

**At the end of the first half of 2023, non-bank financial sector assets accounted for 12.28% of GDP.**

## MONTHLY MARKET REPORT

- Between August and September 2023, contagion between the stock markets analyzed (Austrian, Polish, Hungarian, and Bulgarian) 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.
- During August 2023, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica with a share of 31.96% of the total value traded in that period, Fondul Proprietatea (FP: 18.71%) and Banca Transilvania (TLV: 13.12%).

## World Macroeconomic Outlook

According to the Summer 2023 Economic Forecast, the European Commission projects **an economic growth of 0.8% for both the euro area** (a downward revision (-0.3 pp) compared to the previous forecast) **and the EU in 2023** (a downward revision (-0.2 pp) compared to the previous forecast). According to the European Commission (spring 2023 economic forecast), **Romania's GDP will grow by 3.2% in 2023**, an upward revision (compared to 2.5%: winter 2023 economic forecast).

According to the data published by Eurostat, in the second quarter of 2023, **the seasonally adjusted GDP** increased by 0.1% in the euro area and remained stable in the EU, compared to the previous quarter. Compared to the same quarter of the previous year, in the second quarter of 2023, the seasonally adjusted GDP grew by 0.5% in the euro area and by 0.4% in the EU, after growing by 1.1% in both the euro area and the EU in the previous quarter.

Based on the data disseminated by the National Institute of Statistics (NIS), the domestic economy exhibited an expansion of 0.9% in real terms during the second quarter of 2023 when juxtaposed with the first quarter of 2023. Compared to Q2 2022, in Q2 2023, Romania's gross domestic product increased by 1.1% on the gross series and by 2.7% on the seasonally adjusted series. In H1 2023, gross domestic product increased by 1.7% on a gross basis and by 2.8% on a seasonally adjusted basis compared to H1 2022.

**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 Summer 2023 Forecast.

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

Country	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	European Commission*		IMF	
									2023f	2024f	2023f	2024f
<b>Euro area*</b>	5.6	5.4	4.2	2.3	1.7	3.3	1.1	0.5	0.8	1.3	0.9	1.5
<b>Germany*</b>	3.2	4.0	1.6	1.2	0.8	1.8	-0.3	-0.1	-0.4	1.1	-0.3	1.3
<b>Bulgaria</b>	7.6	5.2	4.6	3.1	2.1	3.4	2.2	1.9	1.5	2.4	3.0	4.1
<b>Hungary</b>	7.2	8.0	6.2	3.7	0.7	4.6	-1.2	-2.3	0.5	2.8	1.8	2.8
<b>Poland*</b>	6.9	10.1	6.0	5.0	1.0	5.1	-0.6	-1.4	0.5	2.7	0.5	3.1
<b>Romania</b>	<b>5.8</b>	<b>4.9</b>	<b>4.1</b>	<b>3.7</b>	<b>4.0</b>	<b>4.7</b>	<b>2.9</b>	<b>2.7</b>	<b>3.2</b>	<b>3.5</b>	<b>3.1</b>	<b>3.8</b>

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

## Dimension of the non-bank financial sector

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



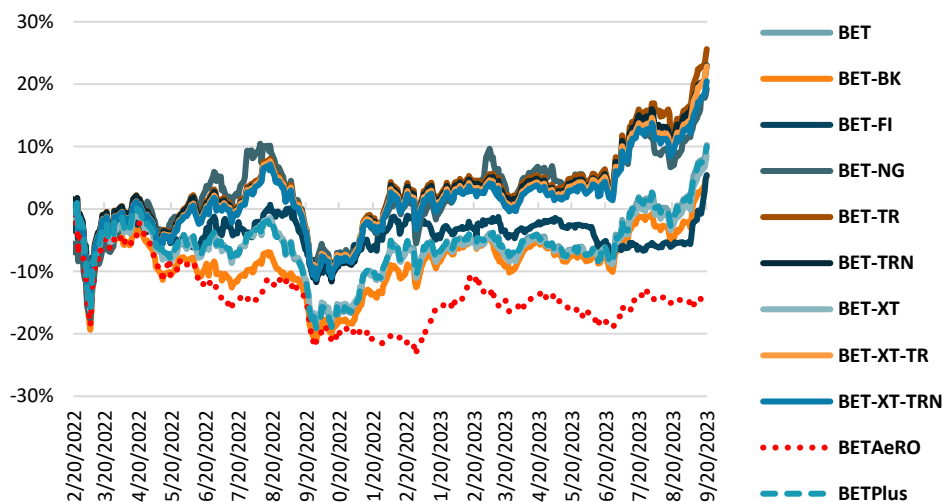
Source: NBR, NIS, ASF

## Current trends in Romanian capital markets

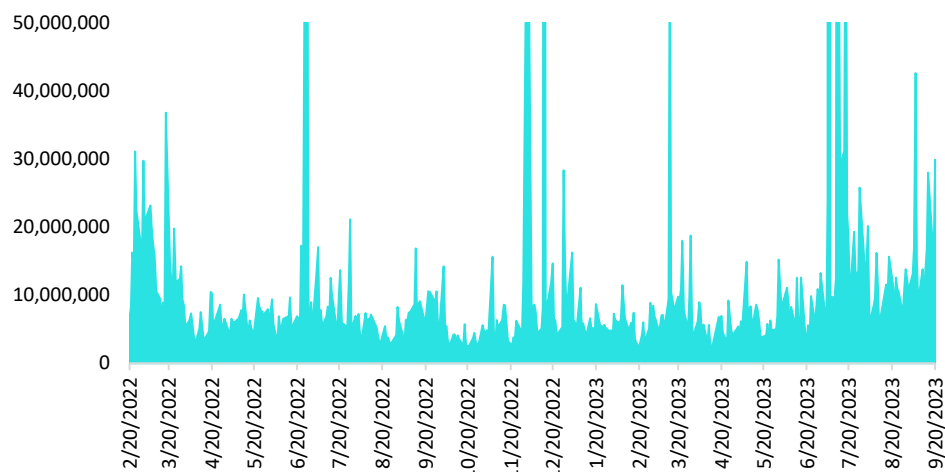
**Romanian stock indices evolution in 2023  
(30.12.2022 = 100; EUR)**

Date	BET	BET-BK	BET-FI	BET-NG
	23.44%	20.22%	9.35%	25.50%
	BET-TR	BET-TRN	BET-XT	BET-XT-TR
09/20/2023	27.96%	25.94%	21.67%	26.10%
	BET-XT-TRN	BETAeRO	BETPlus	
	24.22%	9.17%	22.51%	

**Evolution of local stock indices (EUR)**



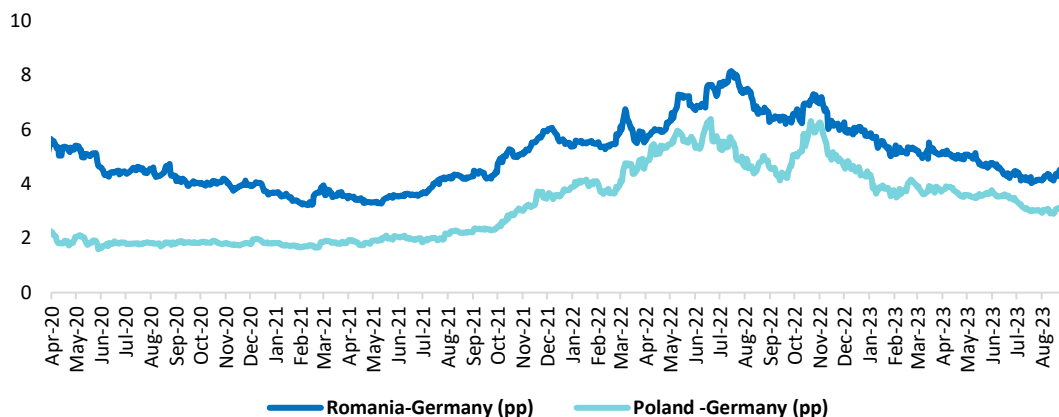
**Equities traded value on BSE (EUR)**



Source: BSE; ASF calculations

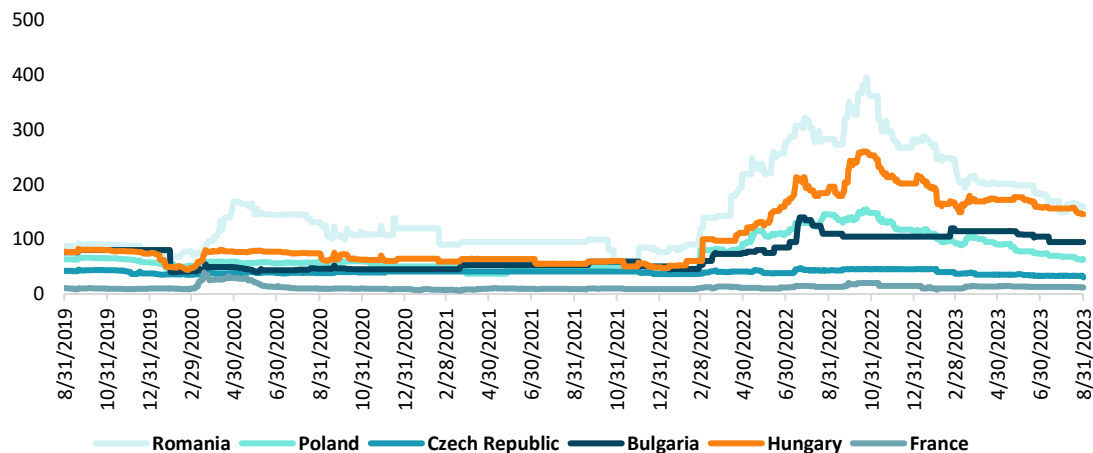
## Macroeconomic risk in Romania: external position and market perception of sovereign risk

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



The spread between Romania's 10-year euro-denominated sovereign bonds and similar German bonds increased slightly in August, 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.

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



By the conclusion of August 2023, Romania's Credit Default Swap (CDS) quotations had reached a level of 159 basis points, meaning a mild monthly increase from the value of 149 basis points.

Source: Refinitiv

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

### International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-3.16%	2.29%	-0.14%
FR (CAC 40)	-2.42%	3.07%	0.67%
DE (DAX)	-3.04%	1.81%	3.79%
IT (FTSE MIB)	-2.74%	10.67%	4.92%
GR (ASE)	-1.72%	7.70%	16.23%
IE (ISEQ)	-1.33%	5.72%	8.90%
ES (IBEX)	-1.41%	5.04%	1.18%
UK (FTSE 100)	-3.38%	-0.09%	-5.55%
US (DJIA)	-2.36%	5.51%	6.32%
IN (NIFTY 50)	-2.53%	3.88%	11.27%
SHG (SSEA)	-5.19%	-2.63%	-4.85%
JPN (N225)	-1.67%	5.61%	18.85%

BSE indices	1 M	3 M	6 M
BET	0.22%	8.40%	7.68%
BET-BK	-0.85%	5.45%	3.86%
BET-FI	0.16%	-3.62%	-3.58%
BET-NG	-0.41%	5.20%	6.45%
BET-TR	0.28%	9.96%	11.60%
BET-TRN	0.28%	9.83%	11.27%
BET-XT	0.02%	6.98%	6.57%
BET-XT-TR	0.08%	8.80%	10.42%
BET-XT-TRN	0.08%	8.64%	10.09%
BETAeRO	-1.69%	2.09%	-2.38%
BETPlus	0.15%	8.23%	7.12%
ROTX	-0.26%	8.36%	8.02%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=08/31/2023 vs. 07/31/2023; 3M=08/31/2023 vs. 05/31/2023; 6M=08/31/2023 vs. 02/28/2023

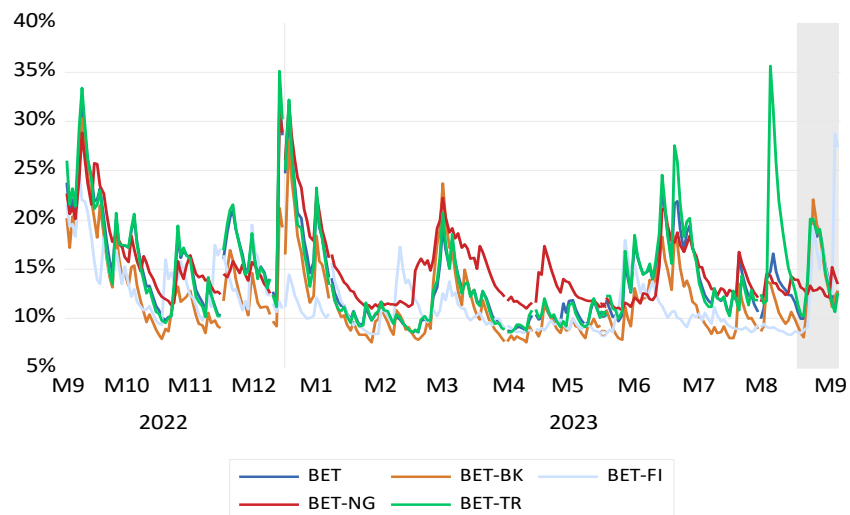
The European stock market indices experienced a mild drop (up to -5.19%) due to the latest interest rate hike. The strongest decrease was recorded by the FTSE 100 index (UK: -3.38%), followed by the EUROSTOXX index (EA: -3.16%).

The main American and Asian indices displayed negative developments. Therefore, the SSEA index manifested the most significant decrease (SHG: -5.19%), followed by the NIFTY 50 index (IN: -2.53%).

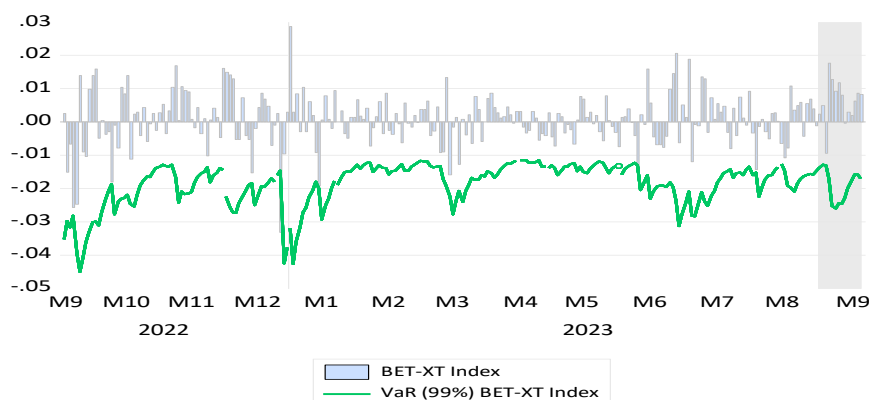
The BSE stock indices have recorded mixed evolutions. As a result, the BET-TR and BET-TRN indices (+0.28%) had the most significant increase, while the BETAeRO index (-1.69%) had the most significant decrease.

## Market risk: evolution of stock indices

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



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



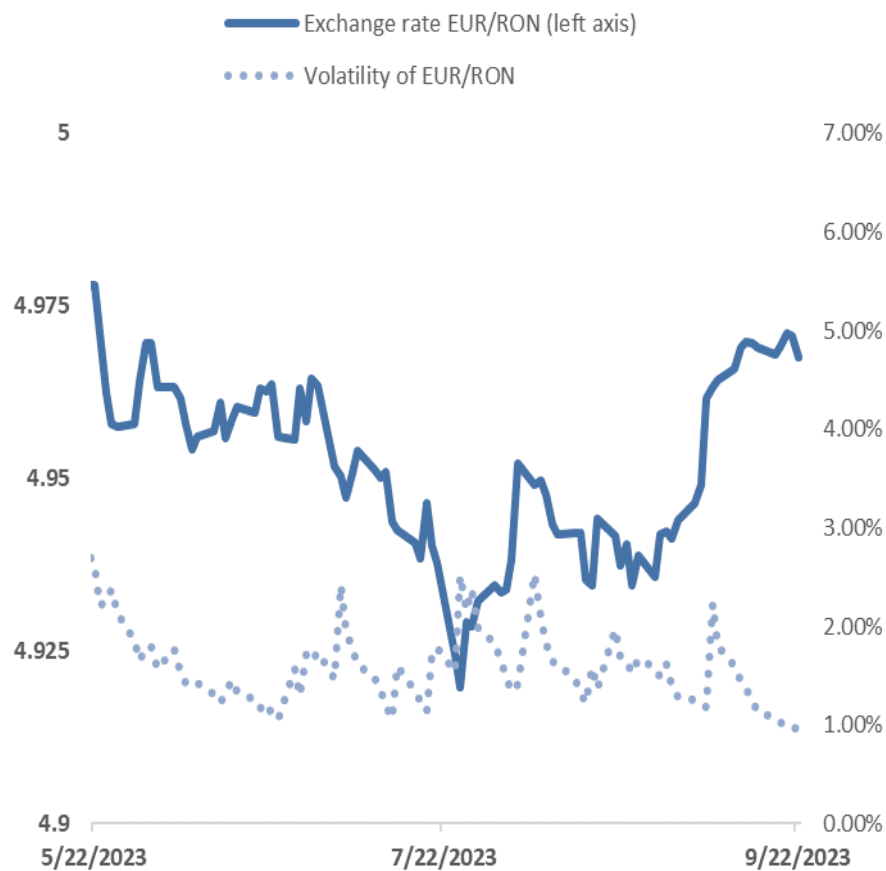
Source: BSE, ASF calculations

Similarly to the previous month, the volatilities of the BET, BET-NG, BET-BK, BET-TR and BET-FI indices showed an upward trend during September. With the exception of the BET-TR index, their average volatility increased compared to the previous month. The volatilities of the indices were estimated with a GARCH (1.1) model.

The accompanying graph shows the dynamics of the BET-XT index together with the evolution of Value-at-Risk for a 1% significance level (VaR at 99%), calculated under the assumption of normal distribution. The VaR of the BET-XT index fluctuated in the range 1.2 - 2.6%.

## Market Risk: exchange rate volatility

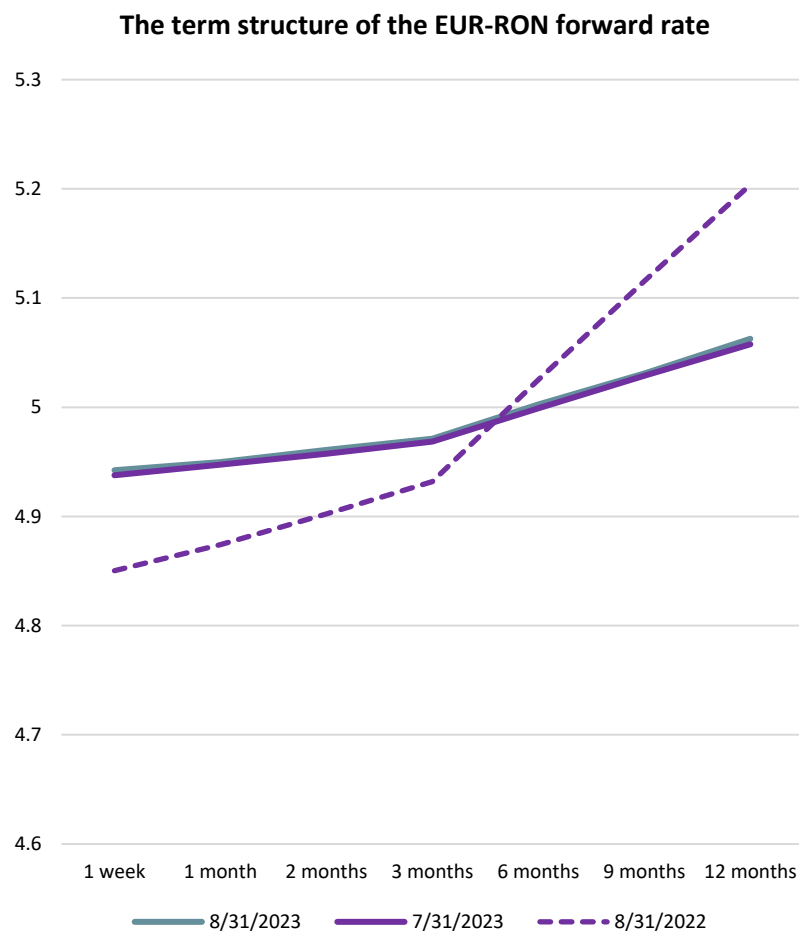
EUR/RON Exchange Rate vs Volatility



Between August and September, the volatility of the EUR/RON exchange rate fluctuated between 1-2.5 % and the exchange rate level oscillated between 4.93-4.97 EUR/RON. The exchange rate has depreciated amid the inflation differential between Romania and the euro area.



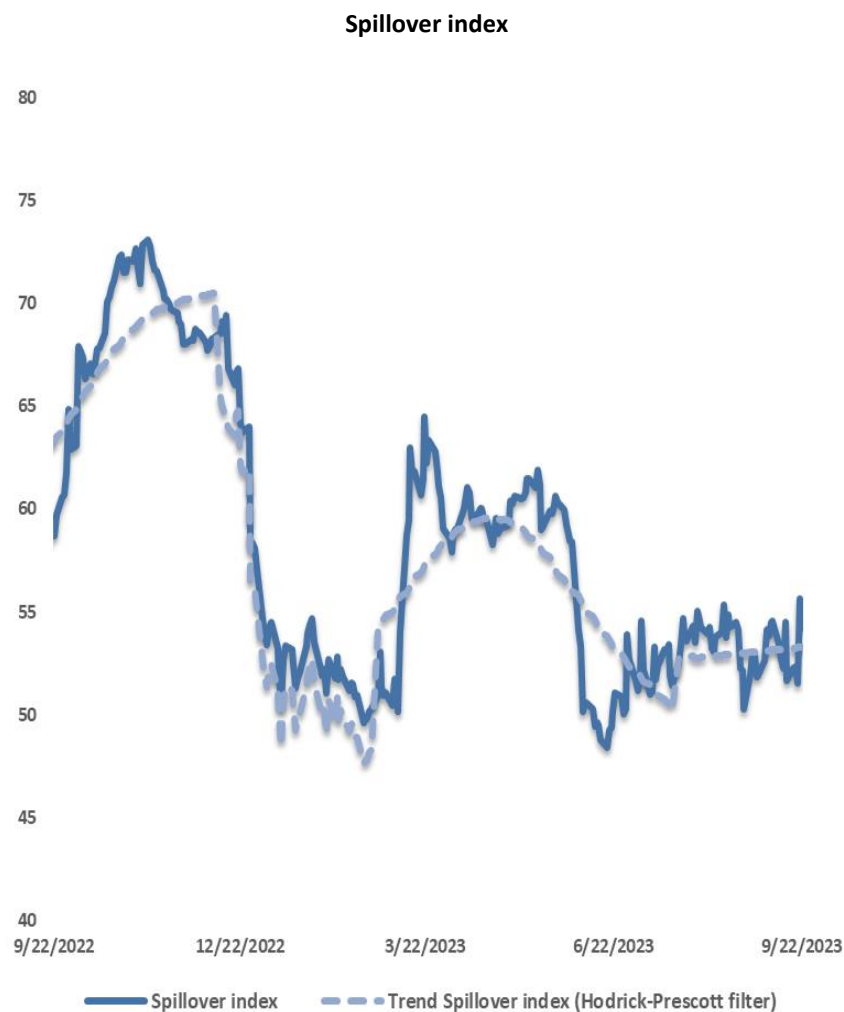
## Market Risk: term structure of EUR-RON forward rate



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

Source: Refinitiv, ASF calculations

## Market Risk: Spillover Index



Source: Refinitiv, ASF calculations

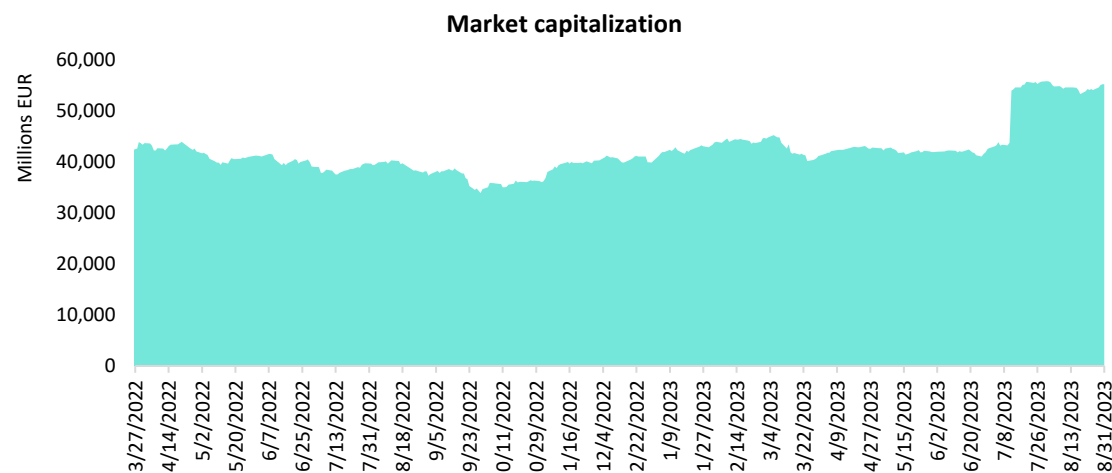
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link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

Between August and September 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% increase at the end of August 2023 compared to the end of 2022.

During August 2023, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica with a share of 31.96% of the total value traded in that period, Fondul Proprietatea (FP: 18.71%) and Banca Transilvania (TLV: 13.12%).



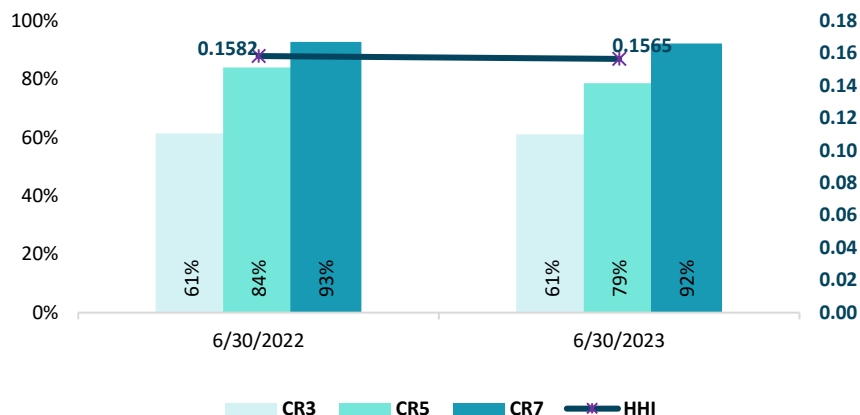
**The BSE's Most Traded Companies during August 2023 (Only the Main Segment)**

Symbol	Main Market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
H2O	77,296,448	32.03%	0	0.00%	77,296,448	31.96%
FP	45,246,931	18.75%	0	0.00%	45,246,931	18.71%
TLV	31,457,885	13.04%	270,740	49.83%	31,728,625	13.12%
SNP	21,182,130	8.78%	0	0.00%	21,182,130	8.76%
SNG	12,005,862	4.98%	0	0.00%	12,005,862	4.96%
BRD	8,906,224	3.69%	0	0.00%	8,906,224	3.68%
SNN	6,723,380	2.79%	0	0.00%	6,723,380	2.78%
TTS	5,275,087	2.19%	0	0.00%	5,275,087	2.18%
EL	4,877,722	2.02%	0	0.00%	4,877,722	2.02%
DIGI	4,351,898	1.80%	0	0.00%	4,351,898	1.80%
TGN	3,223,900	1.34%	0	0.00%	3,223,900	1.33%
TRP	3,142,647	1.30%	0	0.00%	3,142,647	1.30%
M	3,008,767	1.25%	0	0.00%	3,008,767	1.24%
AQ	1,574,309	0.65%	272,622	50.17%	1,846,931	0.76%
TEL	1,624,249	0.67%	0	0.00%	1,624,249	0.67%
<b>Top 15 Total</b>						<b>95.29%</b>

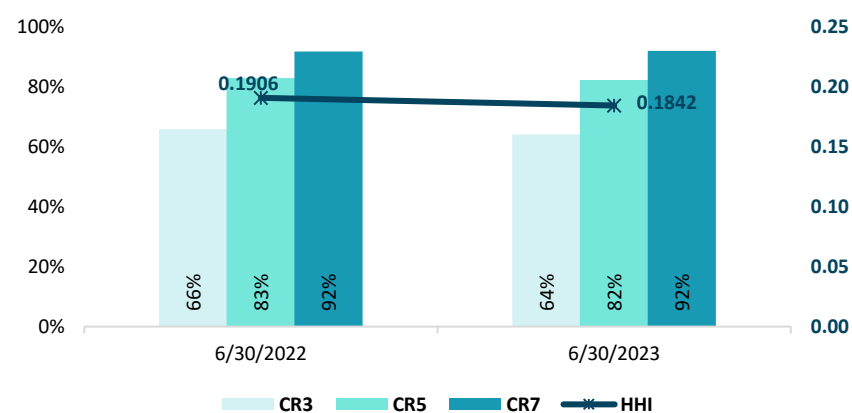
Source: BSE data, ASF calculations

## Concentration risk

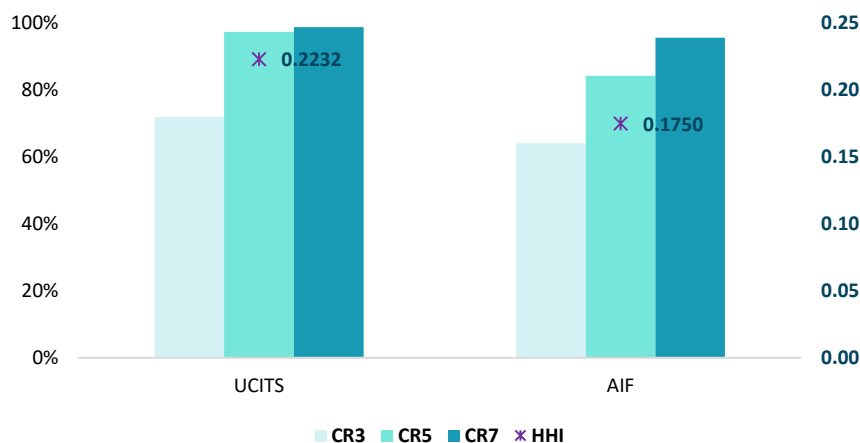
**Concentration risk of non-life insurance undertakings  
(by the value of GWP on 30 June 2023)**



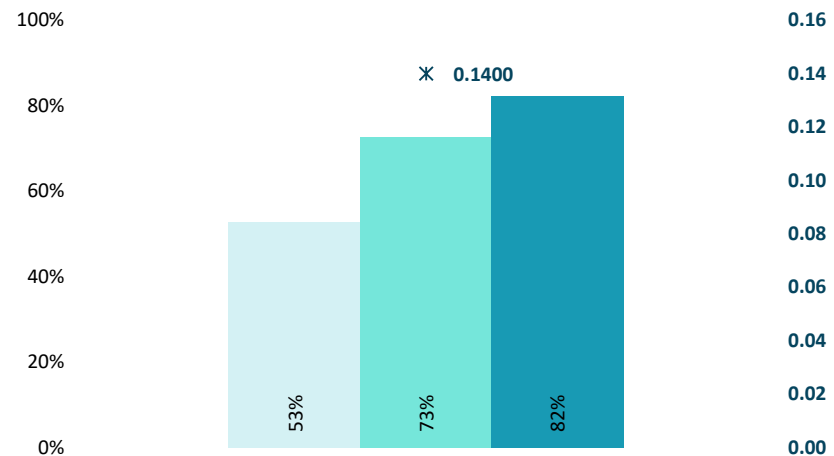
**Concentration risk of life insurance undertakings  
(by the value of GWP on 30 June 2023)**



**Concentration risk of investment funds in Romania  
(by net assets – 30 June 2023)**



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

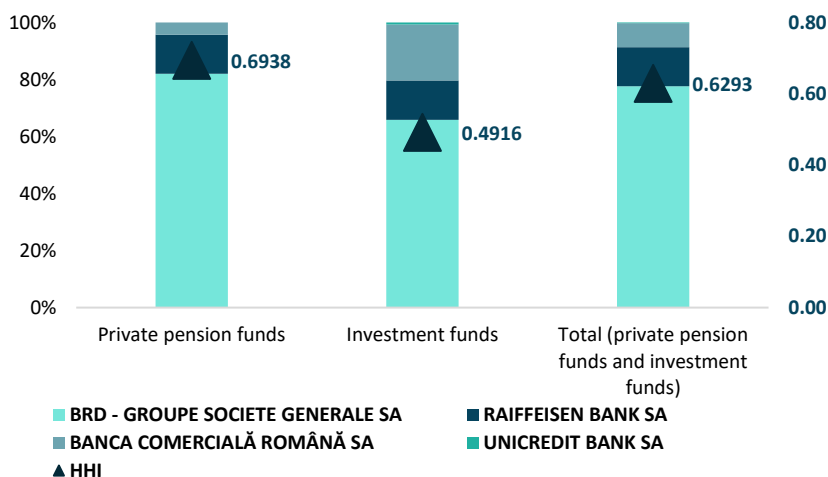


Source: ASF

Source: ASF

## Concentration risk

**Concentration risk of depositaries of private pension funds and investment funds (by total assets on 06/30/2023)**

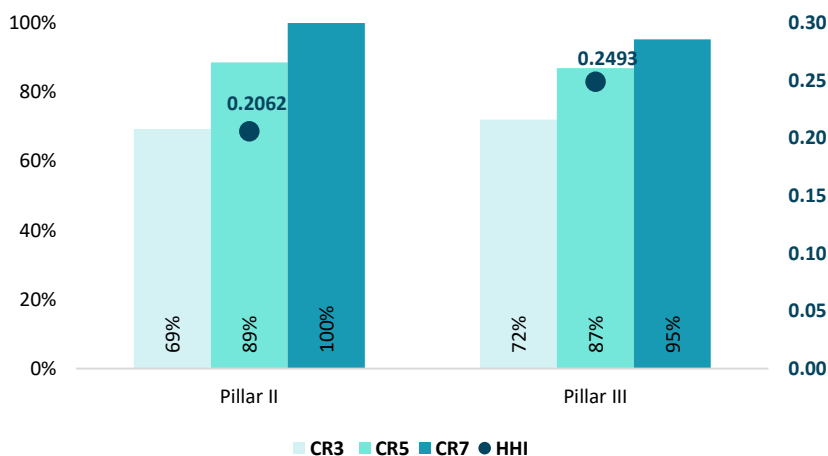


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

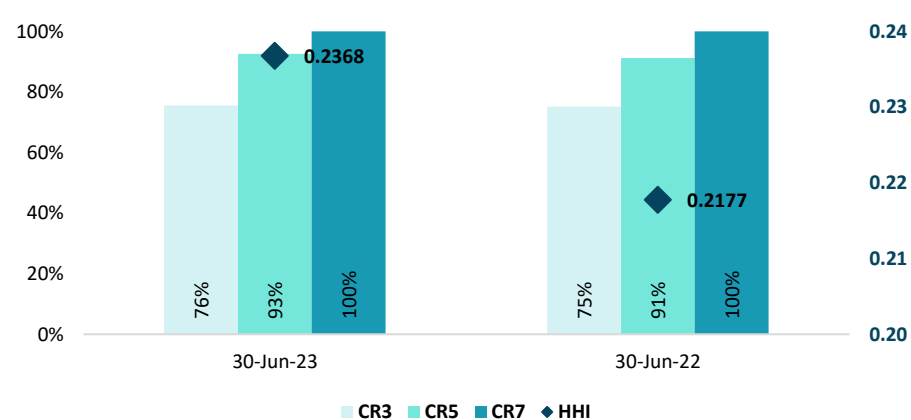
The situation is similar in the case of the private pension funds market (Pillar II and Pillar III) but explainable by objective reasons related to their operating mechanism and the current state of the market.

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 08/31/2023)**

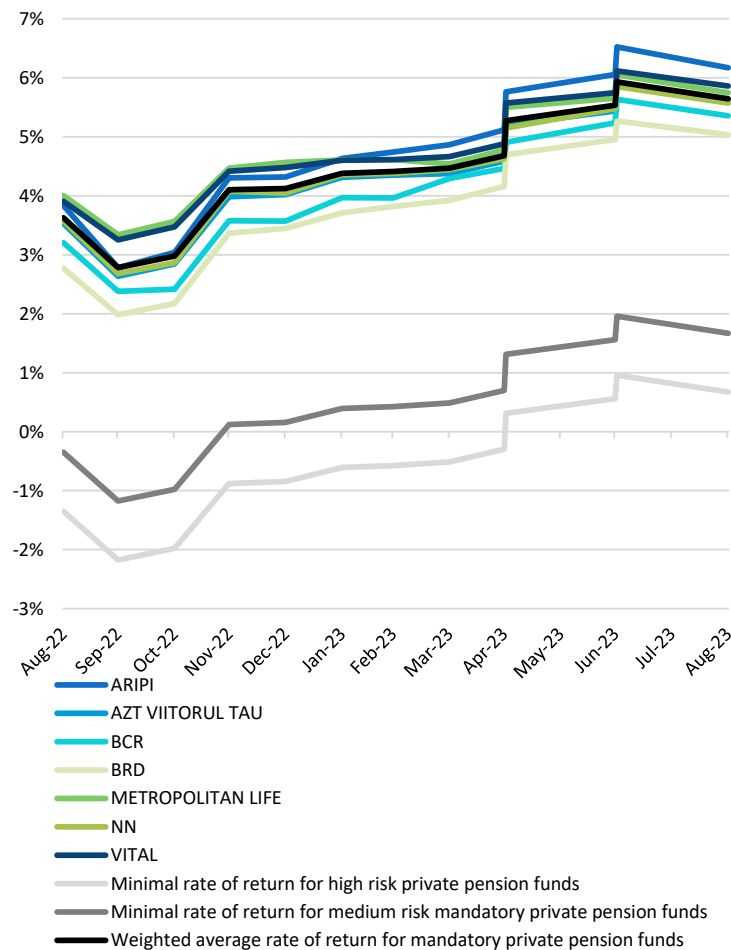


**The concentration risk of insurance companies in the MTPL market (by gross written premiums on 06/30/2023)**



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

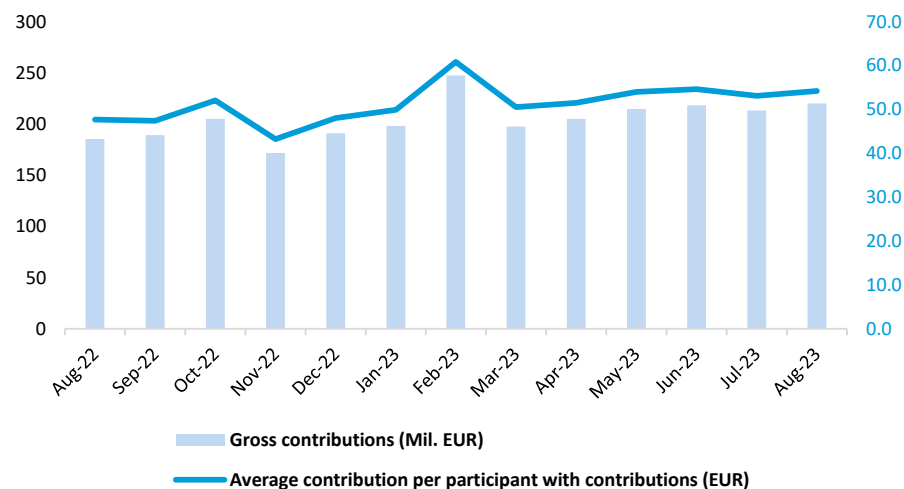
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates 31 August 2023

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 60 months return rate
ARIPI	2,111,309,980	859,051	6.1690%
AZT VIITORUL TAU	4,887,150,523	1,673,375	5.5815%
BCR	1,644,021,849	763,709	5.3554%
BRD	994,306,563	550,803	5.0365%
METROPOLITAN LIFE	3,287,383,943	1,114,779	5.7478%
NN	7,907,196,847	2,100,740	5.5695%
VITAL	2,366,681,734	1,023,078	5.8595%
<b>Total</b>	<b>23,198,051,439</b>	<b>8,085,535</b>	

Evolution of gross contributions (EUR)



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

### Mandatory pensions funds' aggregate portfolio

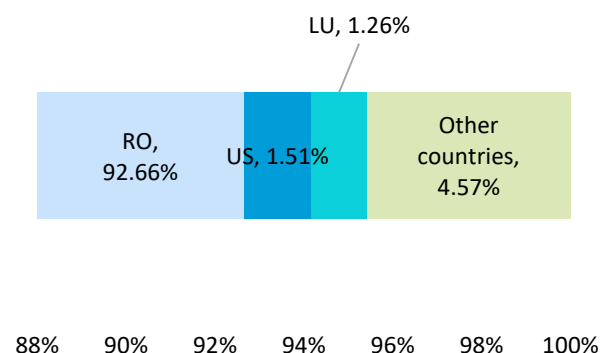
31 August 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	15,004,927,690	64.7%
Equity	5,775,710,677	24.9%
Corporate bonds	1,201,248,235	5.2%
Investment funds	617,593,673	2.7%
Deposits	355,793,021	1.5%
Supranational bonds	140,229,112	0.6%
Municipal bonds	72,409,903	0.3%
Exchange traded commodities	16,163,612	0.1%
Private equity	14,517,845	0.1%
Derivatives	736,244	0.0%
Other assets	(1,278,572)	0.0%
<b>Total</b>	<b>23,198,051,439</b>	<b>100.0%</b>

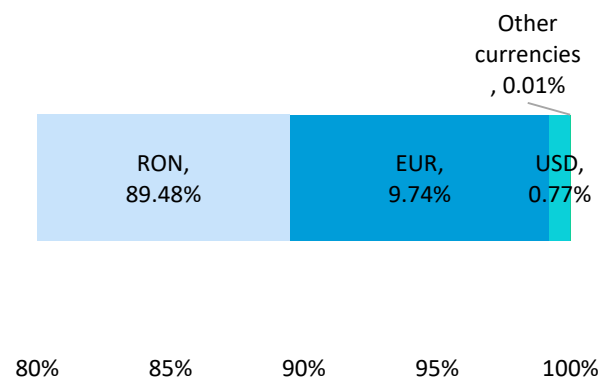
The value of the total assets of the privately managed pension funds reached EUR 23.07 billion at the end of August 2023, with an annual increase of 23%, compared to August 2022.

Approximately 93% 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

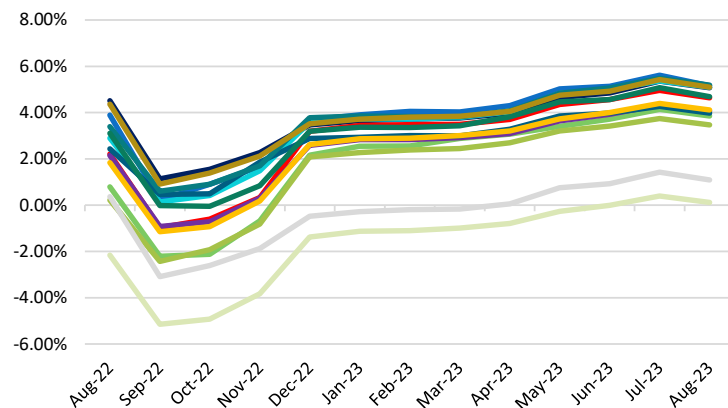


### Currency exposure



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

Rate of return for voluntary pension funds

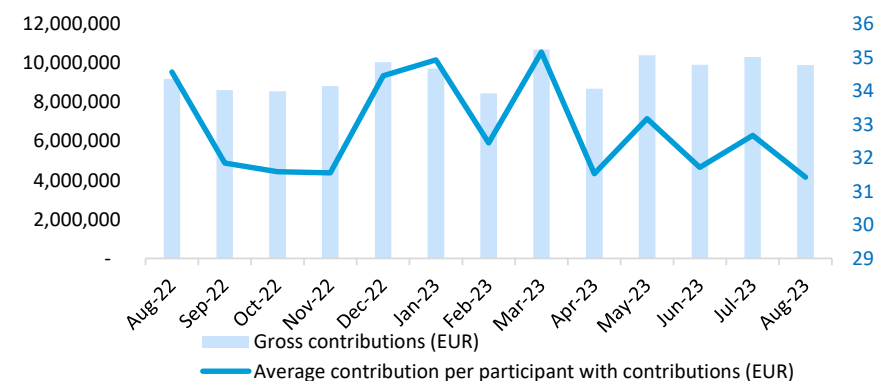


— AZT VIVACE  
 — NN ACTIV  
 — AEGON ESENTIAL  
 — AZT MODERATO  
 — BCR PLUS  
 — BRD MEDIO  
 — NN OPTIM  
 — PENSIA MEA  
 — RAIFFEISEN ACUMULARE  
 — STABIL  
 — Weighted rate of return for all high risk voluntary pension funds  
 — Minimal rate of return for high risk voluntary pension funds  
 — Weighted rate of return for all medium risk voluntary funds  
 — Minimal rate of return for all medium risk voluntary pension funds

Total assets (EUR), number of participants and return rates 31 August 2023

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 60 months return rate
AEGON ESENTIAL	2,793,699	4,039	5.0959%
AZT MODERATO	85,443,699	48,914	4.6387%
AZT VIVACE	29,604,666	21,722	5.1637%
BCR PLUS	139,154,977	147,824	3.8478%
BRD MEDIO	43,290,653	37,744	3.4665%
GENERALI STABIL	8,240,772	5,647	4.6823%
NN ACTIV	106,057,788	69,871	5.0668%
NN OPTIM	379,085,015	246,307	4.0691%
PENSIA MEA	38,451,465	45,397	3.9741%
RAIFFEISEN ACUMULARE	34,183,603	52,634	5.1820%
<b>Total</b>	<b>866,306,336</b>	<b>680,099</b>	

Evolution of gross contributions (EUR)



Source: ASF



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

### Voluntary pensions funds' aggregate portfolio

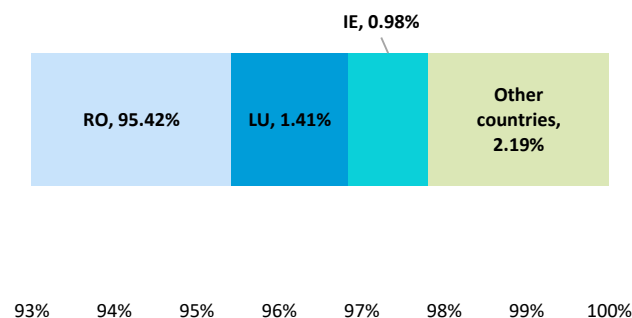
31 August 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	565,127,656	65.2%
Equity	232,038,672	26.8%
Corporate bonds	31,744,936	3.7%
Investment funds	17,845,048	2.1%
Deposits	9,632,419	1.1%
Municipal bonds	6,301,422	0.7%
Private equity	1,395,458	0.2%
Exchange traded commodities	1,358,550	0.2%
Supranational bonds	815,012	0.1%
Derivatives	215,215	0.0%
Other assets	(168,053)	0.0%
<b>Total</b>	<b>866,306,336</b>	<b>100.0%</b>

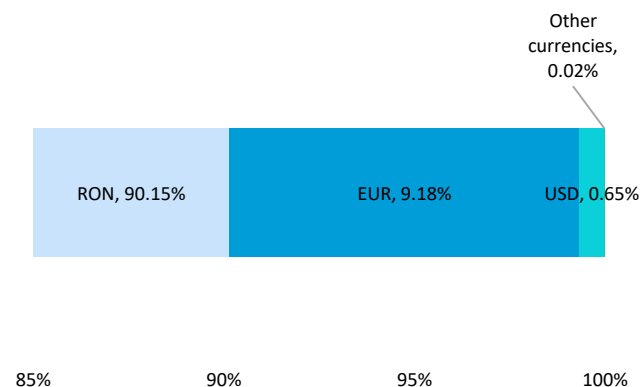
At the end of August 2023, the voluntary pension funds' total assets value was EUR 866 million, with an annual increase of 22%, compared to August 2022.

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

### Country exposure



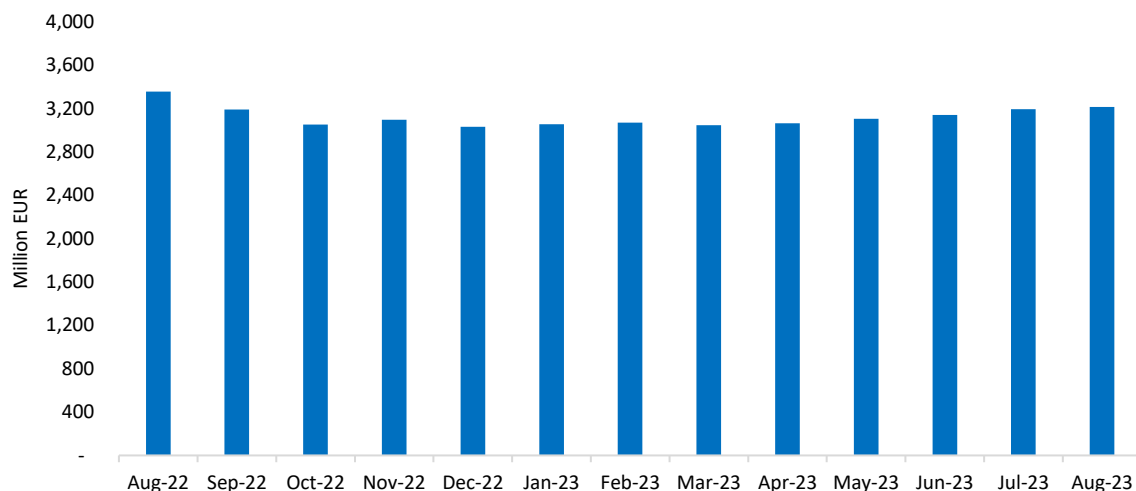
### Currency exposure



Source: ASF

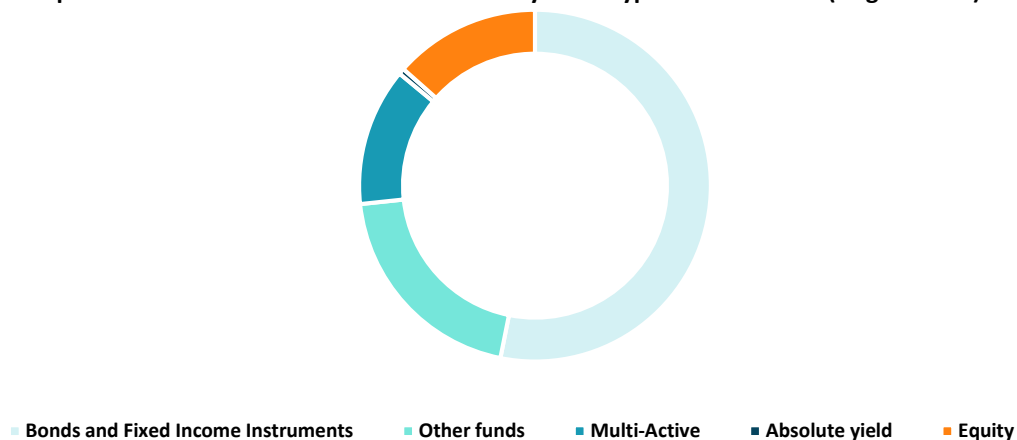
## Specific developments in the investment funds sector

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



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of aprox. EUR 3.21 billion in August 2023, up compared to the previous month (EUR 3.19 billion).

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

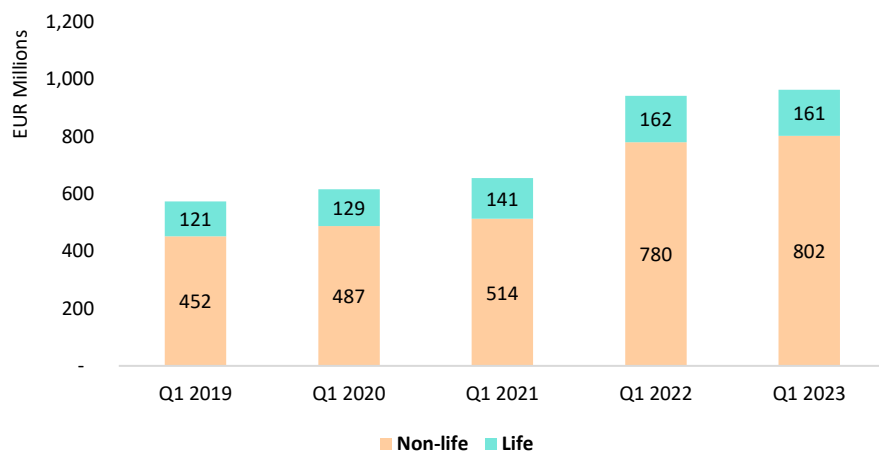


In August 2023, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 53%), while the "other funds" category has a market share of approximately 20%.

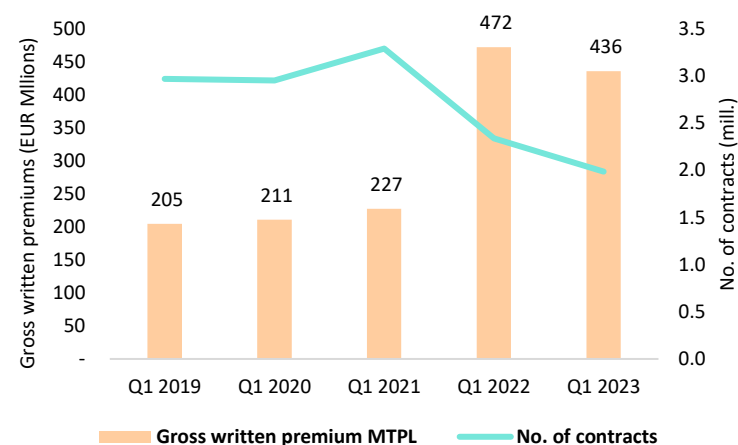
Source: AAF

## Specific developments in the insurance market in Romania

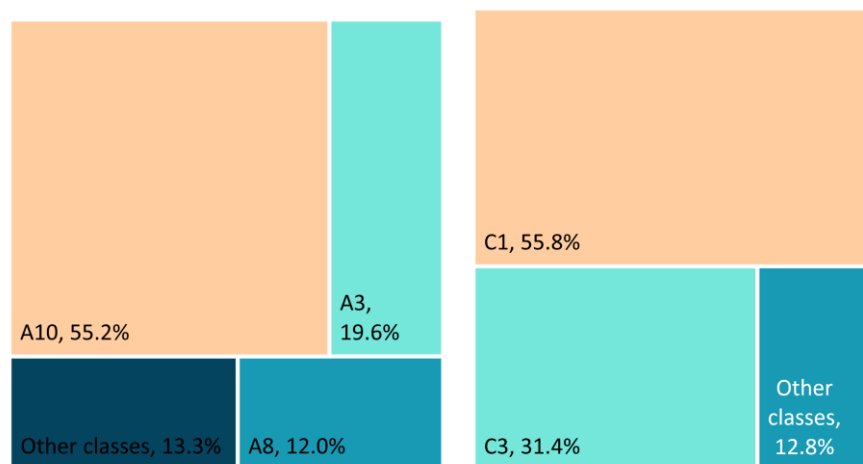
Gross written premiums (total)



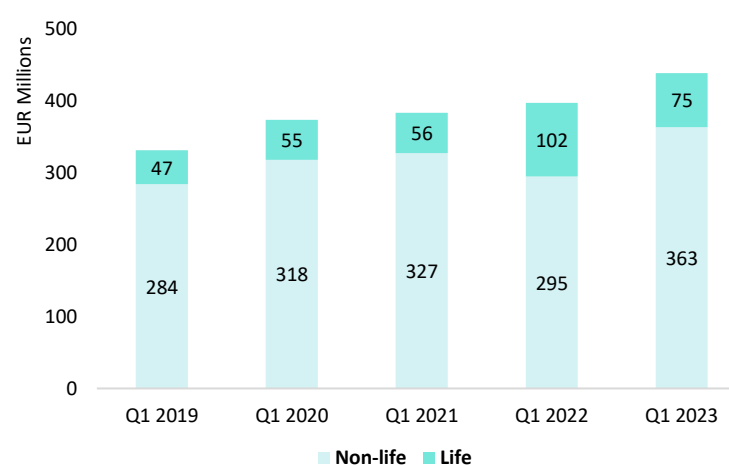
MTPL gross written premiums



Share of main insurance classes by GWP



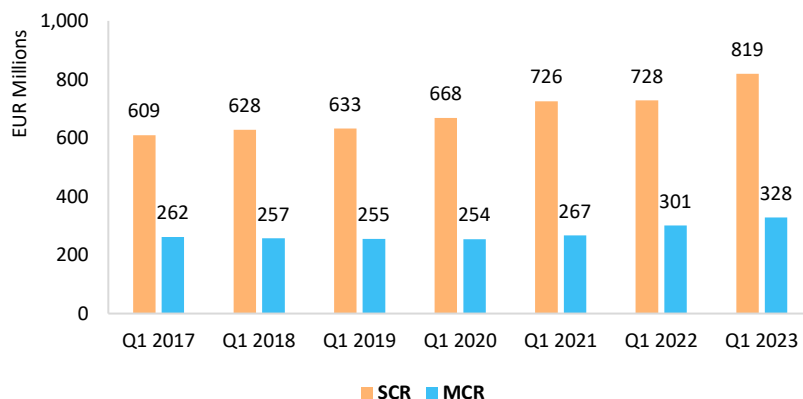
Gross claims paid



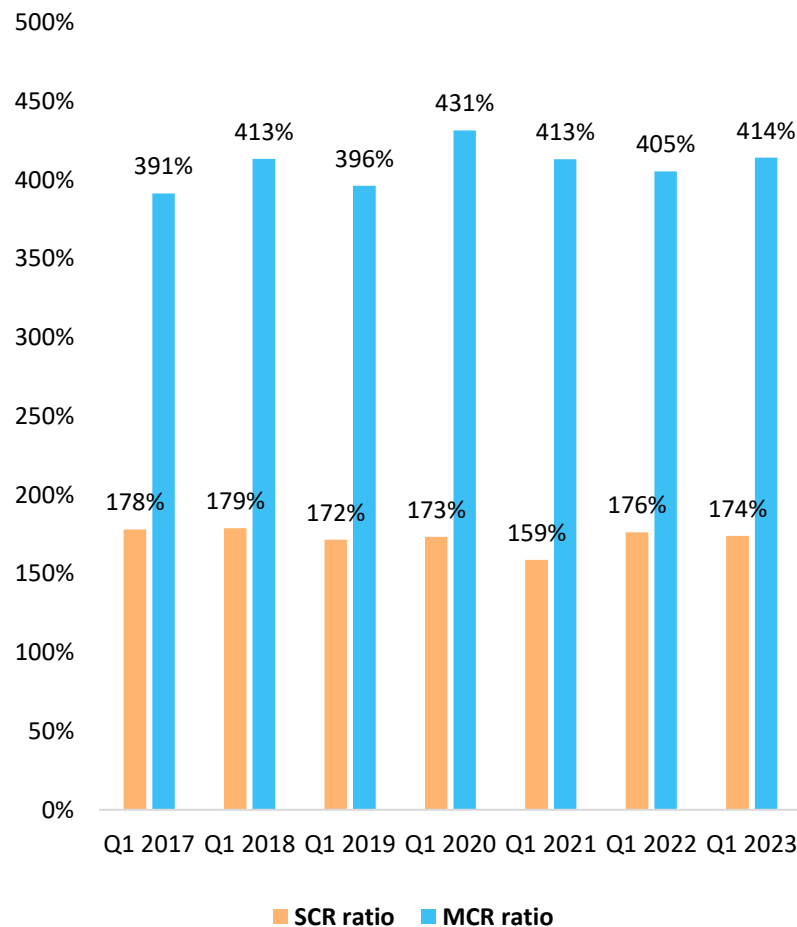
Source: ASF, excl. branches of foreign companies that operate on Freedom of Establishment (FoE).

## Specific developments in the insurance market in Romania

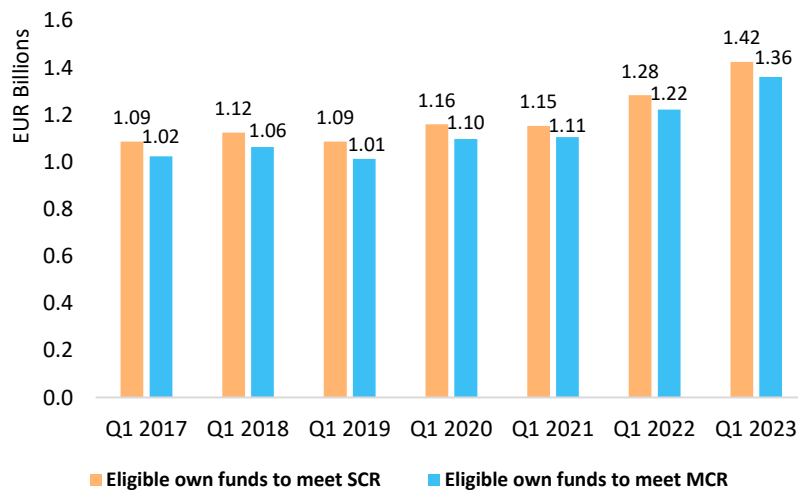
**Evolution of capital requirements (SCR and MCR)**



**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 August 2023

<p><b>ESMA</b></p>	<ul style="list-style-type: none"> <li>• <a href="#"><u>ESMA published data for quarterly bond liquidity assessment, the systematic internaliser calculations and the CTP calculations.</u></a></li> <li>• <a href="#"><u>ESMA published its latest edition of the Spotlight on Markets Newsletter.</u></a></li> <li>• <a href="#"><u>ESMA published the second Trends, Risks and Vulnerabilities (TRV) Report of 2023.</u></a></li> </ul>
<p><b>EIOPA</b></p>	<ul style="list-style-type: none"> <li>• <a href="#"><u>EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of July 2023.</u></a></li> <li>• <a href="#"><u>ESA's Joint Board of Appeal dismisses appeal by Euroins Insurance Group AD against the European Insurance and Occupational Pensions Authority.</u></a></li> <li>• <a href="#"><u>EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of July 2023.</u></a></li> </ul>

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.