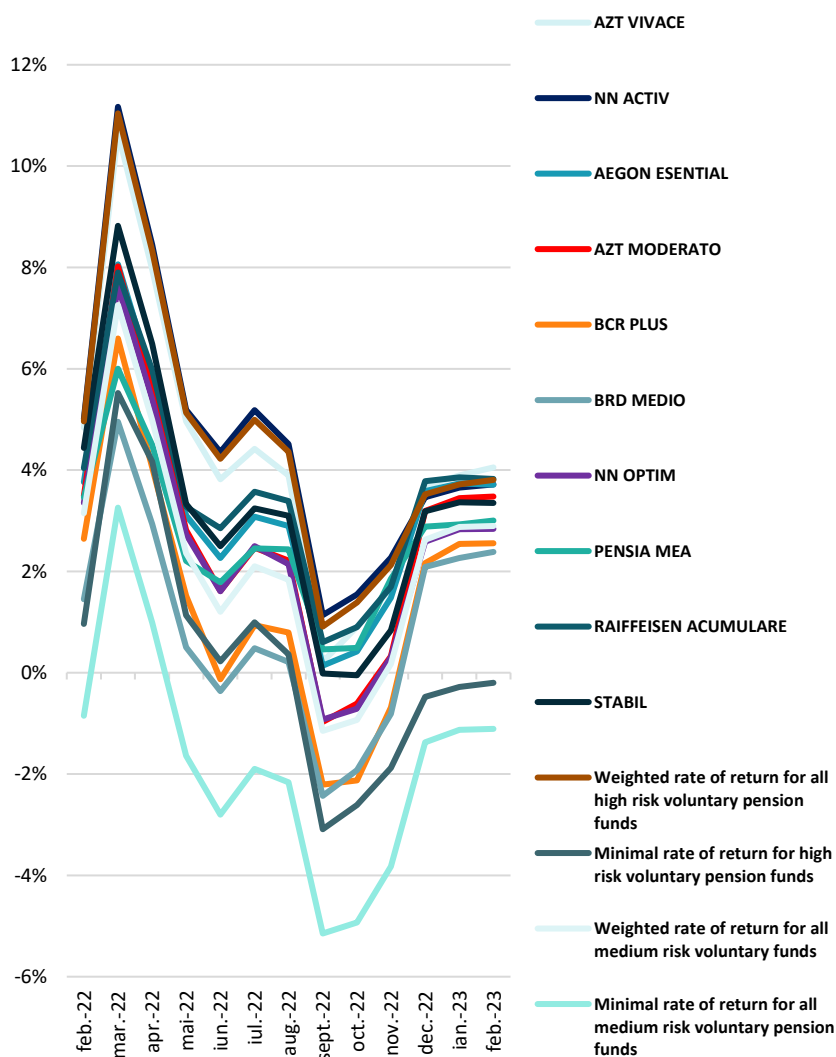
Source: ASF

The value of the total assets of the privately managed pension funds reached EUR 20,6 billion at the end of February 2023, with an annual increase of 15%.

Approximately 90% of the assets were invested locally, the 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)

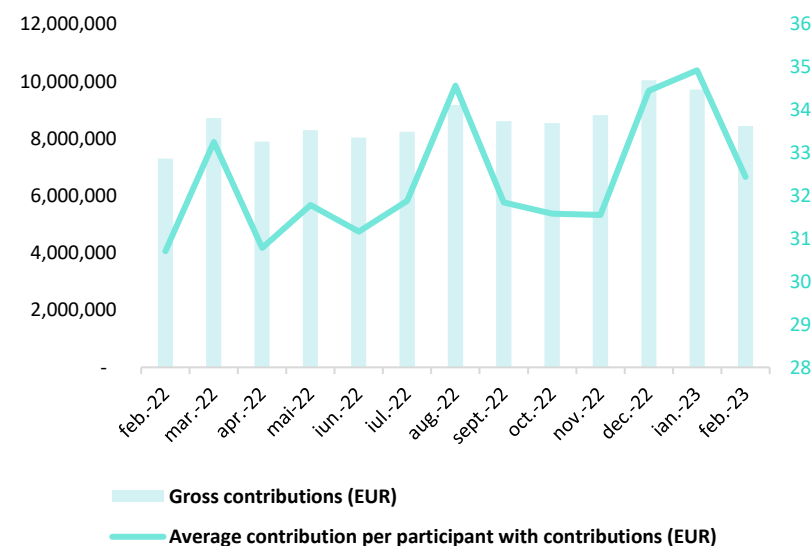
Rate of return for optional pension funds



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

| Voluntary pension fund | Total assets (EUR), Feb. 2023 | Participants (persons) Feb. 2023 | Rate of return Feb. 2023 |
|------------------------|-------------------------------|----------------------------------|--------------------------|
| AEGON ESENTIAL | 2,504,556 | 4,024 | 3.8963% |
| AZT MODERATO | 77,421,632 | 48,135 | 3.6551% |
| AZT VIVACE | 27,409,780 | 21,603 | 3.7337% |
| BCR PLUS | 126,772,412 | 145,993 | 3.4457% |
| BRD MEDIO | 40,038,399 | 38,103 | 2.5450% |
| GENERALI STABIL | 7,424,948 | 66,919 | 2.2664% |
| NN ACTIV | 93,094,336 | 237,830 | 2.8300% |
| NN OPTIM | 334,643,239 | 38,787 | 2.9258% |
| PENSIA MEA | 32,627,714 | 30,697 | 3.8577% |
| RAIFFEISEN ACUMULARE | 29,038,356 | 5,591 | 3.3651% |
| Total | 770,975,371 | 637,682 | n/a |

Evolution of gross contributions



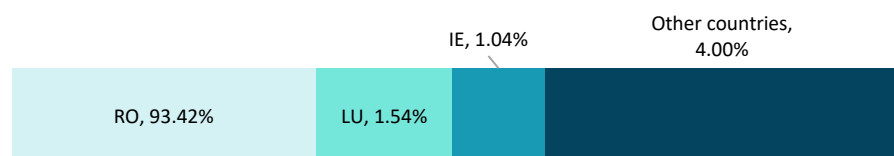
Source: ASF

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

Optional pension fund's portfolio on 28 February 2023 (EUR)

| Assets category | Assets value (EUR) | % Total assets |
|---------------------------------------|--------------------|----------------|
| Government bonds | 491,295,099 | 63.72% |
| Equity | 188,155,904 | 24.40% |
| Corporate bonds | 30,664,047 | 3.98% |
| Deposits | 29,343,328 | 3.81% |
| Investment funds | 17,675,804 | 2.29% |
| Supranational bonds | 7,726,985 | 1.00% |
| Municipal bonds | 4,401,333 | 0.57% |
| Commodities and precious metals funds | 1,639,872 | 0.21% |
| Derivatives | 239,518 | 0.03% |
| Other assets | -166,520 | -0.02% |
| Total | 770,975,371 | 100.00% |

Country exposure of optional pension fund's assets



90% 91% 92% 93% 94% 95% 96% 97% 98% 99% 100%

Currency exposure of optional pension fund's assets



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

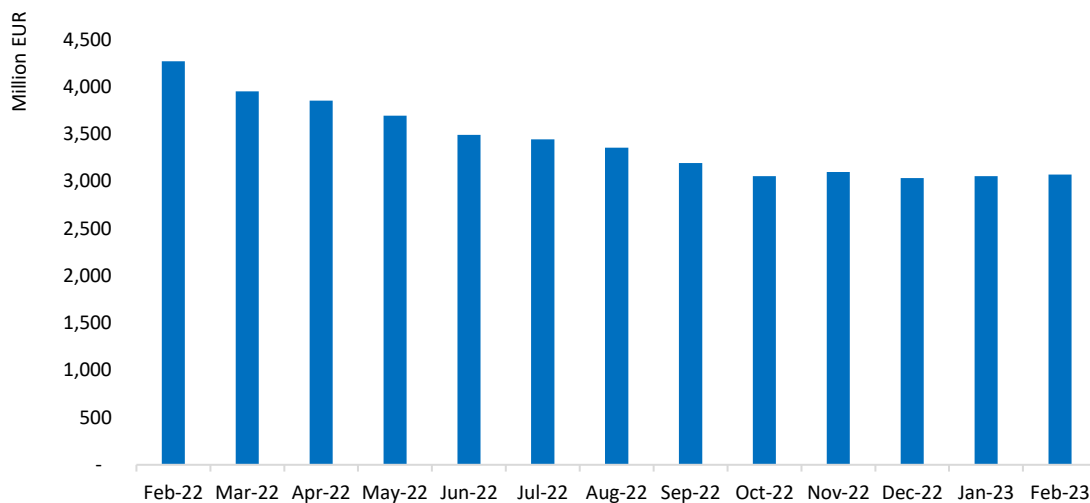
Source: ASF

At the end of February 2023, the voluntary pension funds' total assets value was EUR 771 million, with an annual increase of 13%.

The fund portfolios were generally invested in local assets, in a percentage of 93%, the majority being denominated in RON (90%).

Specific developments in the investment funds sector

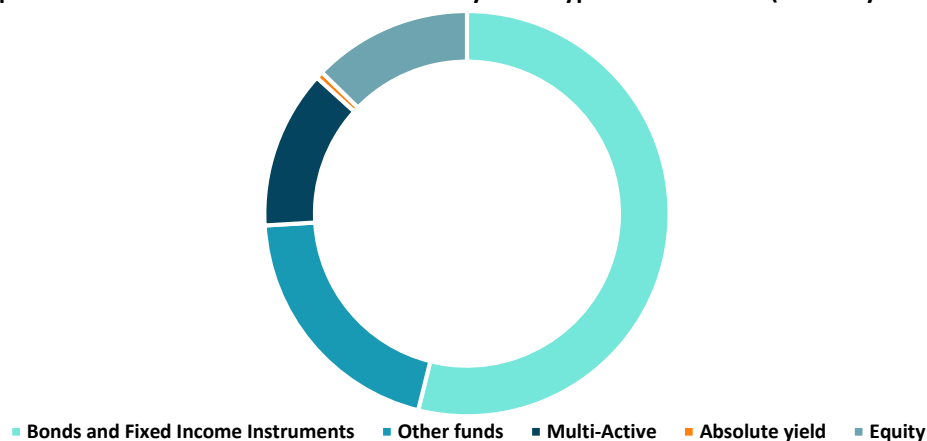
**Evolution of net assets of open-end investment funds
(February 2022 – February 2023)**



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of aprox. EUR 3.07 billion in February 2023, with a slight increase compared to the previous month (EUR 3.05 billion).

In February 2023, 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 20%.

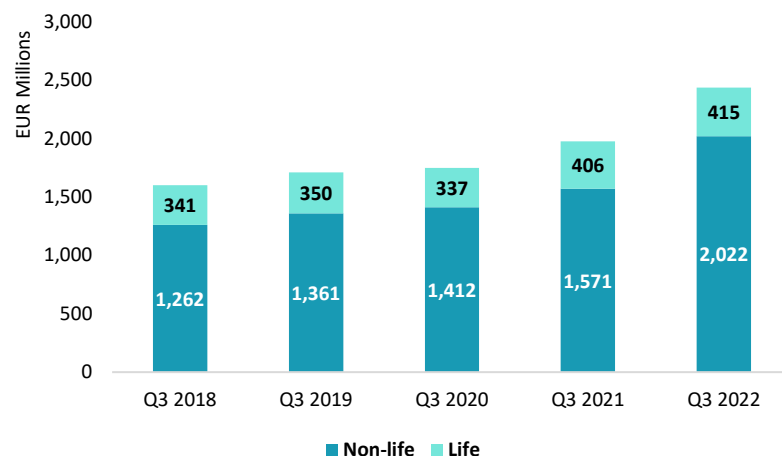
Open-end investment funds' market share by Fund Type and Net Asset (February 2023)



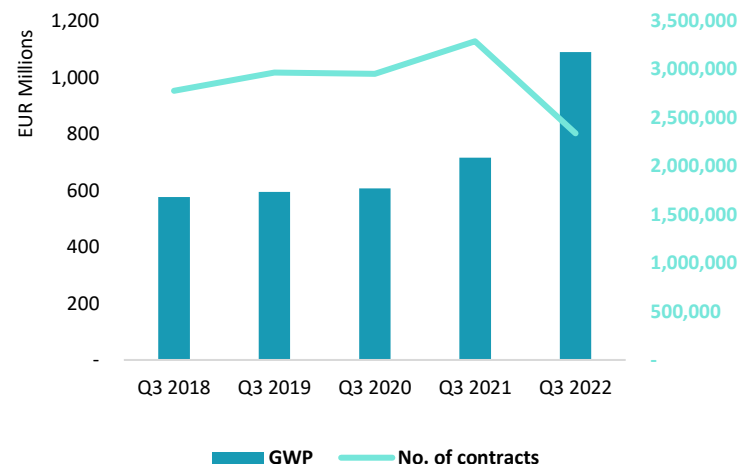
Source: AAF

Specific developments in the insurance market in Romania

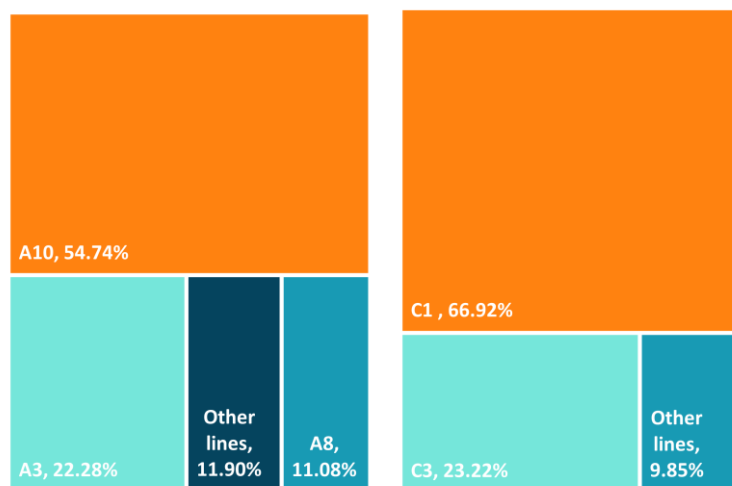
Gross written premiums (total)



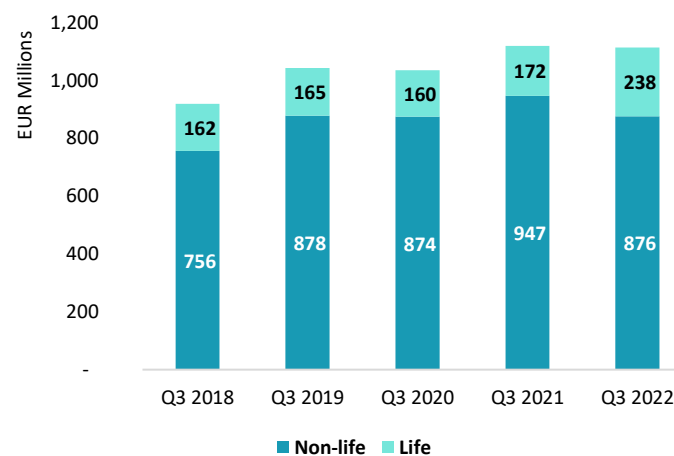
MTPL gross written premiums



Share of main insurance classes by GWP



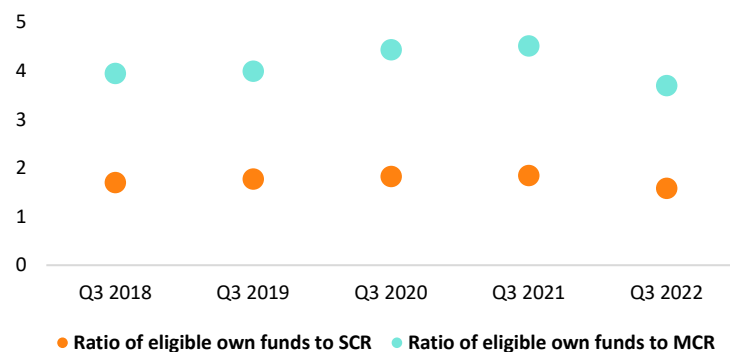
Gross claims paid



Source: ASF

Specific developments in the insurance market in Romania

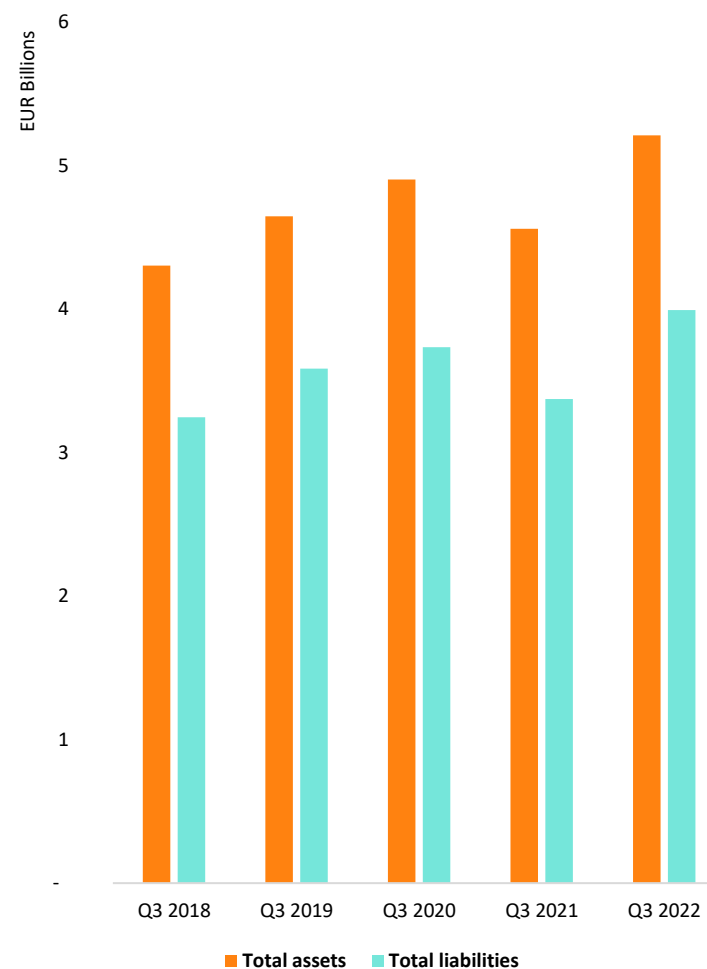
Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR



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



Total assets and total liabilities



Source: ASF

Press releases and publications of European financial institutions in February 2023

| | |
|---------------------|---|
| <p>ESMA</p> | <ul style="list-style-type: none"> • <u>ESMA published its final report on the clearing (CO) and derivative trading (DTO) obligations to accompany the benchmark transition.</u> • <u>ESMA published the data for the systematic internaliser quarterly calculations for equity, equity-like instruments, bonds and for other non-equity instruments and the consolidated tape provider (CTP) under MiFID II and MiFIR.</u> • <u>ESMA published its inaugural market report on European Union (EU) Money Market Funds (MMF).</u> • <u>ESMA published the first Trends, Risks and Vulnerabilities (TRV) Report of 2023.</u> • <u>ESMA published its Peer Review Report on the national supervision of Central Securities Depositories (CSDs) providing cross-border services or participating in interoperable links.</u> • <u>ESMA published its latest edition of its Spotlight on Markets Newsletter.</u> |
| <p>EIOPA</p> | <ul style="list-style-type: none"> • <u>EIOPA published its Supervisory Convergence Plan for 2023.</u> • <u>EIOPA published a report on insurers' inclusion of adaptation measures to climate change in their non-life underwriting practices.</u> • <u>EIOPA published its Risk Dashboard based on Solvency II data from the third quarter of 2022.</u> • <u>EIOPA decided to revise the information it receives from national supervisors on occupational pensions, amending the system in place since 2018.</u> |



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.