



Hidroelectrica (H2O) has completed the largest initial public offering (IPO) ever made on the Bucharest Stock Exchange (BVB), through which attracted a total of RON 9.28 billion (EUR 1.87 billion, USD 2.04 billion) for 89.7 million shares representing 19.94% of the total number of shares. The Hidroelectrica offer, which took place on the BVB between June 23 and July 4, 2023, was the largest IPO in Europe and the third-largest in the world, taking into account the IPOs carried out so far this year.

MONTHLY MARKET REPORT

- The Bucharest Stock Exchange as well as the main European stock markets have recorded increases in July 2023.
- The market capitalization recorded a 39.5% increase on 21 July 2023 compared to the end of 2022, as a result of the fact that Hidroelectrica debuted trading following a jumbo IPO worth EUR 1.9 billion, the largest ever from the Bucharest Stock Exchange.

World Macroeconomic Outlook

The International Monetary Fund (World Economic Outlook, July 2023) has revised upwards its estimate of **global economic growth for 2023** to 3% (from 2.8% in the forecast published in April 2023). **For the US, the GDP growth forecast** for 2023 has been revised upwards by 0.2 percentage points: from 1.6% in the April 2023 estimate to 1.8% (in the July 2023 projection). **For the euro area, the GDP growth forecast** for 2023 has been revised upwards by 0.1 percentage points: from 0.8% in the April 2023 forecast to 0.9% (in the July 2023 projection). **For Romania, the GDP growth forecast** for 2023 has been revised upwards by 0.7 percentage points: from 2.4% according to the April 2023 estimates to 3.1% (according to the July 2023 projections).

According to the data published by Eurostat, in the first quarter of 2023, **the seasonally adjusted GDP** decreased by 0.1% in the euro area and increased by 0.1% in the EU, compared to the previous quarter. Compared to the same quarter of the previous year, in the first quarter of 2023, the seasonally adjusted GDP grew by 1% both in the euro area and in the EU, after displaying an increase of 1.8% in the euro area and 1.7% in the EU in the previous quarter.

According to the data published by the NIS, locally, **the gross domestic product** grew by 0.2% (in real terms) in Q1 2023 compared to Q4 2022. Compared to Q1 2022, in Q1 2023, Romania's gross domestic product increased by 2.4% on the gross series and by 2.9% on the seasonally adjusted series.

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 Spring 2023 Forecast.

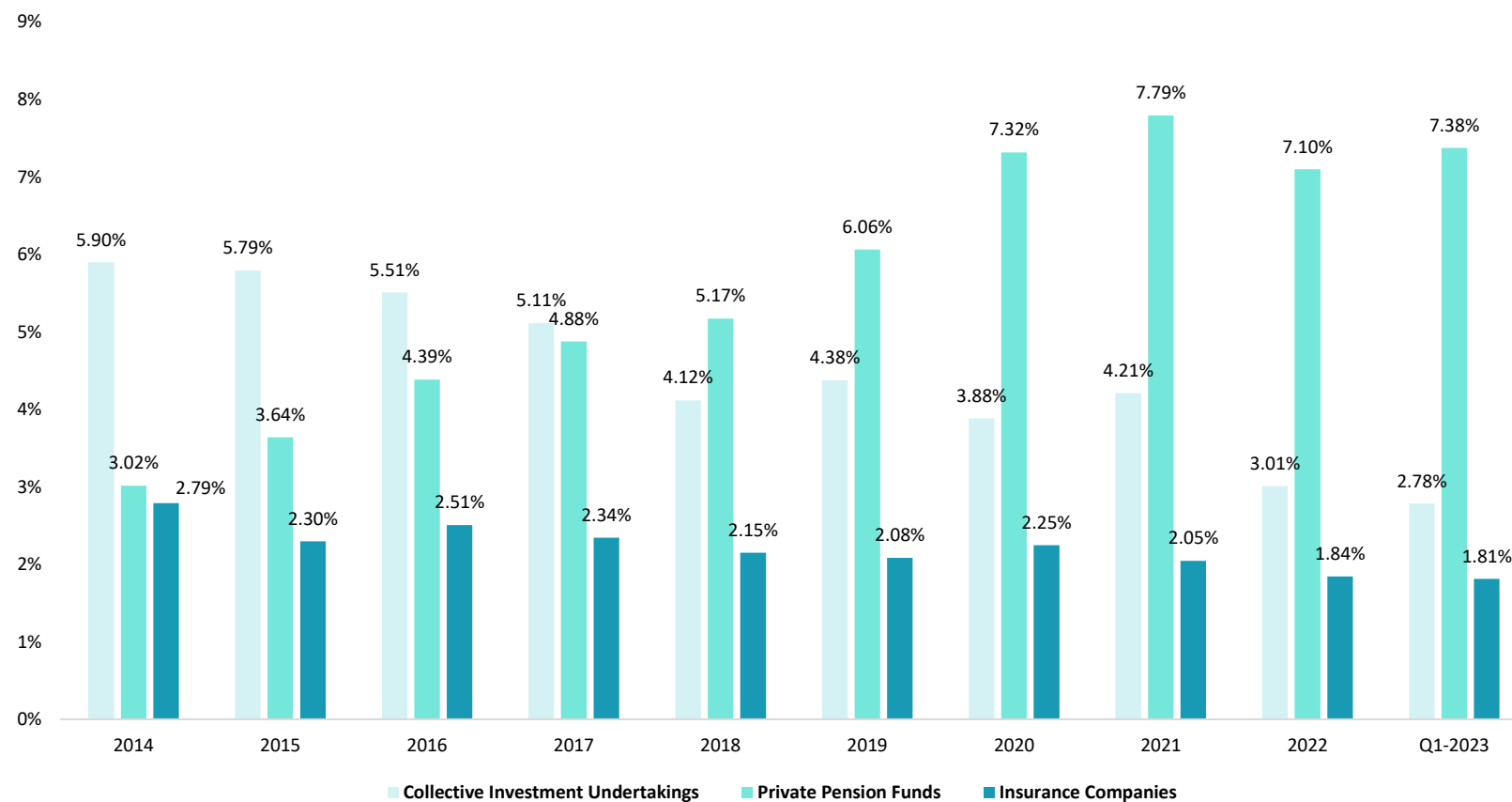
Evolution of GDP (%) and GDP forecast (%)

Country	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	European Commission		IMF	
								2023f	2024f	2023f	2024f
Euro area	5.5	5.4	4.2	2.4	1.8	3.4	1.1	1.1	1.6	0.9	1.5
Germany	2.6	3.8	1.7	1.4	0.8	1.8	-0.5	0.2	1.4	-0.3	1.3
Bulgaria	7.6	5.2	4.6	3.2	2.2	3.4	2.3	1.5	2.4	3.0	4.1
Hungary	7.2	8.0	6.2	3.7	0.7	4.6	-1.1	0.5	2.8	1.8	2.8
Poland	6.9	10.9	5.9	4.7	0.6	5.1	0.0	0.7	2.7	0.5	3.1
Romania	5.8	4.9	3.8	3.9	4.3	4.7	2.9	3.2	3.5	3.1	3.8

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

Dimension of the non-bank financial sector

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



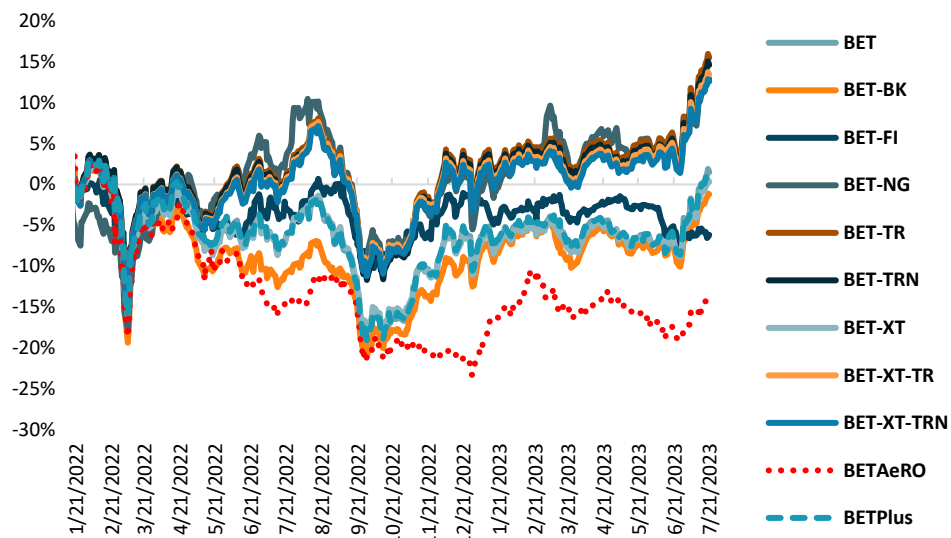
Source: NBR, NIS, ASF

Current trends in Romanian capital markets

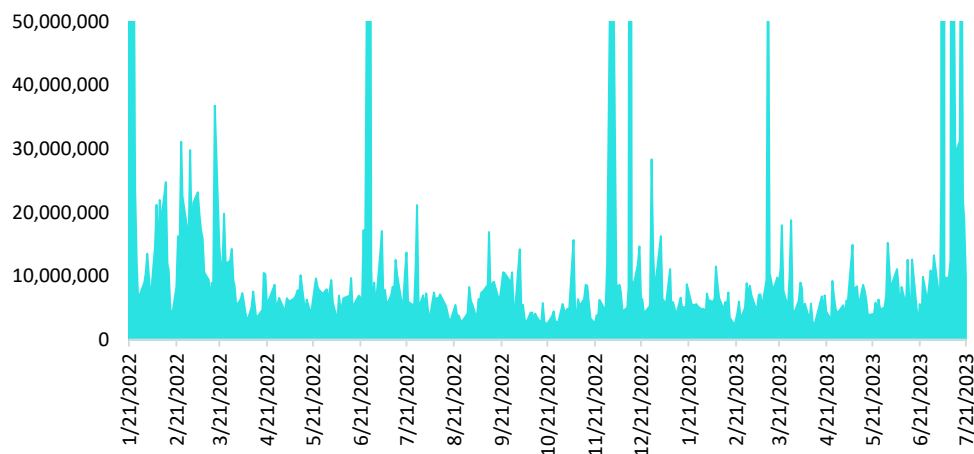
**Romanian stock indices evolution in 2023
(30.12.2022 = 100; EUR)**

Date	BET	BET-BK	BET-FI	BET-NG
07/21/2023	13.66%	12.77%	-2.69%	18.80%
	BET-TR	BET-TRN	BET-XT	BET-XT-TR
	17.69%	17.34%	12.49%	16.45%
	BET-XT-TRN	BETAeRO	BETPlus	
	16.11%	10.81%	12.89%	

Evolution of local stock indices (EUR)



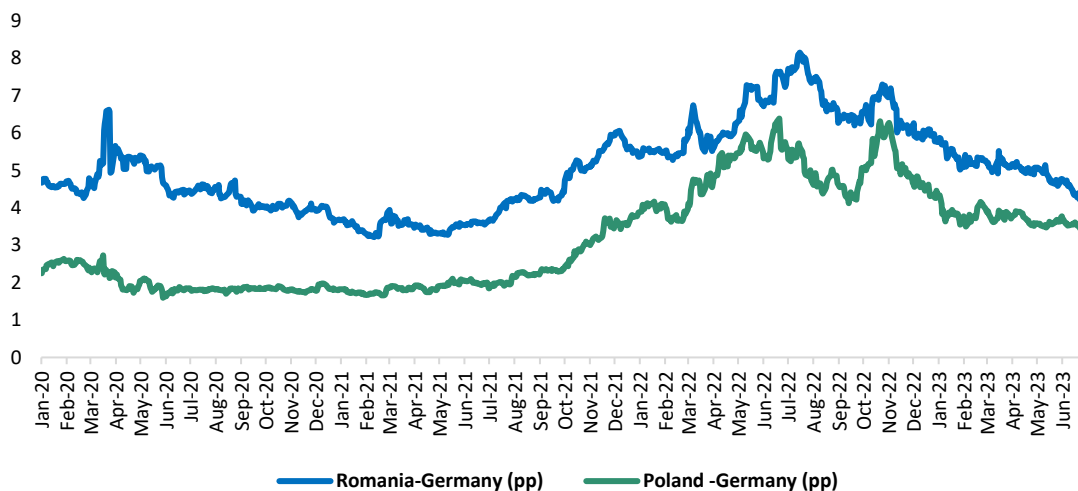
Equities traded value on BSE (EUR)



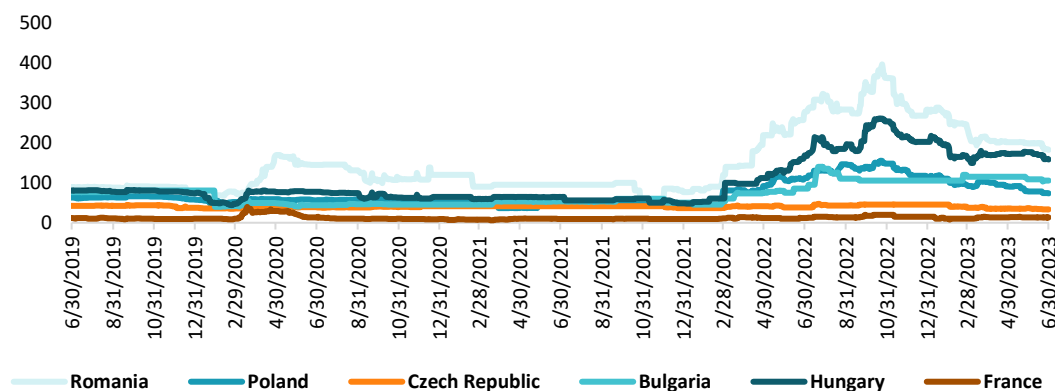
Source: BSE; ASF calculations

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

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



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



Source: Refinitiv

The spread between Romania's 10-year euro-denominated sovereign bonds and similar German bonds continued to decrease in June, remaining below the values recorded during 2022. The decrease in the spread can be interpreted as a recovery of investors' confidence in Romania's country rating.

At the end of June 2023, Romania's CDS quotations stood at a value of 182 bp, decreasing as compared to the end of May 2023 (198 bp).

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

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	3.63%	0.92%	12.53%
FR (CAC 40)	4.25%	1.06%	14.31%
DE (DAX)	3.09%	3.32%	15.98%
IT (FTSE MIB)	8.37%	4.12%	19.08%
GR (ASE)	4.92%	21.24%	37.52%
IE (ISEQ)	3.08%	4.58%	22.71%
ES (IBEX)	6.00%	3.90%	16.57%
UK (FTSE 100)	1.15%	-1.31%	1.07%
US (DJIA)	4.56%	3.41%	3.80%
IN (NIFTY 50)	3.53%	10.54%	5.99%
SHG (SSEA)	-0.08%	-2.15%	3.66%
JPN (N225)	7.45%	18.36%	27.19%

BSE indices	1 M	3 M	6 M
BET	2.08%	3.07%	7.03%
BET-BK	0.82%	2.46%	6.66%
BET-FI	-4.03%	-2.76%	-2.73%
BET-NG	1.60%	4.29%	12.47%
BET-TR	2.67%	5.89%	9.98%
BET-TRN	2.62%	5.65%	9.73%
BET-XT	1.42%	2.79%	6.42%
BET-XT-TR	2.23%	5.54%	9.28%
BET-XT-TRN	2.16%	5.31%	9.04%
BETAeRO	-0.68%	-1.37%	6.40%
BETPlus	2.04%	2.78%	6.37%
ROTX	2.55%	3.14%	6.94%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=06/30/2023 vs. 05/31/2023; 3M=06/30/2023 vs. 03/31/2023; 6M=06/30/2023 vs. 12/30/2022

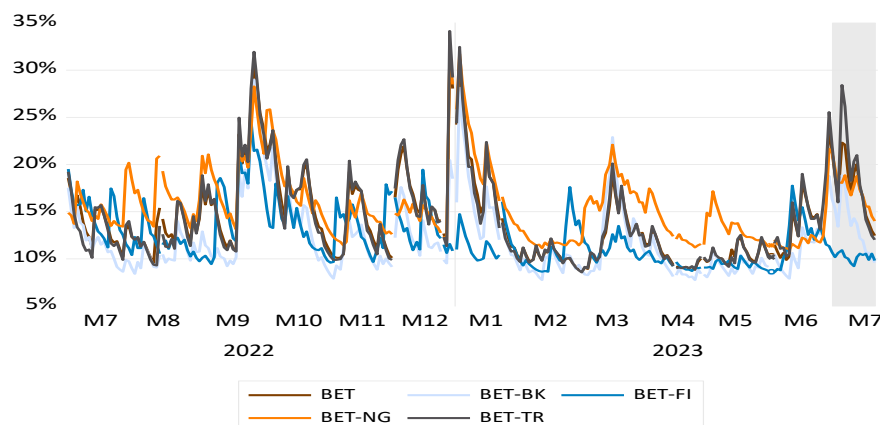
The European indices recorded positive developments (1M). The strongest increase was recorded by the FTSE MIB index (IT: +8.37%), followed by the IBEX index (ES: +6%).

The main American and Asian indices displayed positive developments, except for the SSEA index (SHG: -0.08%). Therefore, the N225 index manifested the most significant increase (JPN: +7.45%), followed by the DJIA index (US: +4.56%).

The BSE stock indices have recorded mixed evolutions. The BET-TR index (+2.67%) recorded the strongest increase, while the BET-FI index (-4.03%) recorded the most important decrease.

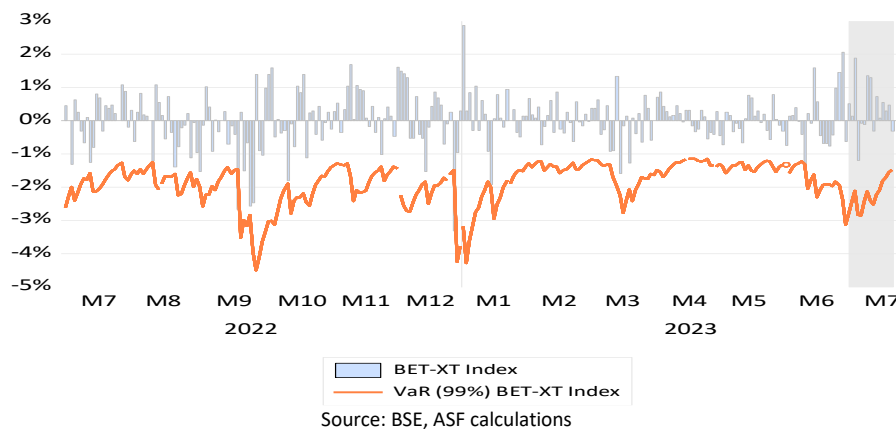
Market risk: evolution of stock indices

The volatility of local stock market indices - GARCH (1,1)



The volatilities of a selection of five indices belonging to the Bucharest Stock Exchange generated with the GARCH (1,1) model exhibited a vivacious trend during July. The beginning of the month saw episodes of accelerated growth, which however settled towards values inferior to those of June.

BET-XT Index vs VaR (99%) BET-XT Index

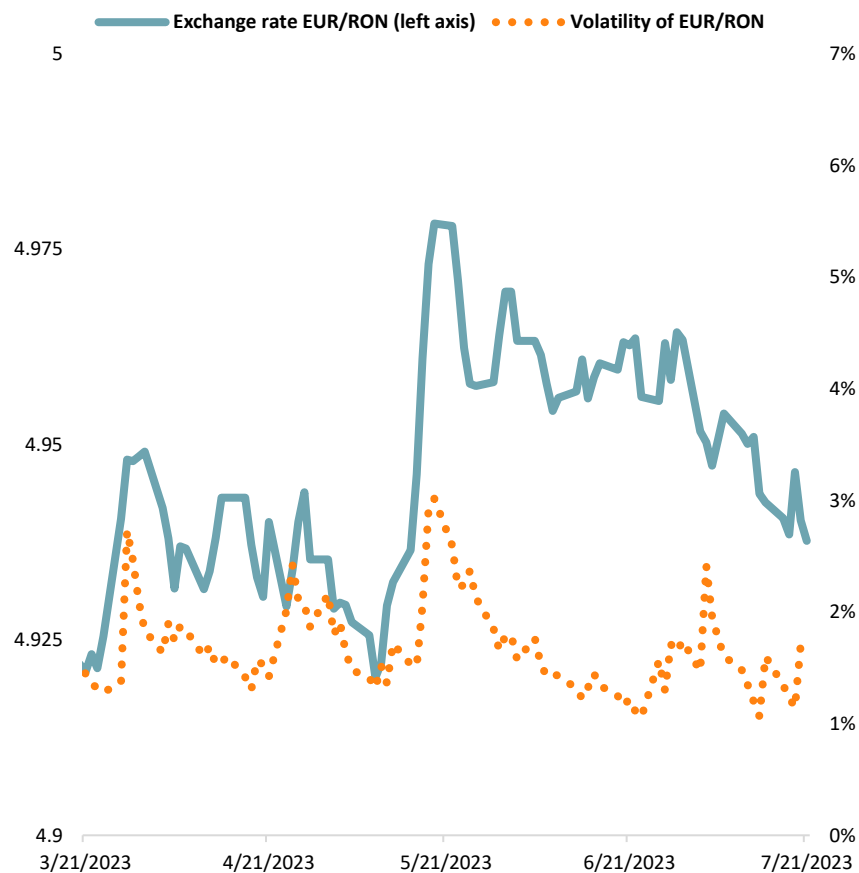


The adjacent graph shows the dynamics of the BET-XT index together with the evolution of the value at risk for a significance level of 1% (VaR at 99%), calculated under the assumption of normal distribution. The estimates conducted for July indicate that the VaR statistic gravitates in the range of 1.4 – 2.7%.

Source: BSE, ASF calculations

Market Risk: exchange rate volatility

EUR/RON Exchange Rate vs Volatility

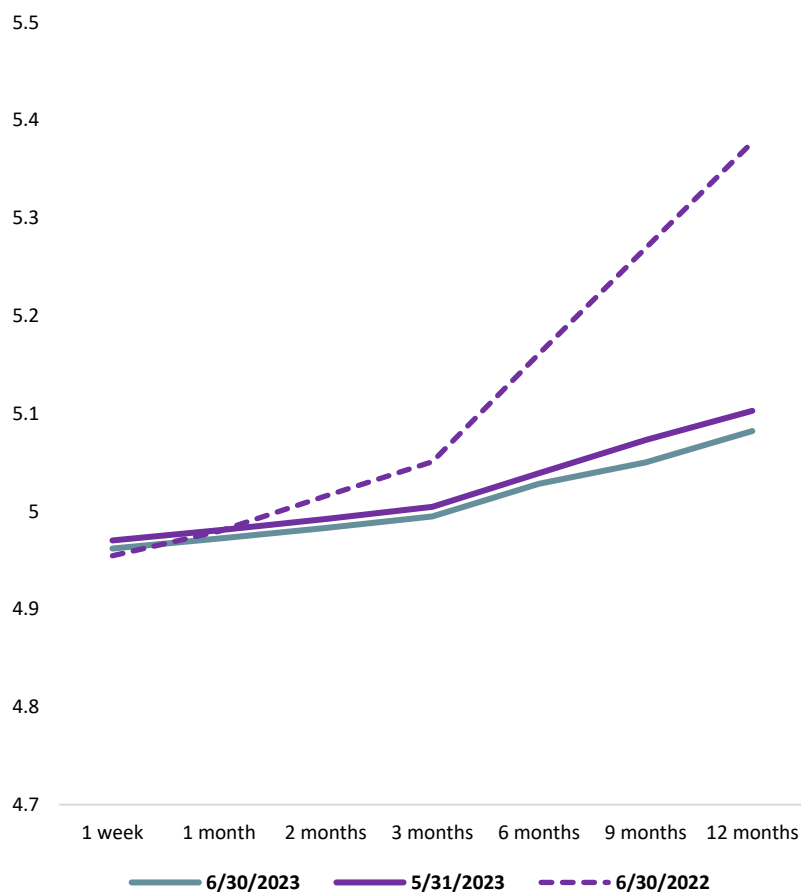


Between June and July, the volatility of the EUR/RON exchange rate fluctuated between 1-2% and the exchange rate level decreased to a level of 4.93 EUR/RON. The exchange rate appreciated amid the inflation differential between Romania and the euro area and reached a level of 4.93.

Source: Refinitiv, ASF calculations

Market Risk: term structure of EUR-RON forward rate

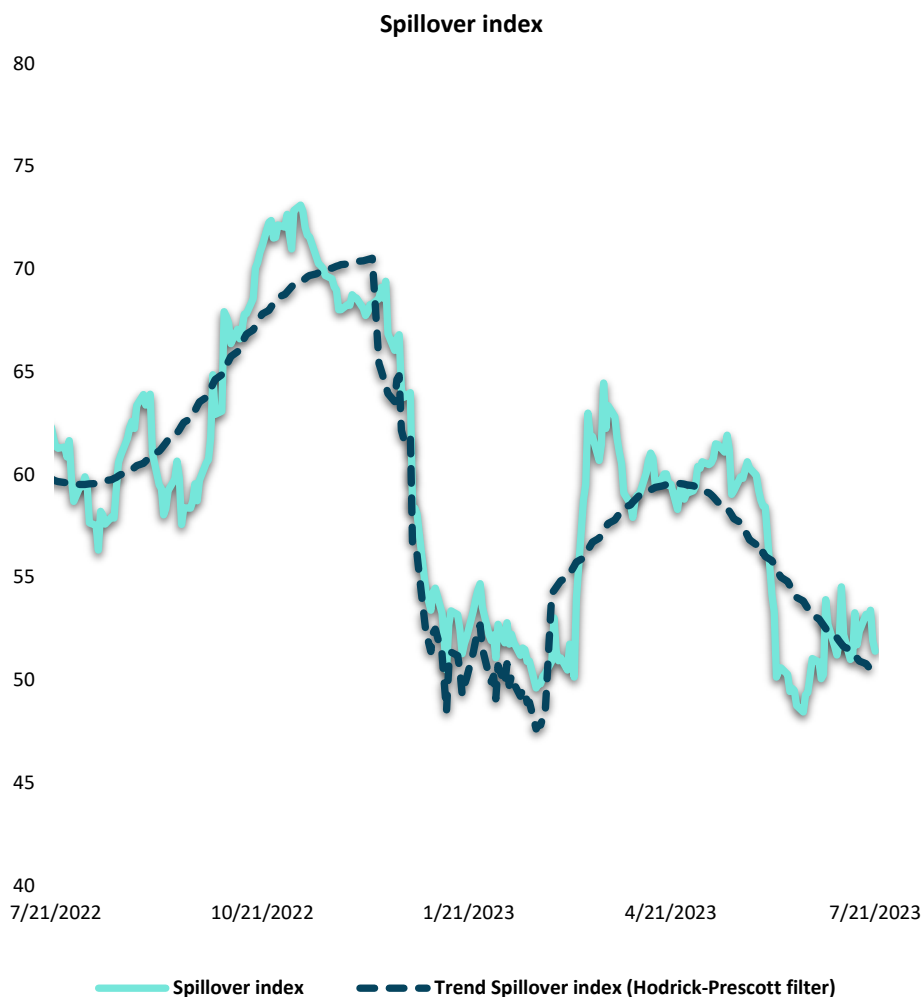
The term structure of the EUR-RON forward rate



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 all maturities concerning the previous month (RON appreciation).

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index



Source: Refinitiv, ASF calculations

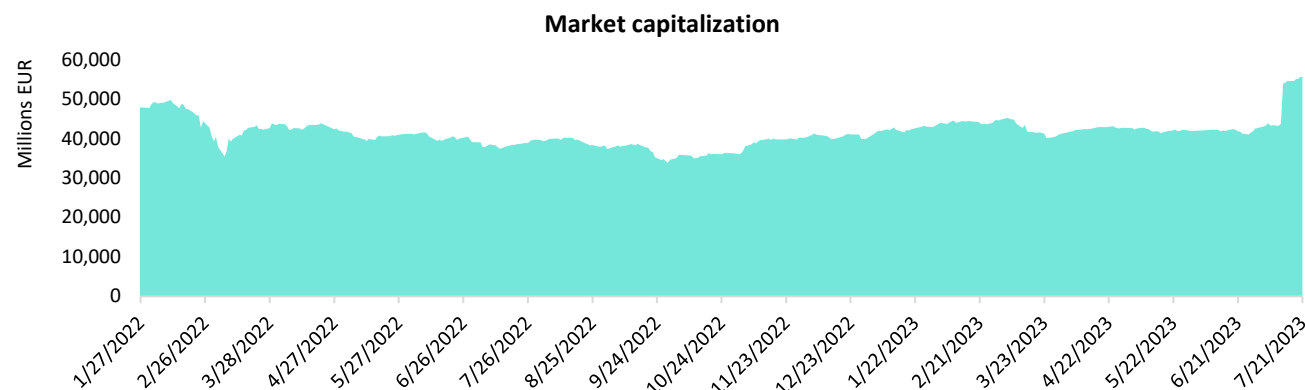
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link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

Between June and July 2023, contagion between the stock markets analyzed decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.

Liquidity indicators on Romanian Stock Exchanges

The market capitalization recorded a 39.5% increase on 21 July 2023 compared to the end of 2022 because Hidroelectrica debuted trading following a jumbo IPO worth EUR 1.9 billion the largest ever from the Bucharest Stock Exchange.

During June 2 and July 21, 2023, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica with a share of 87.13% of the total value traded in that period, Fondul Proprietatea (FP: 3.39%) and Banca Transilvania (TLV: 2.58%).



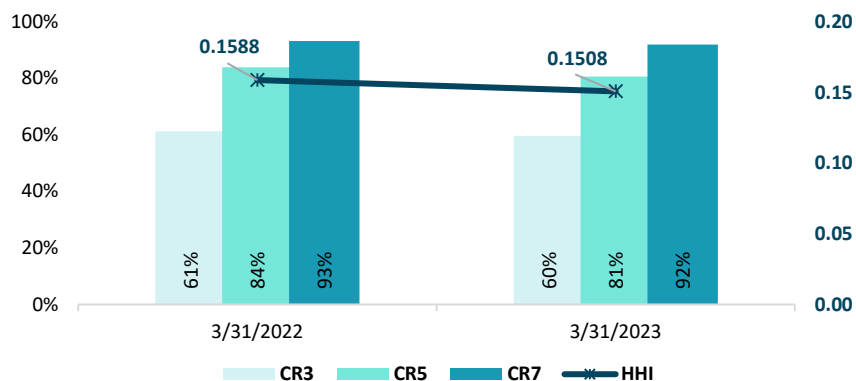
The BSE's Most Traded Companies during June 2 and July 21, 2023 (Only the Main Segment)

Symbol	Main Market		Deal		Offers		Special		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
H2O	317,615,923	49.62%	2,225,594	67.10%	1,871,287,560	100.00%		0.00%	2,191,129,077	87.13%
FP	85,181,306	13.31%		0.00%		0.00%		0.00%	85,181,306	3.39%
TLV	64,776,474	10.12%		0.00%		0.00%		0.00%	64,776,474	2.58%
SNP	53,515,716	8.36%		0.00%		0.00%		0.00%	53,515,716	2.13%
SNG	29,128,779	4.55%		0.00%		0.00%		0.00%	29,128,779	1.16%
SNN	19,166,663	2.99%	232,388	7.01%		0.00%		0.00%	19,399,051	0.77%
BRD	9,148,218	1.43%		0.00%		0.00%	7,512	100.00%	9,155,731	0.36%
M	7,674,951	1.20%	111,900	3.37%		0.00%		0.00%	7,786,851	0.31%
TTS	6,649,792	1.04%		0.00%		0.00%		0.00%	6,649,792	0.26%
TGN	6,142,594	0.96%		0.00%		0.00%		0.00%	6,142,594	0.24%
ONE	5,539,907	0.87%		0.00%		0.00%		0.00%	5,539,907	0.22%
EL	3,729,084	0.58%		0.00%		0.00%		0.00%	3,729,084	0.15%
TRP	3,027,557	0.47%		0.00%		0.00%		0.00%	3,027,557	0.12%
TEL	2,741,663	0.43%		0.00%		0.00%		0.00%	2,741,663	0.11%
WINE	2,382,306	0.37%		0.00%		0.00%		0.00%	2,382,306	0.09%
Top 15 Total									99.03%	

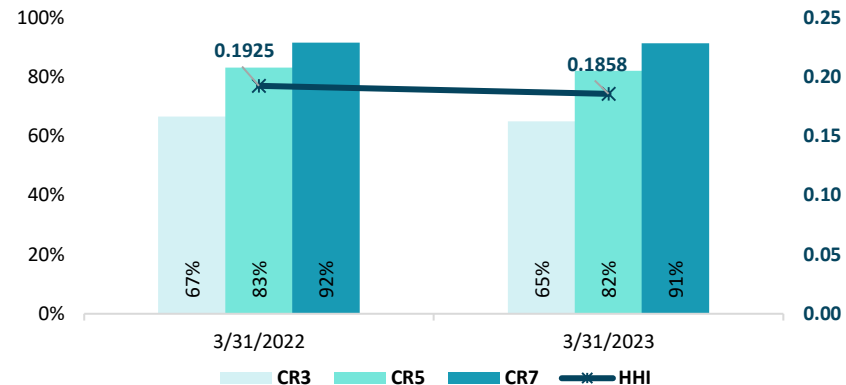
Source: BSE data, ASF calculations

Concentration risk

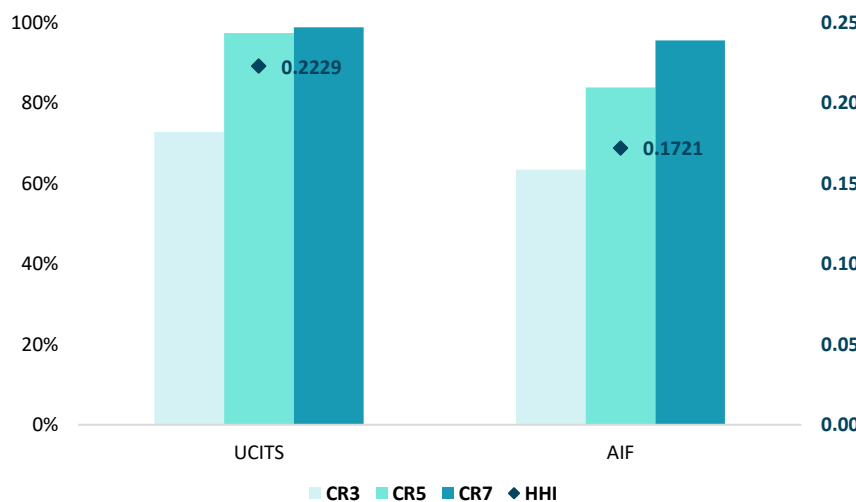
**Concentration risk of non-life insurance undertakings
(by the value of GWP on 31 March 2023)**



**Concentration risk of life insurance undertakings
(by the value of GWP on 31 March 2023)**

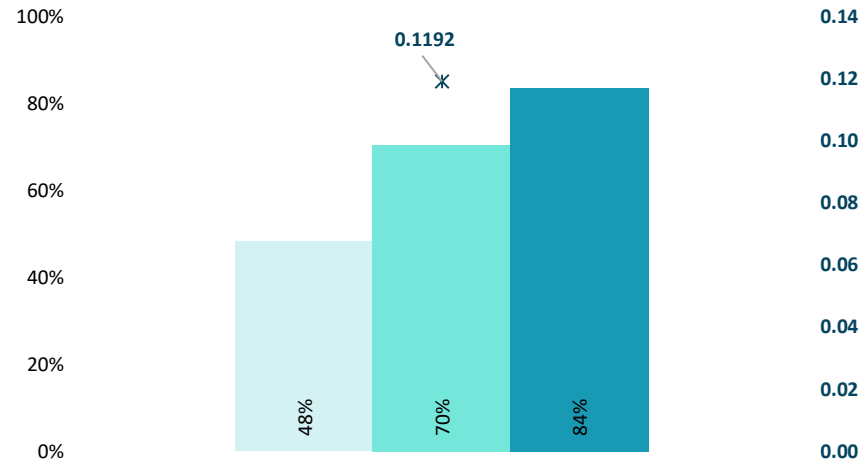


**Concentration risk of investment funds in Romania
(by net assets – 31 March 2022)**



Source: ASF

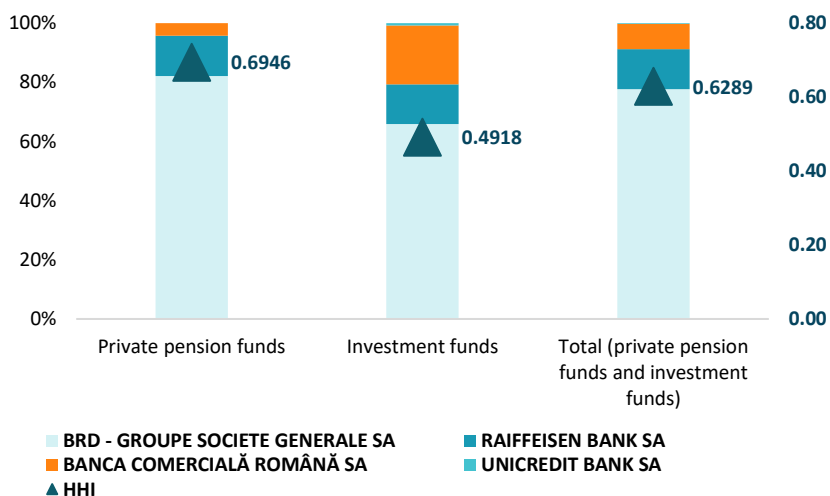
**Concentration risk of intermediaries on the BSE (by the value of
transactions in June 2023 – Main segment & MTS, all spot and future
instruments)**



Source: ASF

Concentration risk

Concentration risk of depositaries of private pension funds and investment funds (by total assets on 03/31/2023)

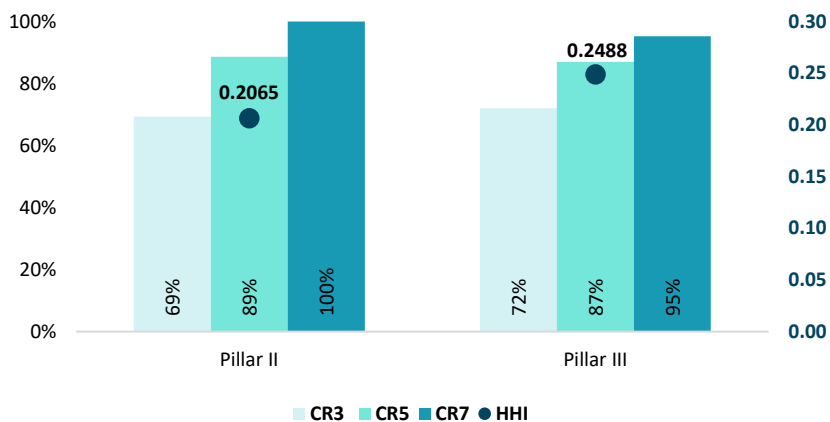


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

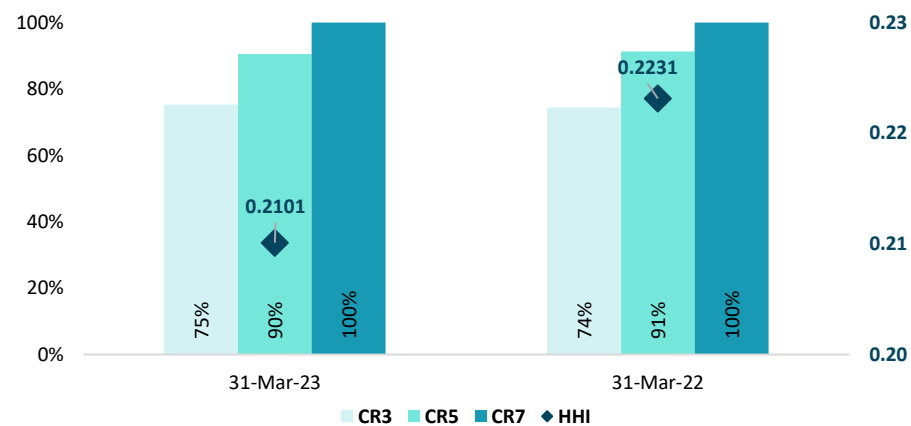
The situation is similar in the case of the private pension funds market (Pillar II and Pillar III) but explainable by objective reasons related to their operating mechanism and the current state of the market.

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 06/30/2023)

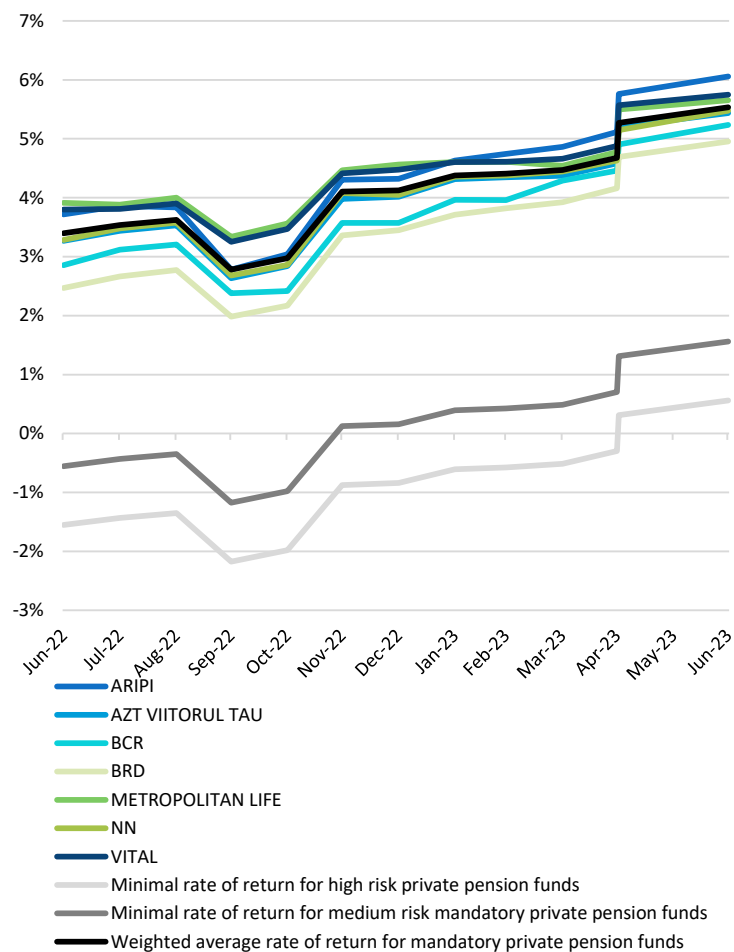


The concentration risk of insurance companies in the MTPL market (by gross written premiums on 03/31/2023)



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

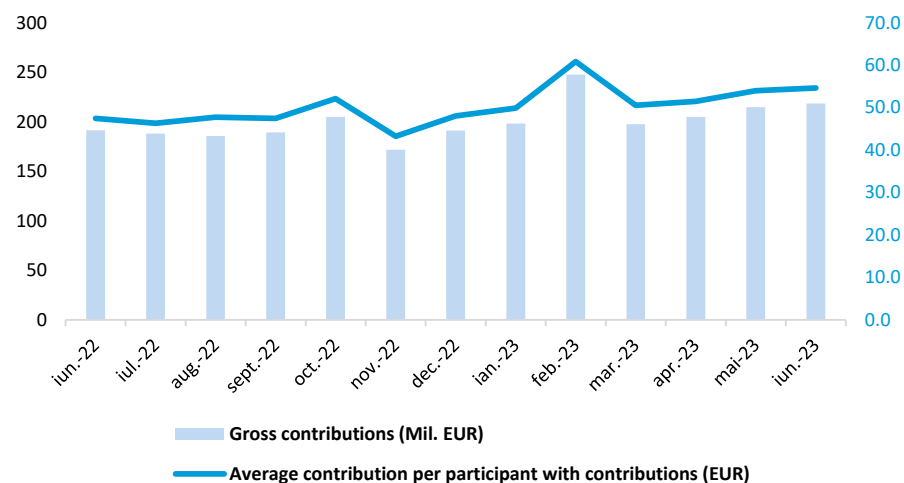
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates 30 June 2023

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 24 months return rate
ARIP	2,014,846,832	856,492	6.0573%
AZT VIITORUL TAU	4,679,441,518	1,672,977	5.4361%
BCR	1,570,082,281	761,436	5.2351%
BRD	947,117,480	547,985	4.9545%
METROPOLITAN LIFE	3,138,833,587	1,112,268	5.6543%
NN	7,568,753,404	2,099,270	5.4765%
VITAL	2,256,066,885	1,021,470	5.7481%
Total	22,175,141,989	8,071,898	n/a

Evoluția of gross contributions (EUR)



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

Mandatory pensions funds' aggregate portfolio

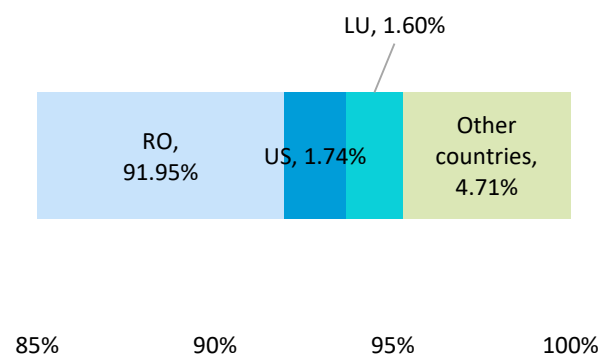
30 June 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	14,027,050,930	63.3%
Equity	4,564,575,925	20.6%
Deposits	1,454,918,985	6.6%
Corporate bonds	1,283,311,195	5.8%
Investment funds	616,587,812	2.8%
Supranational bonds	159,101,230	0.7%
Municipal bonds	71,130,578	0.3%
Exchange traded commodities	18,446,349	0.1%
Private equity	14,517,845	0.1%
Derivatives	1,527,266	0.0%
Other assets	(36,026,126)	-0.2%
Total	22,175,141,989	100.0%

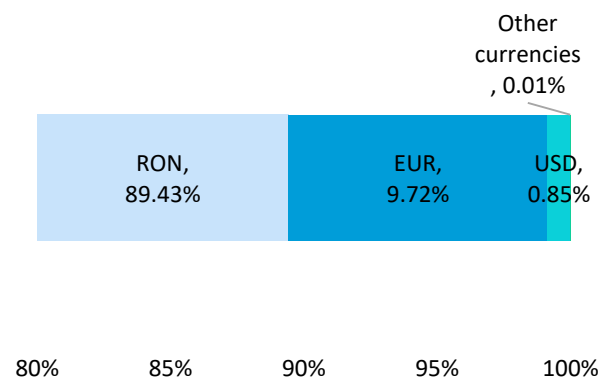
The value of the total assets of the privately managed pension funds reached EUR 22,18 billion at the end of June 2023, with an annual increase of 25.6%, compared to June 2022.

Approximately 92% 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.

Country exposure

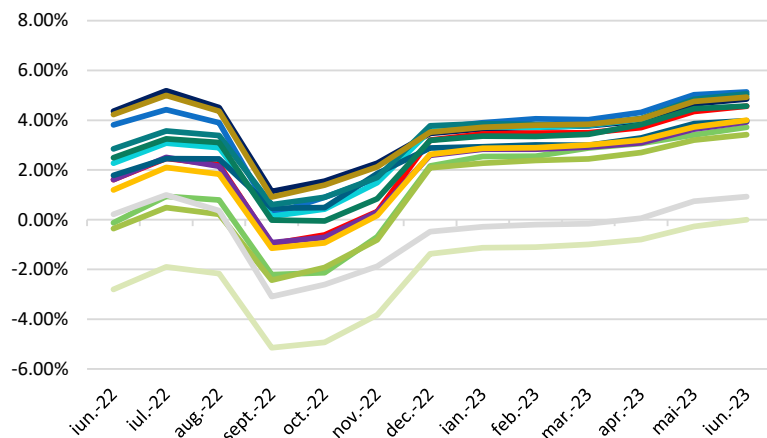


Currency exposure



Specific developments in the voluntary private pension funds sector (3rd Pillar):

Rate of return for voluntary pension funds

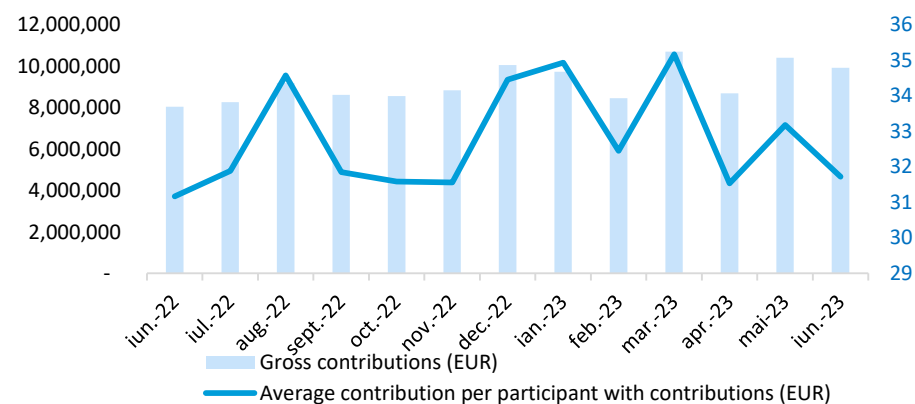


Total assets (EUR), number of participants and return rates

30 June 2023

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 24 months return rate
AEGON ESENTIAL	2,700,147	4,037	4.9953%
AZT MODERATO	82,092,493	48,809	4.5614%
AZT VIVACE	28,633,434	21,731	5.1338%
BCR PLUS	134,065,118	147,422	3.7154%
BRD MEDIO	41,976,425	37,960	3.4173%
GENERALI STABIL	7,869,328	5,621	4.5677%
NN ACTIV	100,673,240	69,112	4.8504%
NN OPTIM	361,613,323	243,664	3.9283%
PENSIA MEA	36,390,954	42,933	3.9793%
RAIFFEISEN ACUMULARE	32,107,984	45,474	5.0589%
Total	828,122,446	666,763	n/a

Evoluția of gross contributions (EUR)



Source: ASF

Specific developments in the voluntary private pension funds sector (3rd Pillar):

Voluntary pensions funds' aggregate portfolio

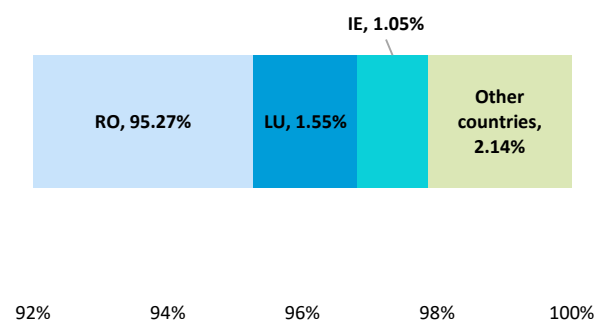
30 June 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	545,085,749	65.8%
Equity	188,150,178	22.7%
Deposits	36,326,064	4.4%
Corporate bonds	31,330,996	3.8%
Investment funds	18,005,016	2.2%
Municipal bonds	6,197,333	0.7%
Exchange traded commodities	1,672,823	0.2%
Private equity	1,606,689	0.2%
Supranational bonds	811,852	0.1%
Derivatives	62,238	0.0%
Other assets	(1,126,493)	-0.1%
Total	828,122,446	100.0%

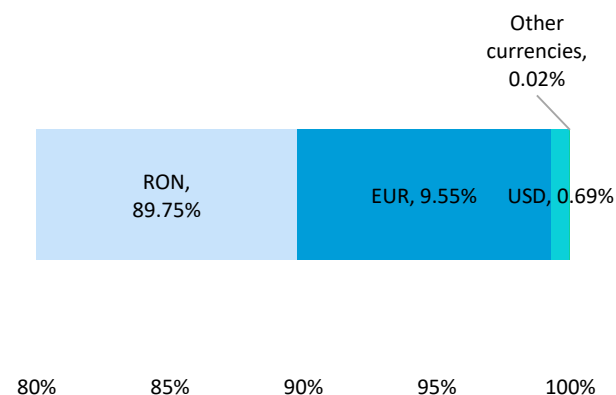
At the end of June 2023, the voluntary pension funds' total assets value was EUR 828 million, with an annual increase of 24%, compared to June 2022.

The fund portfolios were generally invested in local assets, in a percentage of 95%, the majority being denominated in RON (90%).

Country exposure

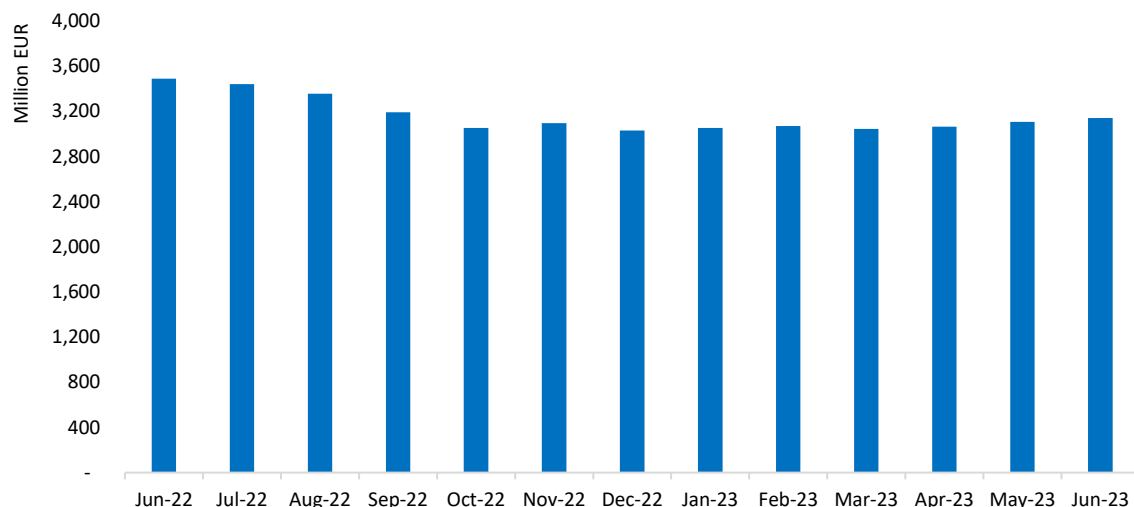


Currency exposure

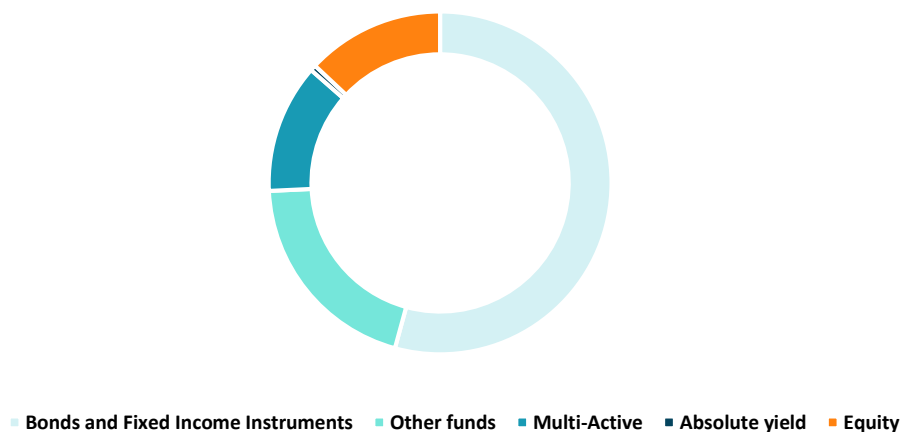


Specific developments in the investment funds sector

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



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



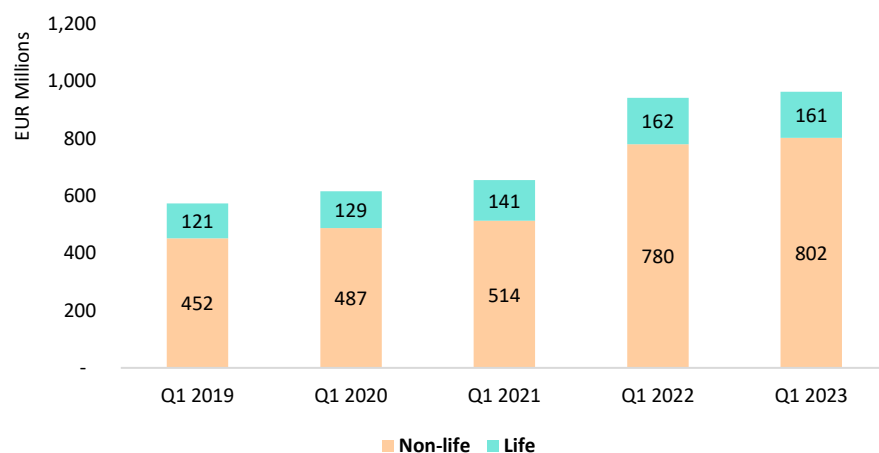
Source: AAF

According to data published by AAF, the net assets of open-end investment funds (OeIF) stood at a value of approx. EUR 3.14 billion in June 2023 compared to the previous month (EUR 3.11 billion).

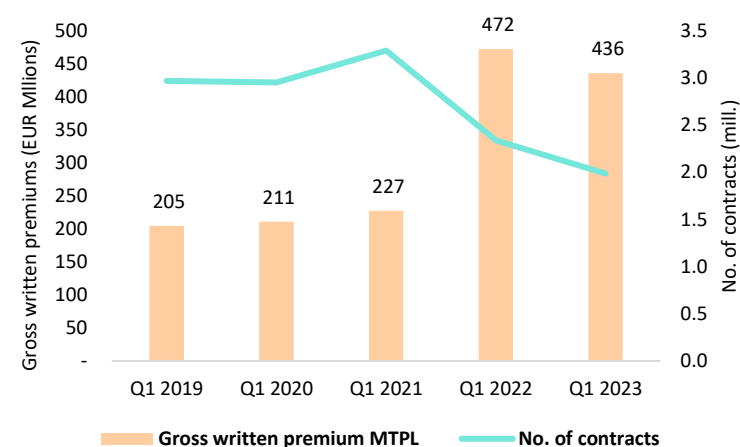
In June 2023, the open-end bond and fixed-income instruments funds hold the largest share in total net assets of OeIF (around 54%), while the "other funds" category has a market share of approximately 20%.

Specific developments in the insurance market in Romania

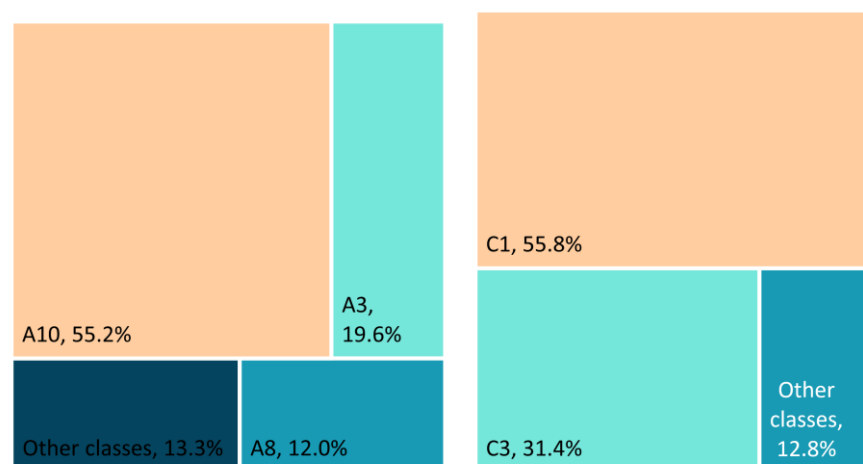
Gross written premiums (total)



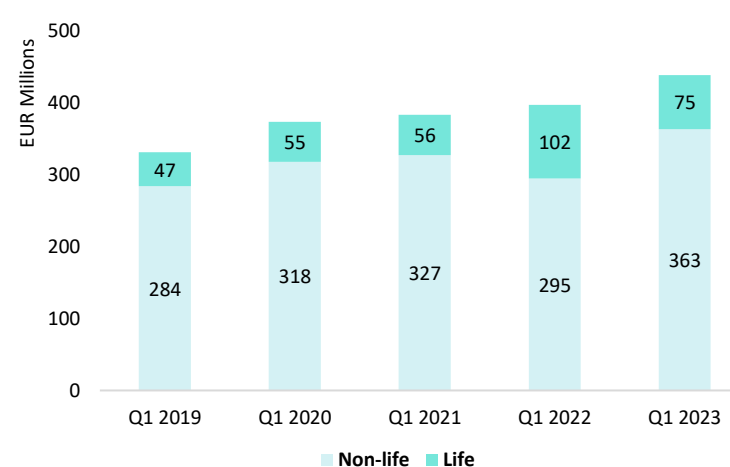
MTPL gross written premiums



Share of main insurance classes by GWP



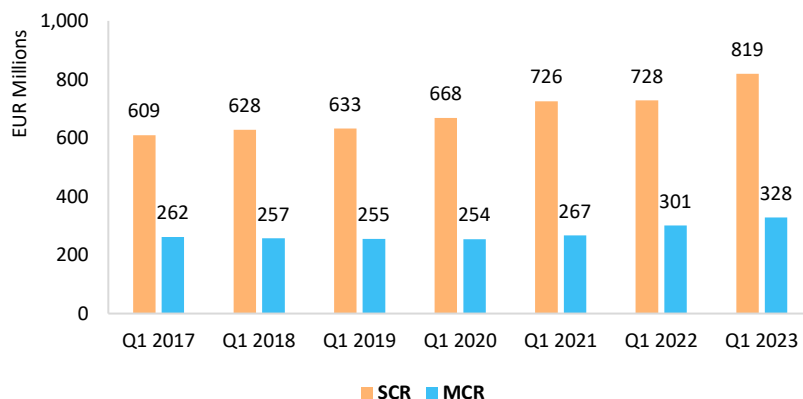
Gross claims paid



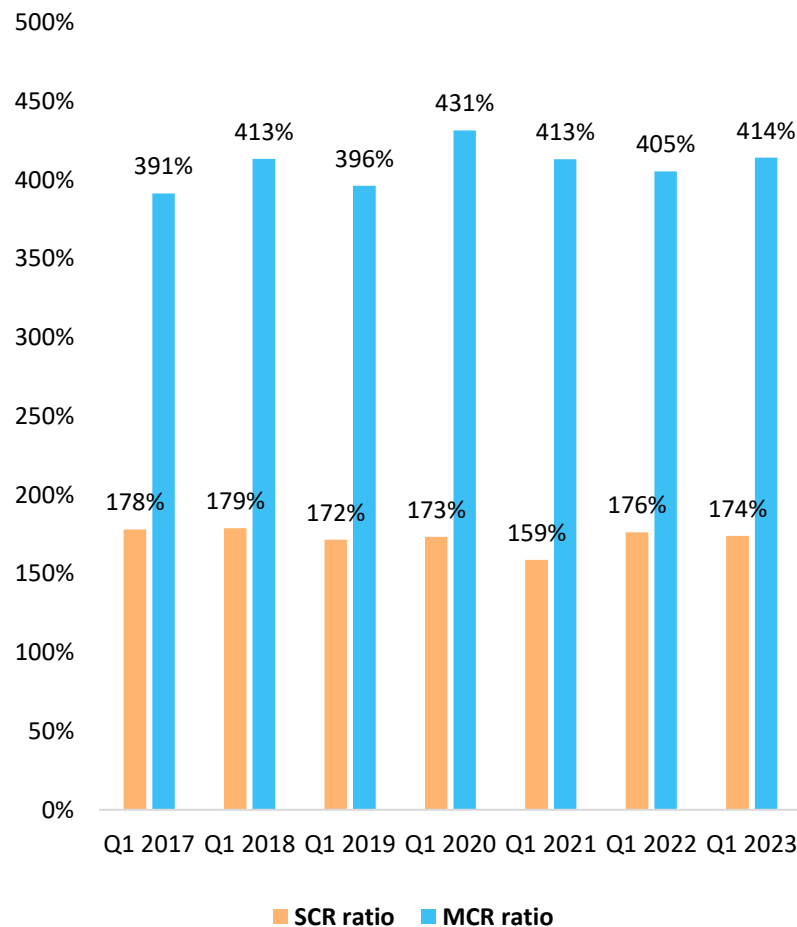
Source: ASF, excl. branches of foreign companies that operate on Freedom of Establishment (FoE).

Specific developments in the insurance market in Romania

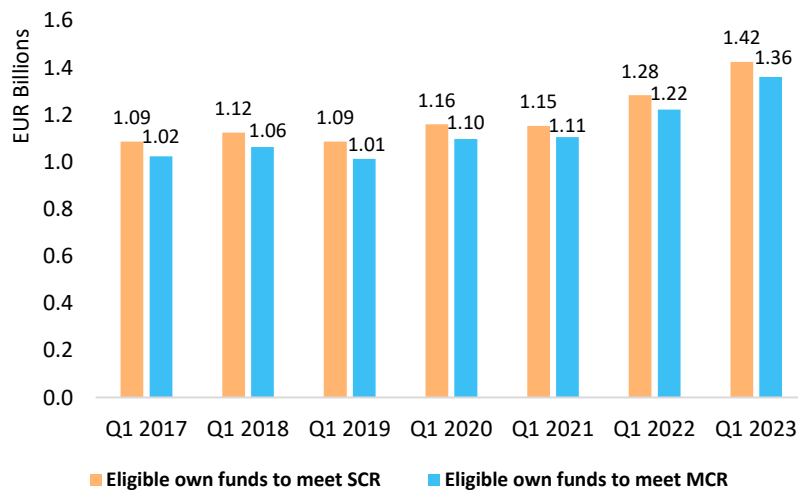
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



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



Source: ASF; For Q1 2023, Euroins Romania data are not included

Press releases and publications of European financial institutions in June 2023

<p>ESMA</p>	<ul style="list-style-type: none"> • <u>The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published their Progress Reports on Greenwashing in the financial sector.</u> • <u>ESMA published an article on the results of the Money Market Funds (MMFs) stress tests reported to ESMA.</u> • <u>ESMA published its follow-up report to the peer review on the Guidelines on ETFs and other UCITS issues.</u> • <u>ESA's Board of Appeal dismissed the request for suspension in the appeal by Euroins Insurance Group AD against EIOPA.</u> • <u>ESMA published the latest edition of its Spotlight on Markets Newsletter.</u> • <u>ESMA published its Data Strategy for 2023-2028.</u> • <u>ESMA published its Annual Report for 2022.</u> • <u>ESMA launched a Call for Evidence (CfE) on integrating sustainability preferences into suitability assessment and product governance arrangements under the Markets in Financial Instruments Directive (MiFID) II.</u> • <u>The European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) launched a public consultation on the first batch of policy products under the Digital Operational Resilience Act (DORA).</u> • <u>ESMA published Guidelines on templates for summary resolution plans and for written arrangements for resolution colleges.</u> • <u>ESMA published its Report on the implementation and functioning of the Intra-day Volatility Management Mechanism (IVM).</u>
<p>EIOPA</p>	<ul style="list-style-type: none"> • <u>The European Insurance and Occupational Pensions Authority (EIOPA) published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of May 2023.</u> • <u>The European Insurance and Occupational Pensions Authority (EIOPA) published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of May 2023.</u> • <u>Národná banka Slovenska has withdrawn the authorization from NOVIS.</u> • <u>EBA and EIOPA published Data Point Modelling Standard 2.0 to foster collaboration and harmonization in the field of supervisory reporting.</u>

- [The European Insurance and Occupational Pensions Authority \(EIOPA\) has published its Annual Report 2022, setting out its activities and achievements of the past year.](#)
- [EIOPA published its June 2023 Financial Stability Report which takes stock of the key developments and risks in the European insurance and occupational pensions sectors.](#)
- [The Board of Supervisors of the European Insurance and Occupational Pensions Authority \(EIOPA\) agreed that EIOPA will coordinate the first joint mystery shopping exercise on sales of insurance.](#)

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.