AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ

THE EVOLUTION OF
NON-BANKFINANCIAL MARKETS

2016

Note

This annual report presents the evolution of the non-banking financial markets in the calendar year 2016 and reflects the data as at 31 December 2016, not audited.

A series of statistical data are provisional and will be reviewed in subsequent publications of Autoritatea de Supraveghere Financiară (The Financial Supervisory Authority). Because the figures were rounded, it is possible that totals do not match the exact amount of the components, or that there are small differences from the percentage variations shown in charts or tables.

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THE EVOLUTION OF MACROECONOMIC INDICATORS

THE LOCAL AND INTERNATIONAL MACROECONOMIC SITUATION

Non-bank financial markets evolved in 2016 against a European macroeconomic climate of moderate recovery, as a result of the ECB's quantitative easing measures, of favourable credit conditions (low interest rates), and of depreciation of Euro. Private consumption has been the main engine of economic growth, being stimulated by the advance of real incomes of the population. The evolution of the banking system in Italy, the Brexit phenomenon, the instability generated by the terrorist attacks in France, Belgium, Germany, and Turkey, as well as the tensions in the Middle East, the economic downturn in China, generated a certain degree of volatility in the financial markets, without a perceptible impact on the real economy.

According to the expectations of the European Commission (EC), the European economy will continue in 2017 its sustained recovery that it has witnessed in the last four years, with the growth forecast for 2017-2018 being revised upwards by 0.1 percentage points due to good performance in the second half of 2016 and the positive start of 2017. At the same time, the recent estimate by Markit Financial Company shows that the PMI indicator related to the purchasing intentions of managers in the Euro area rose to 56 points in February 2017, reaching thus the highest level since April 2011 (the threshold of 50 points separates expansion from contraction). All four major European countries anticipate economic growth based on the PMI indicator, with the highest level after 18 months in Spain (57 points in February), 34 months in Germany (56.1 points), 61 months in France (55.9 points), and 14 months in Italy (54.8 points). The difference between the two major European economies is that the advance of Germany (dominating EU exports) was encouraged by the production sector, while in France it was determined by the service sector.

Looking ahead, home demand in the EU will stand against the new global challenges, and the inflation rate will gradually accelerate under the partial effect of higher wages, the evolution of the GDP deviation in the positive territory and the increase of the prices of the energy products. Investments will be reinvigorated mainly after 2018 through the Investment Plan for Europe through the public resources allocated to the Member States from the EU funds for the 2014-2020 financial frameworks.

Table 1. The GPD evolution between 2015 and 2018

	2015	Q1_16	Q2_16	Q3_16	Q4_16	2016	2017	2018[r]
EU - 28	2.2	1.8	1.8	1.9	1.9	1.9	1.8	1.8
Euro Zone	2.0	1.7	1.6	1.8	1.7	1.7	1.6	1.8
Romania	**3.9**	**4.1**	**5.8**	**4.4**	**4.8**	**4.8**	**4.4**	**3.7**
Bulgaria	3.6	3.4	3.6	3.4	3.4	3.4	2.9	2.8
Hungary	3.1	1.3	2.3	2.0	1.5	2.0	3.5	3.2
Poland	3.9	2.8	3.2	2.3	3.1	2.8	3.2	3.1
Czech Republic	4.5	3.0	2.6	1.8	1.9	2.4	2.6	2.7
Germany	1.7	1.9	1.8	1.7	1.8	1.9	1.6	1.8
Great Britain	2.2	1.6	1.7	2.0	2.0	1.8	1.5	1.2
France	1.3	1.2	1.1	1.0	1.2	1.2	1.4	1.7
Spain	3.2	3.4	3.4	3.2	3.0	3.2	2.3	2.1
Italy	0.8	1.1	0.8	1.0	1.0	0.9	0.9	1.1

Source: Eurostat - Percentage variation compared to the same quarter of the previous year - seasonally adjusted data;; 2017-2018—The European Commission's 2017winter forecast

The potential risks of instability in the EU could be determined by external factors, mainly by geopolitical conflicts, the policy of the new US administration towards the EU, the investors' expectations in respect to raising the reference interest rate of the EDF, and the faster return of oil and raw materials' prices. Internal risks may arise from uncertain nationalist policies as a result of the UK breaking from the EU, and from the results of the elections in France and Germany.

In the current European context, Romania recorded the most important economic advance (+ 4.8%) in the post-crisis period due to the expansion of services activity and consumption under the favourable impact of fiscal relaxation. In the top of GDP growth, the Romanian economy ranked second in the EU in 2016, after Malta (+ 5.0%), and will rank first in 2017 (+ 4.4%) due to fiscal incentives and wage increases which will maintain the high consumption dynamics.

According to the data from the National Bank of Romania, 2016 was characterized by improved external investor perceptions, with a FDI flow of EUR 4.1 billion (2.4% of GDP), and the maintenance of external debt (55.3% of GDP) and of the current account deficit (-2.4% of GDP) within sustainable limits, although it doubled compared to the previous period (-1.2%).

Table 2. The evolution of the main macroeconomic indicators

Indicators	2015	Q1_16	Q2_16	Q3_16	TQ_16	2016
Real economic growth	3.9	4.3	6.0	4.3	4.7	4.8
Gross domestic product (billions of Lei)	711.1	146.2	178.6	207.3	227.1	759.2
Current account balance *	-1.2	-0.2	-1.0	-0.4	-0.9	-2.4
ESA budget deficit *	-0.8	-0.5	-0.6	-0.1	-1.7	-2.8
Foreign direct investments *	2.2	0.9	0.8	0.4	0.4	2.4
Government debt *	38.0	37.2	36.8	36.3	37.6	37.6
External debt *	57.5	55.5	55.3	54.3	55.3	55.3
Annual inflation (at the end of the period)	-0.93	-2.98	-0.70	-0.57	-0.54	-0.54
BIM unemployment rate	6.8	6.6	5.8	5.7	5.4	5.9

**% of GDP - the share of GDP was calculated taking into account the sum of GDPs achieved in the last 4 quarters; for GDP was used provisional data (1);*

The economy accelerated in the first half (+ 5.2%), followed by a slight mitigation in the next period (+ 4.5%), against the slowing down of domestic supply and investment activities.

On the supply side, there is a positive contribution in 2016 of the services sector, as the most important contributions to GDP growth come from trade and transport activities (1.8 pp contribution to the GDP rate of 4.8%), from the information and communication activities (0.7 pp), business support services (0.6 pp), compared to the modest contribution of the industry, together with agriculture and construction (amounting up to 0.5 pp together). Industrial production recorded a moderate growth in 2016 (+ 1.7%) due to weaker developments in the first half, as the annual growth rate of manufacturing (+ 1.3%) slowed down. In particular, the decline in the electricity and heat industry between January and September 2016 (-1.8%) was corrected by a return in the fourth quarter (+ 1.0%), suggesting a possible upward trend in 2017.

In terms of home demand, private consumption was the main driver of economic growth, contributing with 4.5 percentage points to GDP growth. Although its dynamics recorded the highest level in the last years (+ 7.4%), there is a decrease in its rate from 9.5% in Q1-2016 to 4.1% in Q4-2016, due to the dissipation of the effect of the reduced VAT quota on food. Following this trend, the EC projection anticipates a slowdown in private consumption in the medium term (6.7% in 2017 and 4.2% in 2018, from 9.0% in 2016), along with a GDP growth. Consumer spending was driven by the higher population incomes (wages and pensions) and by the lower inflation rate. Government consumption also increased significantly in nominal terms in 2016 (+ 6.0%) due to staff costs that increased by 9.5%, due to the cumulative effect of rising gross minimum salary (1250 lei in May), and salary indexation of public sector employees at the end of 2015 (15% in education, 25% in health, 10% for the employees of other central government bodies).

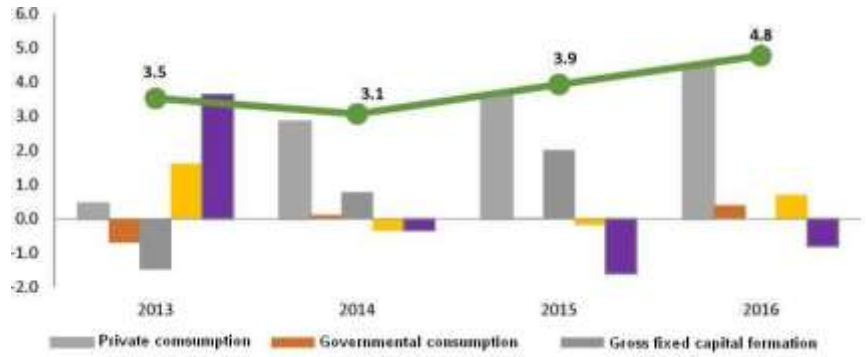
Table 3. The dynamics of the main components of GDP

	2014	2015	2016 – Q. I	2016 –Q. II	2016
Internal Gross Product	**3.1**	**3.9**	**5.2**	**4.5**	**4.8**
Resources					
Industry	3.6	5.4	1.7	1.7	1.7
Constructions	1.9	6.8	4.9	0.8	1.8
Trade; transport; restaurants	1.6	12.1	12.7	9.5	10.9
Information and communications	7.1	9.7	12.4	15.8	14.2
Financial intermediation and insurances	-11.1	-1.0	1.5	0.8	1.1
Uses					
Private consumption	4.7	6.0	9.9	5.4	7.4
Gross fixed capital formation	3.2	8.3	6.1	-3.5	0.0
Exports	8.0	5.4	7.0	8.1	7.6
Imports	8.7	9.2	11.6	7.2	9.3

Source: National Institute of Statistics, gross series, ASF calculations; for GDP was used provisional data (1)

The other component of home demand, gross fixed capital formation, remained the same as in the previous year, as the growth in January-September 2016 was offset by the sharp decline in Q4 (-7.2%). The evolution of net investments in the economy in the last quarter was affected by the reversal of the annual growth rate of new construction works (-16.1%), in addition to the contraction in machinery purchases observed since the third quarter. This investment behaviour is also explained by the influence of lower public sector spending and the completion of expenditure financed by European funds for the 2007-2013 periods. Thus, government-based cash investments declined in nominal terms by 20% in 2016, with the dominating contribution of projects funded by European funds, which dropped down by about 60% compared to 2015.

Figure 1. The contribution of use categories to GDP growth between 2013 and 2016



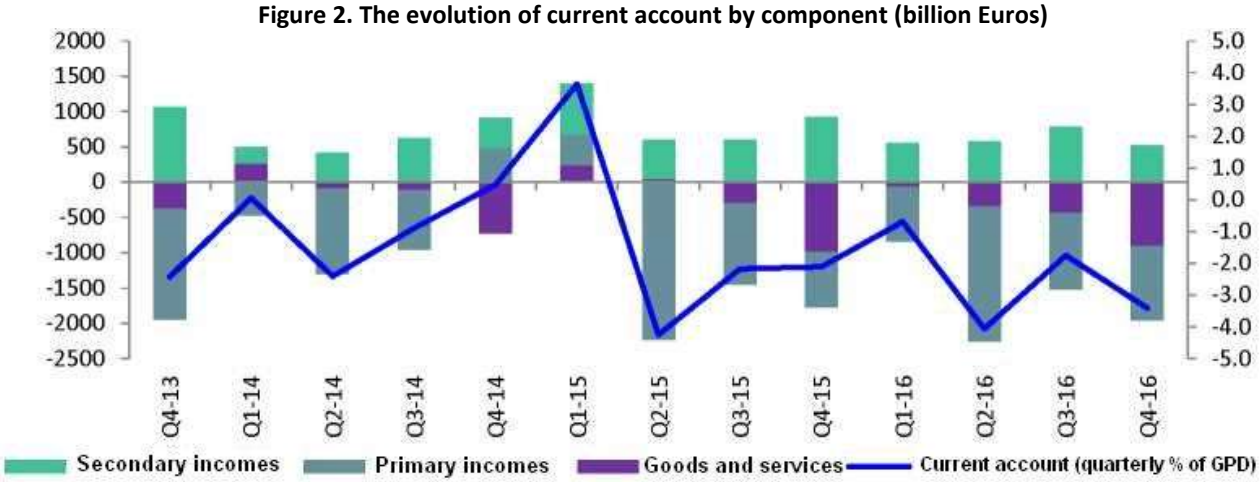
Source: INS, ASF calculations

The slowdown in quarterly imports, similar to home demand, and the recovery in exports led to an adjustment of net export contribution to GDP growth to -0.8 percentage points in 2016,as compared to -1.6 percentage points in the previous year.

Similar to the previous period, external demand in 2016 was characterized by stronger dynamics of CIF imports (+ 7.0%),as compared to FOB exports (+ 5.1%). The share of the trade deficit (FOB-CIF) in the GDP (-5.9%) increased by 0.7 percentage points, as compared to 2015, putting pressure on the current account deficit and the exchange rate. Another feature of foreign trade is the concentration on relations with EU partners, which account for 75% of exports and 77% of imports, with exports and intra-Community imports increasing by 7.0% and 6.9%, respectively. Ex-communal trade fell by 0.3% for exports, with Turkey, the US and Russia being the main destinations. The main partner countries in the EU remain Germany, France and Hungary, and transport equipment and machinery (49.3%) prevail in the structure of exports to the EU.

The quarterly evolution of current account components reveals a deepening of the goods and services balance deficit in the fourth quarter and yearly. Another influence on the current account stemmed from the increase in the deficit of the primary income balance and the reduction of the surplus of the secondary incomes, mainly due to the moderate absorption of the European funds.

Figure 2. The evolution of current account by component (billion Euros)

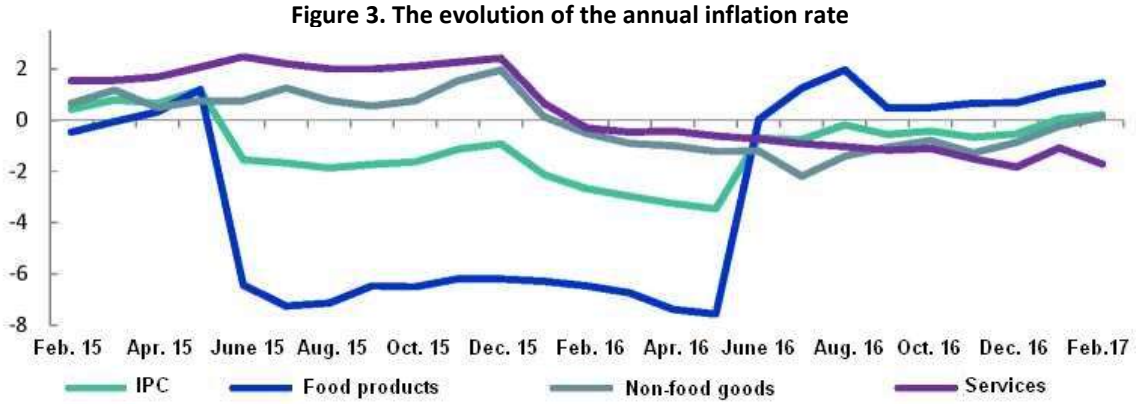


Source: BNR, ASF calculations

On the horizon, the expansion of private imports (stimulated by fiscal relaxation measures) and the high budget deficit will put pressure on the deepening of the current account deficit to 3.1% of GDP in 2018, in the European Commission scenario. In a more optimistic scenario, the current account deficit in GDP will approximate 2% in the medium term, consistent with a budget deficit below 3% of GDP and an increase in the amounts attracted from EU funds.

In terms of the annual inflation rate, specific for Romania was its persistence in negative territory, for the second consecutive year, under the impact of the 9% VAT rate on food products implemented in June 2015, as well as the reduction of the 20% overall VAT rate as of 1 January 2016. At the end of the year, inflation was negative (-0.54%), after which it returned to positive territory in January-February 2017 and it is expected to gradually increase to 1.7% and 3.4% in December 2017 and December 2018, respectively. Food commodity prices increased by 0.68% at the end of 2016 (dissipation of the 9% reduced VAT rate), while prices of services and non-food goods declined by 1.83% and 0.87% on account of the effect of the 20% VAT rate. The share of goods and services which recorded a decrease in prices compared to December 2015 is 36.3%, among which are the following categories: gas (-7.7%), sanitation services (-7.5%), electricity (-6.3%), heating (-3.4%), railroad transport services offered by the State Transport Company – CFR (-3.2%), telecommunications and telephony (-2.2%).

Figure 3. The evolution of the annual inflation rate



Source: INS, ASF calculations

The acceleration of the economy in 2016 reflected also the increase in the number of employees and the improvement of the employment rate. The annual average number of employees reached 3.4% (compared with 2.3% in 2015 and 1.4% in 2014) on the account of employment in the business sectors that increased during this period, especially IT services (+ 19.5%), hotels and restaurants (+ 12.1%), automotive manufacturing industry (+ 8.6%).

Table 4. The dynamics of the main indicators of the labour market between 2014 and 2016

	2014	2015	2016 –Q. I	2016 –Q. II	2016
BIM unemployment rate	**6.8**	**6.8**	**6.2**	**5.6**	**5.9**
Average number of employees *	**1.4**	**2.3**	**3.4**	**3.4**	**3.4**
Net wage earning *	**7.5**	**9.5**	**12.9**	**13.0**	**13.0**
Public sector	10.2	8.1	21.3	20.6	20.9
Competitive sector	6.8	10.0	10.9	11.2	11.1

*Source: ASF, processing based on INS data; * for the year 2016 the Monthly Survey of the INS was used; nominal increases*

In December 2016, the number of employees in the economy (infra-annual data, excluding economic units with less than 4 employees) was 4,732.5 thousand people, with 161 thousand persons higher than in the same month of the previous year.

One can notice that is a growing interest in hiring inactive or potential workers, as well as the transfer of employees from the hidden economy to the official economy, following the opportunities created by VAT reduction. Resource-driven growth, as well as successive increases in the minimum wage, led, besides improving employment, to maintaining the high rate of net salaries in the private sector (+ 11.1%). At the level of the whole economy, **net earning gain was more alert** (+ 13%) due to wage increases (+ 20.9%). Since 2010, wage increases in the public sector were higher than in the competitive sector, with a peak in 2016, a trend that could influence the wage policy of the private sector affecting new hires.

The risks associated with slowing GDP growth and high inflation are balanced in the short term due to the consolidation of macroeconomic balances over the last four years and to the tax incentives that yielded positive effect today. The conjuncture survey of the National Statistics Institute shows an optimistic perception of the business environment on the evolution of the economy between March and May 2017, the continuation of the increase in activity in the industry and in the construction sector, and a trend of moderate growth of service activity and retail trade, against the increase in prices. Regarding the number of employees, it is estimated that a slight increase will be registered for all important sectors of the economy, and a moderate decrease in the retail trade will be registered too. Therefore, there is a clear tendency to mitigate consumer demand, following the dissipation of the effect of the reduced VAT rate, especially on food products.

In the medium term, between 2017 and 2019, external factors, currency risk and the increase in energy prices could affect the dynamics of the economy, the business profitability, the inflation and the purchasing power of the population. Unfavourable effects could be observed on the private investments, disadvantaged by the evolution of high interest rates, and on the government investment, that depends on the absorption of European funds and on the condition of limiting the budget deficit (ESA) below the threshold of3% of GDP.

Table 5. The medium-term scenario between 2016 and 2018

National Prognosis Commission	**2016**	**2017**	**2018**
GPD - real growth	4.8	5.2	5.5
Average annual inflation	-1.55	1.4	2.5
Current account -% of GDP	-2.2	-2.3	-2.2
Budget balance -% of GDP	-2.8	-2.98	-2.9
CE	**2016**	**2017**	**2018**
GPD - real growth	4.9	4.4	3.7
Average annual inflation	-1.1	1.6	2.9
Current account -% of GDP	-2.2	-2.9	-3.1
Budget balance -% of GDP	-2.8	-3.6	-3.9

Source: The winter forecast of the National Prognosis of the European Commission2017; for GDP was used provisional data (1);

Current scenarios position Romania at the top of the EU ranking in terms of economic growth, but there are some structural differences. The National Prognosis Commission's scenario, based on the positive reaction of the economy to fiscal stimuli, as demonstrated by the business environment in previous years, and the high administrative capacity in the tax and absorption of EU funds, anticipates an acceleration of GDP growth to 5.5% in 2018. The measures of the Fiscal Code will stimulate the investments also due to the fact that the favourable fiscal environment will attract foreign investors. The budget deficit (ESA) will be below 3% of GDP and will gradually decrease to 2% in 2020. In the more reserved scenario of the European Commission, the maximum rate of growth was already reached in 2016, and will register 3.7% in 2018, driven by a lower consumption. Under these circumstances, the budget deficit will exceed 3% of GDP, being also influenced by the modest action of the second round effects of economic growth on budget revenues.

THE EVOLUTION OF THE CAPITAL MARKET INROMANIA

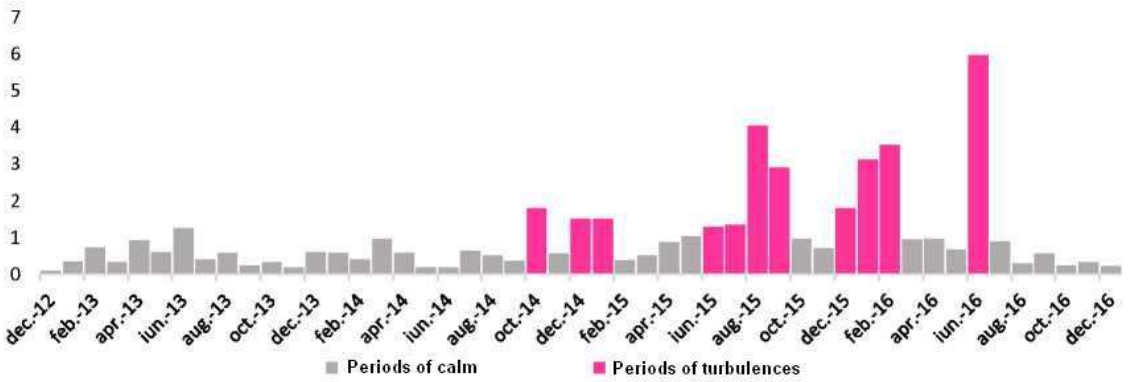
2016

1. THE INTERNATIONAL CONTEXT

In 2016, a series of significant events led to the recording of three episodes of turbulence that took place in January, February, and June. The first two episodes of turmoil occurred against the news and the developments in China's financial markets, and the last episode came as a result of the outcome of the referendum held in Great Britain.

The turbulence index calculated for December 2016 was at a much lower level compared to June of the same year, when it recorded the highest value for the whole analyzed period, namely that between December 2012 and December 2016 (the significant increase in June occurred because of the increased volatility of capital market indices caused by the pro-Brexit referendum outcome in Great Britain). Since July, there was a rebound in the turbulence index that was at previous levels, a trend that continued until December inclusive.

Figure 4. The turbulence index



Source: Datastream, ASF calculations

International stock indices registered positive evolutions in the last quarter of 2016, recovering from declines recorded earlier in the year. Of the stock indexes analyzed, the FTSE MIB recorded the most significant 12-month drop (-10.20%). Except for the aforementioned index and the ISEQ (-4.95%) and IBEX indices (-3.01%), the rest of the indices recorded positive developments during 2016.

BSE indices registered lower growth rates (12 months) between 0.19% and 9.70%. The most significant decrease at 12 months is recorded for BET-NG (-2.97%), followed by BET-FI (-1.87%).

Table 6. The evolution of international stock changes at 30.12.2016

International indices	3 months	6 months	9 months	12 months
EA (EUROSTOXX)	7.67%	14.38%	7.63%	0.93%
FR (CAC 40)	9.31%	14.75%	9.40%	3.96%
DE (DAX)	9.23%	18.60%	14.28%	6.87%
IT (FTSE MIB)	17.28%	18.75%	4.68%	-0.20%
GR (ASE)	13.81	18.73%	11.20	5.35%
IE (ISEQ)	7.99%	15.50%	2.80%	-0.95%
ES (IBEX)	6.52%	14.56%	5.43%	-0.01%
UK (FTSE 100)	3.53%	9.82%	15.15%	13.85%
US (DJIA)	7.94%	10.22%	11.55%	12.26%

Source: Thomson Reuters Datastream, ASF calculations

Table 7. The evolution of BSE indices at 30.12.2016

BVB indices	3 months	6 months	9 months	12 months
BET	2.14%	9.45%	5.50%	1.15%
BET-BK	2.88%	12.48%	6.65%	0.19%
BET-FI	2.12%	11.53%	6.26%	-1.87%
BET-NG	2.86%	4.83%	3.70%	-2.97%
BET-TR	2.14%	11.46%	14.42%	9.70%
BET-XT	2.50%	9.73%	5.78%	0.47%
BET-XT-TR	2.71%	12.38%	14.11%	8.39%
BETPlus	2.09%	9.83%	5.67%	1.74%
ROTX	3.08%	14.87%	7.37%	0.94%

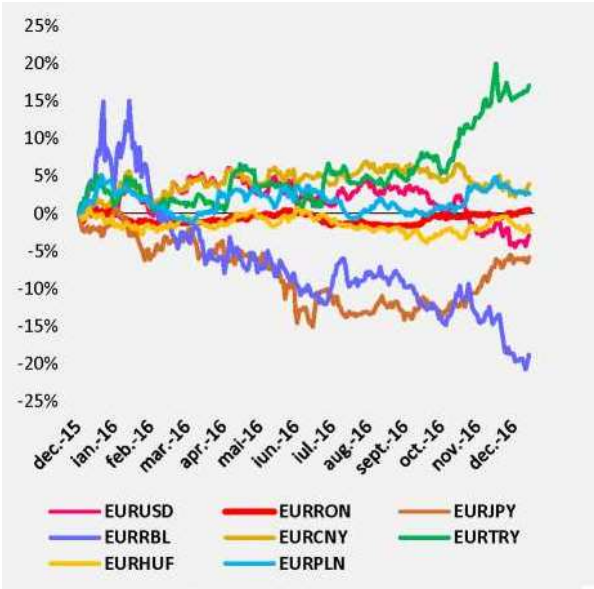
Source: BVB, ASF calculations

It can be seen from the graphs below that the year 2016 was marked by increased volatility in stock, foreign exchange, commodities and sovereign bond markets. The Romanian stock market had lower volatility compared to other emerging markets in the area and even some mature markets.

Figure 5. The evolution of stock exchanges compared to 31 Dec. 2015

Source: Thomson Reuters Datasteram, ASF calculations

Figure 6. The evolution of currency quotes as at 31 Dec. 2015



Source: Thomson Reuters Datastream

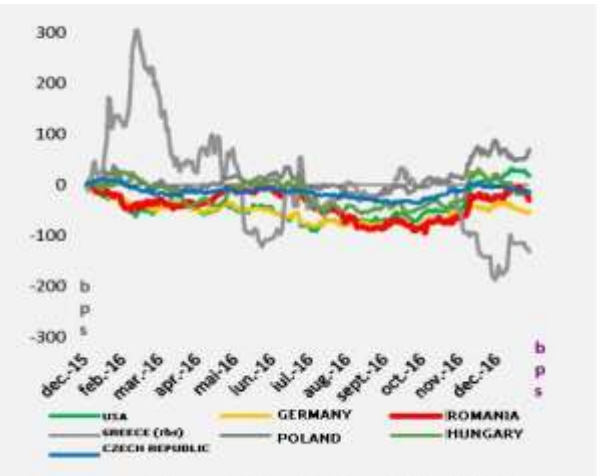
At the end of 2016, the Romanian stock exchange indices were positive and managed to recover the abatements from the previous months.

During the entire period of the year, the leu and the forint (but with a rather higher volatility) had one of the most stable developments against the European single currency, despite the many events of this period that had a significant impact on the financial markets.

Figure 7. The evolution of commodity exchanges as at 31 Dec. 2015

Source: Thompson Reuters Datastream, ASF calculations

Figure 8. The evolution of yields on government securities (ytm, 10Y, LC, bps) as at 31 Dec. 2015

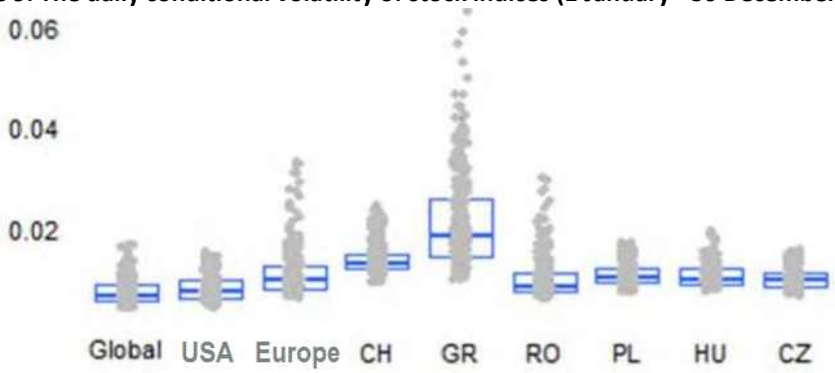


Source: Thomson Reuters Datastream, ASF calculations

Fluctuations in commodity markets were considerable over the year 2016. The global Commodities Research Bureau index (CRB Index) for all these markets shows an average appreciation of around 13% at the end of 2016. In July, the oil price dropped substantially because of the outcome of the UK referendum at the end of September, but marked an upward trend followed by a further fall in November. In December, the oil price reached the peak of the analyzed period.

In February-March and June-August, gold quotations recorded significant acceleration periods against the turmoil from the Asian financial markets and following the referendum in Great Britain.

Figure 9. The daily conditional volatility of stock indices (1 January - 30 December 2016)

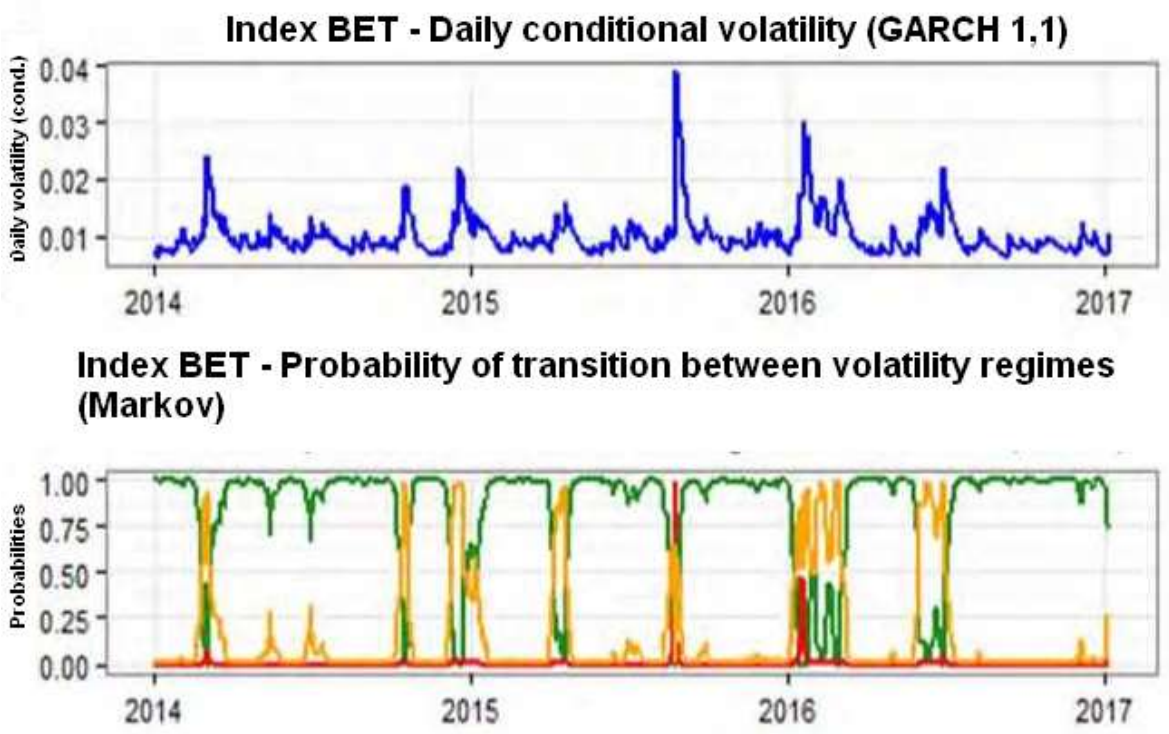


Source: Thomson Reuters Datastream, ASF calculations

In 2016, the Romanian capital market is characterized by a low volatility regime, with the exception of the three episodes mentioned, in which the daily BET index volatility increased significantly, especially at the end of January-February 2016 (due to turbulence in the markets of China), and at the end of June (against the expectation of the referendum results in Great Britain).

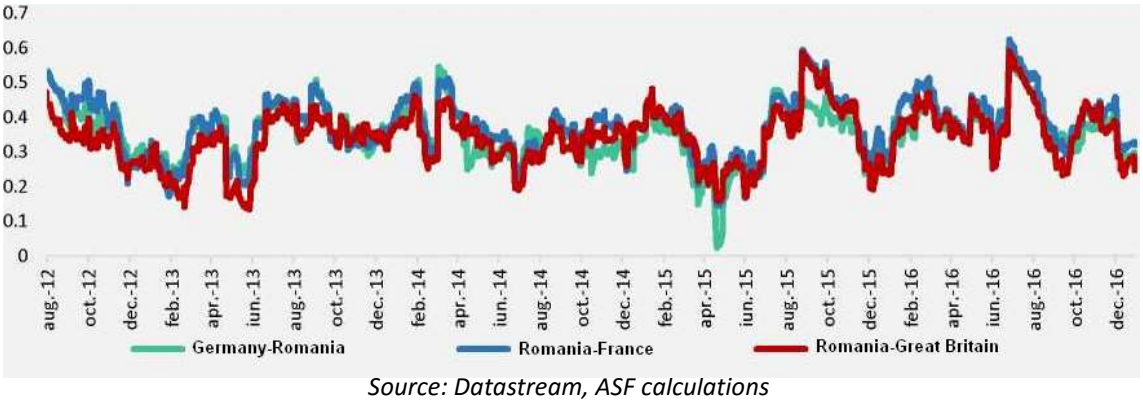
The volatility in Romania was not significantly different from what could have been seen in other neighbouring markets or on EU markets. After the last volatility episode recorded at the end of June, European and international indices entered a low volatility trend, as the capital market turmoil shrunk.

Figure 10. The volatility of the BET index



Source: Thomson Reuters Datastream, ASF calculations

Figure 11. The correlations between the capital markets in Romania, France, Germany and Great Britain

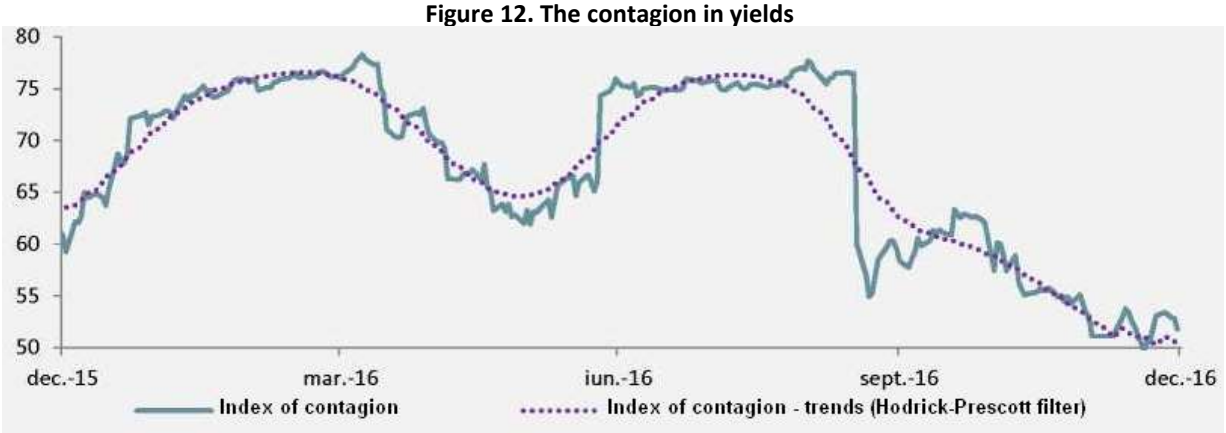


Source: Datastream, ASF calculations

The phenomenon of contagion can generally be captured by analyzing the correlations between financial markets. In June-July last year, correlation coefficients showed significant increases (as a result of the outcome of the Great Britain referendum), but at the end of December 2016 they reached values similar to those at the beginning of 2016. The correlations between the the capital of Romania and Great Britain are generally of average level, mostly with values of about 0.5, with episodes reaching about 0.6 in July 2016, the highest value recorded on the whole analyzed period. At the end of last year, the correlation coefficient of the two markets was around 0.23, indicating that there was a poor correlation, and some shocks from Great Britain did not have a significant influence on the evolution in Romania. At the end of December 2016, the markets in Germany, France and Great Britain did not have a significant influence on the evolution of the Romanian market, all of them having a correlation coefficient in the range of [0.24; 0.32].

The increase in the contagion between markets leads to increased asset correlations and has negative consequences on the portfolio of returns and investment fund protection strategies. Maintaining low index volatility in the last quarter and the lack of other systemic events has led to a low contagion risk in Europe. The highest values of the contagion index in yields were reached in April (around 77.82), and in September (around 77.42), after which the value sharply fell below the long-term trend (HP filter). The low level of the contagion index (the the lowest value of the index was recorded between December 2015 and December 2016, around 50) indicates a period of relaxation of tensions in the third quarter in which financial markets were more much influenced by specific risk factors and less influenced by common risk factors.

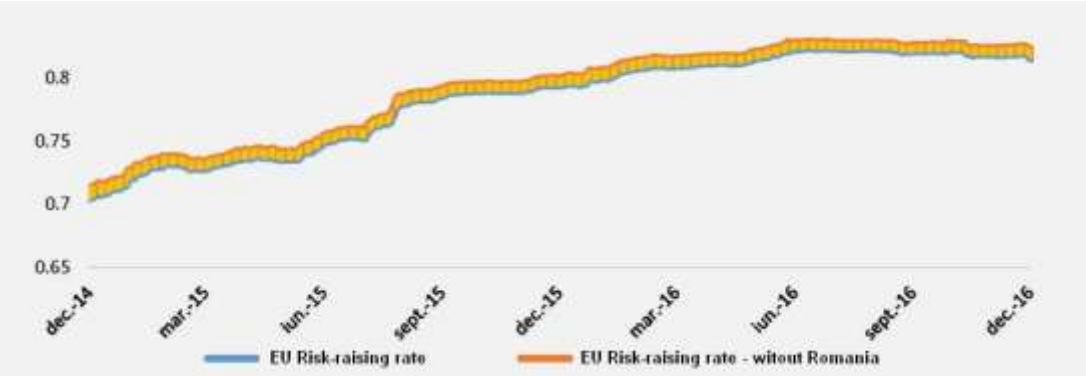
Figure 12. The contagion in yields



Source: Thomson Reuters Datastream, ASF calculations

Kritzman et al. (2010) introduce a measure of systemic risk that is titled the Absorption Rate (RA). From an economic point of view, the indicator shows whether the markets are tightly coupled at a certain point in time. When this phenomenon occurs, negative shocks can spread more easily and more widely than when markets are decoupled, leading to increased fragility of the financial system. The absorption rate can be seen as an early warning indicator of the increasing correlation between financial markets.

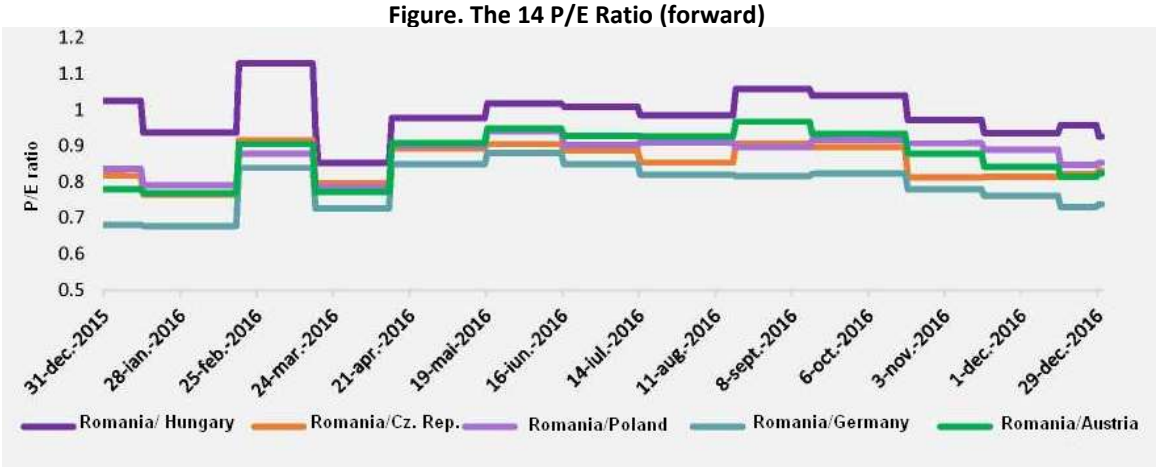
Figure 13. The absorption rate



Source: Datastream, ASF calculations

The absorption rate, calculated on the basis of European Union stock market indices between December 2014 and December 2016, has been on the rise over the past two years with a balancing trend in the last quarter. The contribution of the Romanian Stock Exchange (BSE) is represented by the calculation of the accumulation (absorption) ratio (excluding Romania) by comparison with the index for the EU. For the entire analyzed period, the EU (without Romania) accumulation rate is above the EU indicator, which shows that when it is included in the index, the Romanian capital market contributes to reducing the level of systemic risk on European stock markets and offers diversification benefits. The shift in the absorption rate shows the difference between the long-term average and the short-term average of the absorption rate, relative to the standard deviation of this indicator. Values that exceed the critical threshold of 1 indicate the imminence of turbulent episodes.

Figure. The 14 P/E Ratio (forward)



Source: Thomson Reuters Datastream, ASF calculations

The P / E forward ratio is calculated by dividing the share price by the net profit per share and shows how much the investors pay for their expected earnings for the next year. The revaluation risk is calculated by dividing P / E forward ratios and shows how much investors pay for the expected earnings for the next year compared to other markets.

In December 2016, the P / E forward ratio is a subunit ratio compared to Hungary, Czech Republic, Poland, Germany, and Austria, indicating that the Romanian capital market is attractive from this point of view. At the end of 2016, the Romanian capital market was more attractive compared to that of Germany, the Czech Republic, Austria and Poland and Hungary, due to the registered subunit ratio.

1. THE PRIMARY MARKET, ISSUER STATISTICS

1.1.New issues of financial instruments

In the first quarter of 2016, SSIF BRK FINANCIAL GROUP SA produced a basic prospectus on structured products issue, approved by ASF, and between January and December 2016, 14 primary public sale offers were approved.

Table 8. The primary public sale offers approved between 01.01.2016 and 30.12.2016

Primary public sale offers		
Company	**Volume (shares)**	**Value (lei)**
BALNEOCLIMATERICA SA SOVATA	10,102	29,195
COMMIXT SA Buftea	147,528	369,994
DUCATEX SA Jilava	226,187	565,468
BITTNET SYSTEMS SA Bucharest	1,000,974	780,915
SIGSTRAT SA SIGHETU MARMATIEI	8,606 ,004	860,600
IFMA SA MOGOSOAIA	7,761,048	1,396,989
TURISM COVASNA SA	32,000,000	3,200,000
TRANSCOM SA Sibiu	38,436,600	3,843,660
CARMECO SA Constanta	49,987,650	4,998,765
CHIMCOMPLEX SA BORZESTI	5,738,095	7,230,000
COMVEX SA CONSTANŢA	6,000,000	15,041,553
MERCUR SA CRAIOVA	6,076,976	15,192,440
VRANCART SA ADJUD	167,965,627	16,796,563
AGRANA ROMANIA SA Bucuresti	664,648,190	66,464,819

Source: ASF

In accordance with the legal provisions harmonized with the European Directives, as a host state, ASF receives from the similar authorities in the EU space the prospectuses approved by them, the certificate, and the Romanian summary of the prospectuses. According to the legal norms, in these cases, the ASF does not initiate any procedure for approval of the prospectus. In this context, between January and December 2016, ASF was notified of the approval of 16 such prospectuses.

1.2 Other corporate events

During the 2016, the following undertakings were authorized for other corporate events:

• 2 documents related to mandatory takeover bids worth **21,990,654 lei**;

• 2 public offering documents of voluntary takeover amounting to **337,477,672 lei**;

• 1 prospectus for admission to trading on the regulated market administered by BVB ("Societatea Construcţiilor Napoca SA") not preceded by a sale offering;

• 5 documents related to the public offerings, the value of which amounting to **539,203,910 lei**;

• A secondary public offering of shares and / or GDRs, amounting to **682,342,730 lei** (corresponding to the subscribed shares) and to **19,190,925 USD**(corresponding to subscribed GDRs);

• 10 withdrawals from trading on the alternative system managed by BSE / SIBEX, in view of the bankruptcy proceedings / the squeeze-out procedure / the completion of a merger or following the resolutions of the shareholders following the redemption of the shares held by the shareholders who did not agree with the adoption of this ruling.

Also, at the end of the year, the initial secondary public offer for sale was approved for the admission to trading of shares issued by MedLife SA - a private company whose value was 228,182,532 lei.

Table 9.The public offers between 01.01.2016 and 30.12.2016 (according to documents approved by ASF)

Public takeover offers		
Company	**Volume**	**Value**
VES SA Sighişoara	6.778.049	318.568
Banca Comercială Carpatica SA Sibiu	206.400.818	21.672.086
EUXIN Constanţa	45.122.841	12.499.027
ALBALACT SA Alba	618.771.221	324.978.645
Public buying offers		
Company	**Volume**	**Value**
COMELF SA Bistriţa	936.517	2.528.596
ROMNAV SA Brăila	9.480	58.776
SIF BANAT CRISANA SA	30.849.268	52.443.756
FONDUL PROPRIETATEA SA	575.000.000	484.150.000
DUCATEX SA	3.797	228

Source: ASF

Table 10.The number of Certificates for the Registration of Securities by type of operations, issued between 01.01.2016 and 31.12.2016

Operation type	Number of Certificates of Securities Registration
Increase of social capital	25
Decrease of social capital	13
Nominal Value Change	3
Merger	3
Newly admitted companies	6
Bonds	5
Government securities	5
Structured products	152
Units of substance	1
Preference rights	1
Total	**214**

Source: ASF

With regard to the procedure followed by the companies which were subject to the provisions of Law 151/2014, for the actions for which requests for withdrawal were made until the moment of legal termination of the RASDAQ market activity during January - December 2016, ASF, based on the professional opinion expressed by ANEVAR, issued 17 decisions ordering the companies to re-evaluate the valuation reports to determine the withdrawal price of the company, in compliance with the legal provisions. At the same time, in view of the finalization of a series of litigations regarding the decisions taken by the shareholders, as a result of the obligation established by Law 151/2014, five decisions were issued whereby ASF imposed on the Board of Directors / Unique Administrator the obligation to request the Trade Register Offices to designate an independent expert to prepare the valuation report for the determination of the price per share, while stating that the shareholders of those companies have the right of withdrawal.

3. THE SECONDARY MARKET

3.1 Spot markets

3.1.1 Spot Markets administered by BSE

The evolution of the BSE indices in 2016 was strongly influenced by the trends in financial markets. For the whole year 2016, the general indexes of the Romanian stock exchange had mixed evolutions. Compared to the end of 2015, 31.12.2016 saw a slight decrease in the BET-FI and BET-NG indices by 1.87% and 2.97%, respectively.

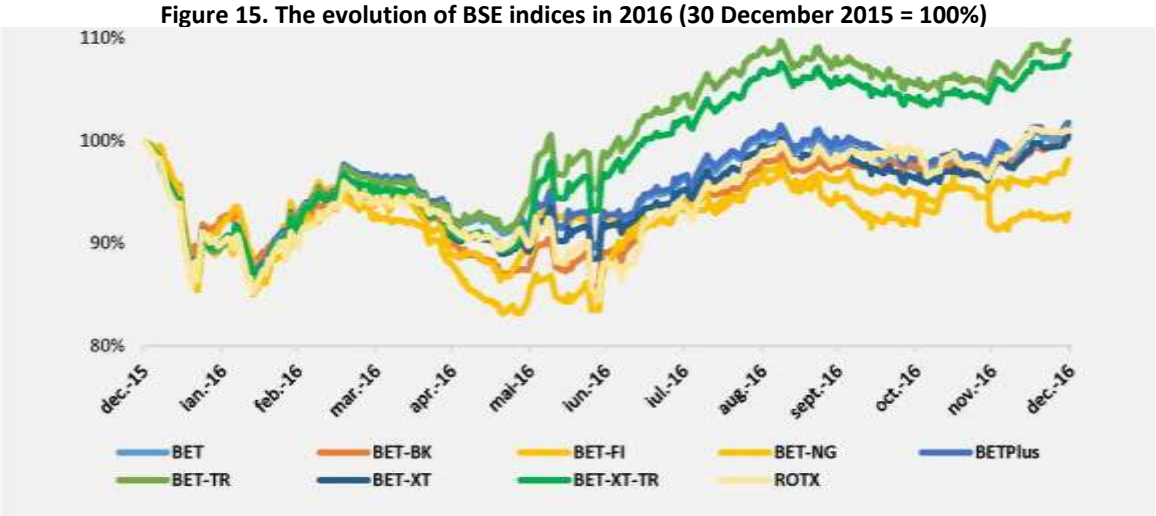
Table 11. The evolution of Bucharest Stock Exchange indices in 2016

Index	Value as at 31.12.2015	Value as at 30.12.2016	Change (%)as at 30.12.2016 as compared to 31.12.2015
BET	7,004.32	7,085.05	1.15%
BET-BK	1,341.69	1,344.18	0.19%
BET-FI	30,276.49	29,710.63	-1.87%
BET-NG	606.14	588.15	-2.97%
BET-TR	7,977.94	8,751.95	9.70%
BET-XT	640.42	643.44	0.47%
BET-XT-TR	751.05	814.04	8.39%
BETPlus	1,034.65	1,052.64	1.74%
ROTX	14,012.71	14,144.77	0.94%

Source: BSE, ASF calculations

The highest increases seen at the end of 2016 are 9.70% and 8.39%, respectively, of the BET-TR index, respectively the BET-XT-TR index. The ROTX index, developed by the Vienna Stock Exchange together with the BSE, grew by 0.94% compared to its value as of 31.12.2015. Most BSE indices peaked in 2016, in December.

Figure 15. The evolution of BSE indices in 2016 (30 December 2015 = 100%)



Source: BSE

Since October 2016, the BET and BET-TR indices have a variable composition, covering between 10 and 15 companies. The BSE introduced a Watch list containing the candidate companies for inclusion in the above mentioned indices. In December 2016, Medlife began BSE trading after listing the company with an initial public offer of 230 million lei.

Table 12.The transaction structure of BSE (Main Market and ATS) in 2016, by the value of each instrument type

Instrument type	30.12.2015			30.12.2016			Changes in% in 2016, as compared to 2015	
	Transaction numbers	Value (lei)	%	Transaction numbers	Value (lei)	%	Transaction numbers	Value (lei)
Shares	716,902	8,897,382,795	73.19%	706,508	9,465,810,676	84.13%	-1.45%	6.39%
Other bonds	535	2,509,440,776	20.64%	783	506,068,066	4.50%	46.36%	-79.83%
Structured products	299,750	406,304,414	3.32%	247,613	427,909,883	3.80%	-17.39%	6.10%
Government	1,535	338,372,778	2.78%	23,107	846,873,110	7.53%	1.405.34%	150.28%
Units of substance	2,320	7,762,209	0.06%	2,364	4,124,886	0.04%	1.90%	-46.86%
Total	1,021,042	12,156,262,972	100.00%	980,375	11,250,786,621	100%	-3.98%	-7.45%

Source: BSE

The total value of BSE transactions dropped by about 7.45% compared to 2015, and the number of transactions dropped by approximately 3.98%. The marked decrease was influenced by the decrease in investors' interest in transactions with fund units (the traded value decreased by approximately 46.86%) and bond transactions (the traded value decreased by approximately 79.83%). The most significant increase in the value of transactions is recorded in government securities transactions, whose total value traded in 2016 increased by approximately 150.28% compared to the previous year. The increase in the value of government securities transactions was determined by the issuance of government securities in August to individuals, resulting in the fact that the Ministry of Public Finances attracted a total of 735.2 million lei from the population. It is also noted that the shares remain the type of preferred instrument of investors, the value of transactions with shares registering the level of approximately 9.47 million lei, 84.13% of the total value of transactions executed at the BSE in 2016. Transactions with structured products were approximately 6.1% higher than in the previous year.

Figure 16.The quarterly structure of transactions that took place in the BSE section

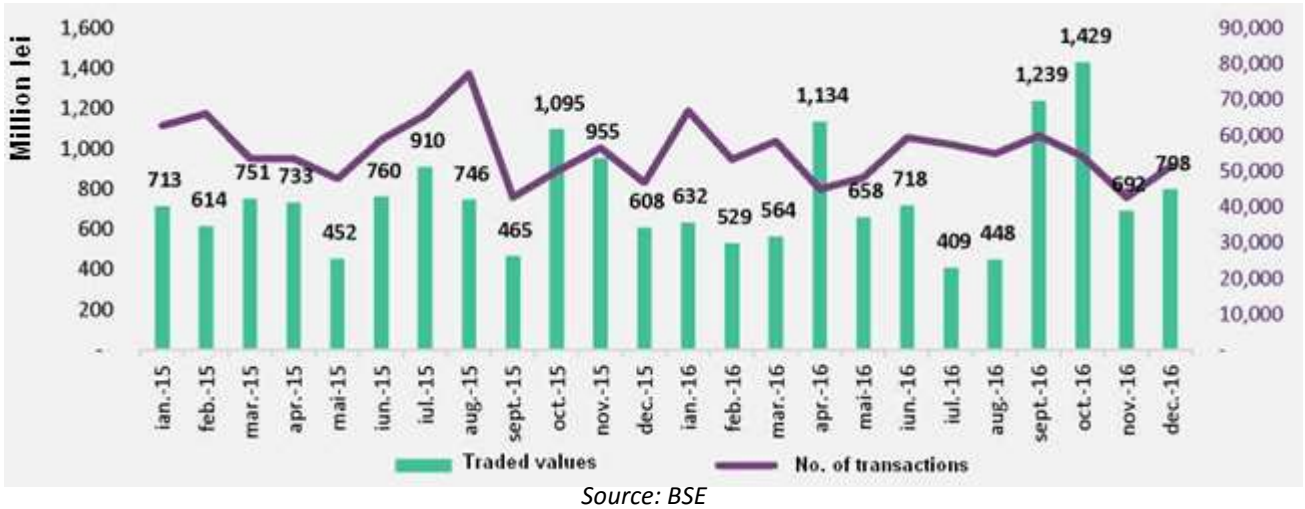
Source: ASF

In the fourth quarter of 2016, there is an increased interest of investors in share transactions as compared to the third quarter of 2016, but also compared to the same period of the previous year. Also, the total value traded on the BSE in the fourth quarter of 2016 is slightly above the value traded in the fourth quarter of 2015.

3.1.1.1. The BSE Section

The highest value of the transactions in capital securities, recorded in 2016, was in October of about 1.43 billion lei, while in July the lowest traded value (409 million lei) was registered. The highest number of transactions in 2016 remains the one in January (66,831 transactions), this period being characterized by high volatility. The value traded with equity securities rose by about 5% in 2016 compared to the previous year and the number of transactions decreased by about 4.42%, which means that in 2016 there was a higher value per transaction on average.

Figure 17. The monthly evolution of the value and number of transactions in capital securities that took place in the BSE section



Source: BSE

In 2016, BSE capitalization peaked in December, reaching a peak of about 148.30 billion lei, while the lowest level was recorded in June, when the stock market capitalization reached the minimum of about 114.87 billion lei. In the first 8 months of 2016, there was a capitalization level below the 12 months analyzed (approximately 133.61 billion lei).

Figure 18. The evolution of BSE capitalization (shares)

Source: BSE

During 2016, Banca Transilvania (TLV) ranked first among the most liquid companies on the BSE (main market, shares), which holds a share of about 24.73% of the total value traded in the mentioned interval. The next positions in this top are held by Fondul Proprietatea (FP), Romgaz (SNG), BRD - Groupe Societe Generale (BRD), and Electrica (EL). Also, in this ranking, there are the five financial investment companies. Thus, the banking and energy sectors are best represented in the stock market liquidity top.

Table 13. The top 20 issuers by value traded in 2016 on the primary market (shares exclusively)

Abbreviations	Value-lei	% of the total value	No. of transactions	% of the total number of
TLV	1,347,546,451	24.73%	79,408	12.33%
FP	1,179,789,840	21.65%	32,561	5.06%
SNG	752,595,857	13.81%	59,522	9.25%
BRD	409,467,465	7.51%	21,720	3.37%
EL	398,797,151	7.32%	20,279	3.15%
SNP	337,820,111	6.20%	51,029	7.93%
TGN	232,984,652	4.28%	14,191	2.20%
TEL	169,195,031	3.10%	15,481	2.40%
EBS	97,282,850	1.79%	12,727	1.98%
SIF3	78,000,407	1.43%	39,706	6.17%
SIF5	60,226,514	1.11%	32,794	5.09%
SIF2	52,869,949	0.97%	25,198	3.91%
SIF1	48,902,654	0.90%	18,331	2.85%
COTE	48,067,229	0.88%	8,221	1.28%
SIF4	25,558,060	0.47%	24,709	3.84%
SNN	24,069,207	0.44%	18,254	2.84%
M	20,051,440	0.37%	1,533	0.24%
ALBZ	20,031,674	0.37%	5,214	0.81%
MCAB	15,244,596	0.28%	9,131	1.42%
TRP	12,132,869	0.22%	6,988	1.09%
Cumulated TOTAL	5,330,634,055	98%	496,997	77.20%
Traded TOTAL	5,449,902,452	100%	643,776	100%

Source: BSE

In 2016, the total value of transactions with debentures was approximately 1.35 billion lei, down from 95% in the previous year. We would like to reiterate the information that in April 2015, the City Hall of Bucharest made a bond issue worth 2.2 billion lei, which contributed significantly to the high value of transactions with debentures during that year. In 2016, there were 23,364 more transactions with debentures, significantly more than in the previous year (2,070 transactions). In August 2016, The Ministry of Public Finances issued debentures for natural persons, registering a trading volume of 735.2 million lei.

Table 14. The monthly evolution of value and number of transactions with debentures that took place in the BSE section

Month	Value	No. of transactions
January2016	100,123,139	42
February 2016	23,725,226	28
March 2016	950,612	21
April 2016	57,063,282	35
May 2016	82,288,745	36
June 2016	18,466,311	34
July 2016	2,156,629	21
August 2016	745,171,231	22.745
September 2016	302,412,805	135
October 2016	2,307,095	88
November 2016	9,937,144	105
December 2016	845,256	74
Total 2016	**1,345,447,474**	**23.364**

Source: BSE

In 2016, the total traded value of structured products was around 417 million lei. The largest share in the total value traded with such products is held by structured products with a stock index having a value index of approximately 241 million lei, representing over 57% of the total transactions.

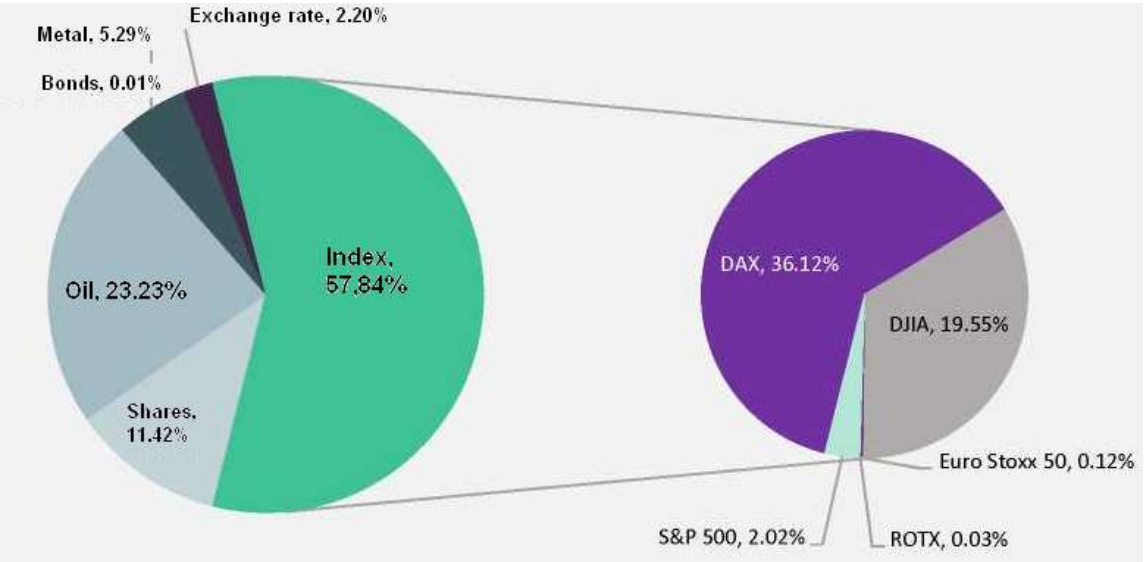
Table 15.The structure of structured product transactions that took place in the BSE section in 2016, depending on the underlying asset

Instrument type	Structured products (2016)
Underlying asset:	**Value (lei)**
Index	**241,033,586**
DAX	150,526,180
DJIA	81,447,152
Euro Stoxx 50	517,680
ROTX	143,027
S&P 500	8,399,546
Shares	**47,624,692**
Romanian shares	21,143,477
Foreign shares	26,481,214
Oil	**96,794,728**
Metals	**22,024,239**
Gold	16,875,753
Silver	5,148,487
Exchange rate	**9,174,187**
EUR/USD	9,174,187
Bonds	**48,230**
Total	**416,699,661**

Source: ASF

In 2016, between structured products transactions with a stock index, most were structured products with DAX (36.12%) index, and Dow Jones (19.55%) index.

Figure 19.The structure of structured product transactions that took place in the BSE section in 2016, depending on the underlying asset



Source: ASF

During 2016, the value of transactions with structured products was the highest in March (about 48.15 million lei), while in May the traded value of these products was the lowest (about 23.32 million lei). In the months of the fourth quarter of 2016 it was found that there were no transactions with structured products that have as the underlying asset the bonds.

Figure 20.The structure of structured product transactions that took place in the BSE section in 2016, depending on the underlying asset

Source: ASF

3.1.1.2. The ATS section

The segmentation of the AeRO market took place on 15February 2016, by introducing two categories: Premium and Standard. The Premium category includes a total of 23 companies: Argus Constanta (UARG), Autonova Satu Mare (AUTQ), Bittnet Systems (BNET), Braiconf Braila (BRCR), Bucur Obor Bucharest (BUCU), Bucur Bucharest (COSC), Comnord Bucharest (COSC), Intercontinental Romania Company (RCHI), Comvex Constanta (CMVX), Delivery Solutions (SDAY), Scales Electroprecizie (ELZY), Flaros Bucharest (FLAO), Imotrust Arad Corporation Calan (AMAL), Iproeb Bistrita (IPRU), Life is Hard Cluj-Napoca (LIH), Mercury Craiova (MRDO), Practic Bucharest (PRBU), Prodvinalco Cluj IFN Brasov (TSLA) ,and Uzinexport Bucharest (UZIN), and the Standard category comprises the rest of the companies.

At the end of 2016, there were 293 instruments available for trading on the ATS segment. The pre-emptive rights issued by Bittnet (BNET) to existing shareholders on 20, May2016 were traded on the AeRO market between 16 and 30 December 2016, as part of a public offer.

Table 16. The change in the number of instruments available for trading on the ATS segment depending on the main market

Main market	Number of instruments as at 30.12.2015	Number of instruments as at30.06.2016	Number of instruments as at30.12.2016
XRS1	281	279	278
XRSA	12	12	-
XRSI	14	14	15
Total	**307**	**305**	**293**

Source: ASF

In 2016 there were 54,123 ATS transactions worth about 217 million lei, most of them being registered in the third and fourth quarters of the year. Also, on the ATS section, the instruments preferred by investors were shares, within this instrument category being invested approximately 97% of the total value traded in 2016.

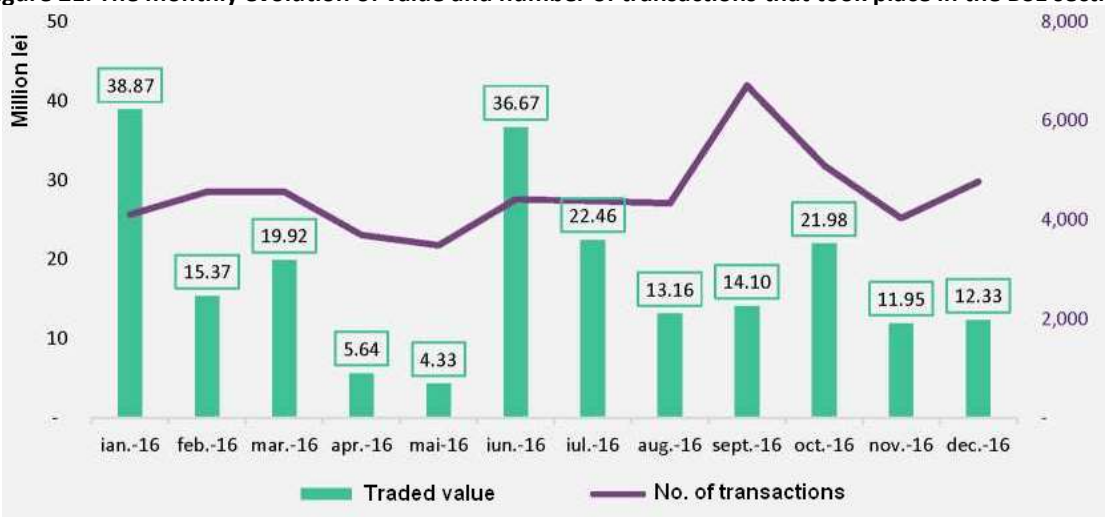
Table 17. The evolution of transactions carried out on the ATS section between January 2015 and June 2016

Instrument type	Quarter I of 2016		Quarter II of 2016		Quarter III of 2016		Quarter IV of 2016	
	Value in lei	No. of transactions	Value in lei	No. of transactions	Value in lei	No. of transactions	Value in lei	No. of transactions
Shares	72,482,996	13,142	45,119,181	11,385	46,931,820	15,127	44,725,010	13,565
Other bonds	1,657,970	10	1,523,639	97	2,781,654	179	1,530,439	240
Units of substance	22,716	76	9,709	105	11,181	110	8,322	87
Total	74,163,682	13,228	46,652,528	11,587	49,724,655	15,416	46,263,770	13,892

Source: ASF

The highest value traded in 2016 on the alternative trading system was in January of about 38.87 million lei. The largest number of transactions was registered in September (6,707 transactions).

Figure 21. The monthly evolution of value and number of transactions that took place in the BSE section



Source: ASF

3.1.2 Spot markets administered by SIBEX

SIBEX - Sibex Stock Exchange SA (Sibex), as a market operator and system operator, manages a regulated spot market, a regulated derivative market (futures regulated market) and an alternative trading system.

3.1.2.1 The SIBEX section

The regulated spot market was introduced in 2010, the only company listed on the regulated spot market being Sibex - Sibiu Stock Exchange SA, with the "SBX" market symbol.
In 2016, on the regulated spot market, four transactions were carried out, out of which 2 transactions amounted to 73,806 lei in the first quarter, to 430 lei in the second quarter, and 5,564 lei in the third quarter.

3.1.2.2 The ATS section

The "Start" alternative trading system, managed by SIBEX, was set up in 2010, and Prodplast Imobiliare SA was the only issuer listed on this system during 2010-2013, after which other shares entered into trading, especially during 2015, as a result of the transfer from the Rasdaq market.

Within the alternative trading system, in 2016, a total value of approximately 3.59 million lei was traded. In the fourth quarter, the highest value was traded, of approximately 2.04 million lei, representing more than 50% of the total value traded in 2016. The highest value of transactions was in November (about 1.17 million lei), as 15 transactions were conducted then.

Figure 22. The monthly evolution of the value and number of transactions conducted on SIBEX ATS

Source: Sibex, ASF calculations

The first place among the most traded companies in SIBEX is held by Remat Maramureş SA, which registered a value of approximately 1.41 million lei in 2016. Confecţii Vaslui SA is the second largest trader, with a total value traded by approximately 1.15 million lei, and Selca SA ranks the third, with a total traded value of 0.35 million lei.

Table 18. The top 10 share transactions in 2016 on SIBEX ATS

No.	Abbreviation	Name of the issuer / Activity field	Value (lei)
1.	REMM	Remat Maramureş SA Recovery of sorted recyclable materials	1,409,630
2.	COVB	Confecţii Vaslui SA Manufacturing of other apparel items (excluding underwear)	1,147,310
3.	SELC	Selca SA Construction work for residential and non-residential buildings	351,021
4.	PPLI	Prodplast Imobiliare Real estate development (promotion)	180,042
5.	ROOF	Romanofir SA Fiber preparation and spinning of textile fibbers	65,010
6.	SIGS	Sigstrat SA Manufacturing of plywood and wood panels	57,415
7.	SINU	Sin SA Manufacture of other basic organic chemicals (glycerine, olein, stearine, fatty alcohols and chemical auxiliaries)	8,607
8.	ARAX	Armax Gaz SA Manufacturing of metal structures and parts of metal structures	7,043
9.	SATU	Saturn SA Casting iron	6,328
10.	MEAN	Mecanica Sighetu SA Manufacturing of bolts, bolts and other threaded articles, manufacture of rivets and washers	714

Source: Sibex

3.2 The regulated futures market

The main instruments traded on the futures market managed by SIBEX are futures contracts having as underlying assets the following ones:

- Romanian shares;
- Other European shares;
- US shares;
- Exchanges rates;
- the Dow Jones Industrial Average international index;
- merchandises.

Table 19 The monthly futures transactions on the SIBEX market

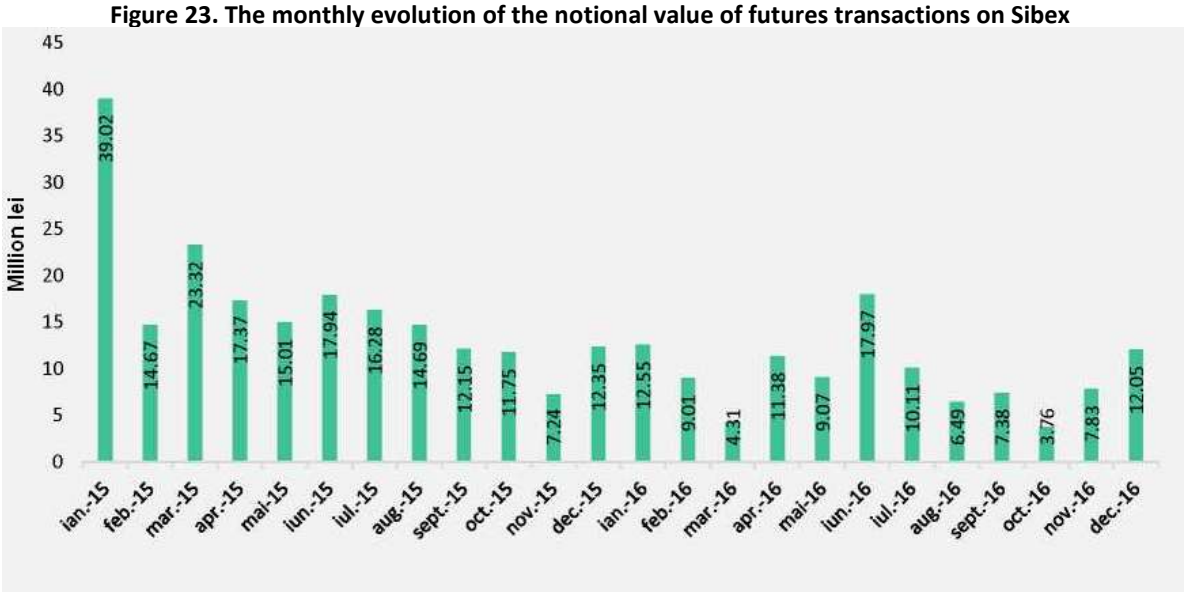
Date	No. of transactions	No. of contracts	Value (lei)
Jan.16	416	829	12,550,496
Feb.16	357	614	9,008,771
Mar.16	229	770	4,307,824
Apr.16	382	1,055	11,381,069
May 16	354	1,201	9,069,900
Jun.16	477	1,347	17,968,096
Jul.16	304	1,020	10,108,969
Aug.16	240	975	6,488,521
Sep.16	307	852	7,384,436
Oct.16	182	469	3,760,912
Nov.16	305	652	7,832,290
Dec.16	380	1,035	12,054,065
Total 2016	**3.933**	**10.819**	**111,915,349**

Source: Sibex, ASF calculations

From the monthly evolution of futures transactions, in 2016 it is noted that the number of transactions and traded values are kept low. Compared to 2015, futures contracts fell by around 16%. The number of concluded contracts decreased by about 23% over the previous year, and the traded value decreased by about 45%.

In 2016, the average monthly value of futures contracts was of approximately 9.33 million lei, and in 2015 this was of about 16.82 million lei. The highest traded value with futures contracts in 2016 was in June, with a value of about 17.97 million lei, almost double as compared to the monthly average of transactions.

Figure 23. The monthly evolution of the notional value of futures transactions on Sibex

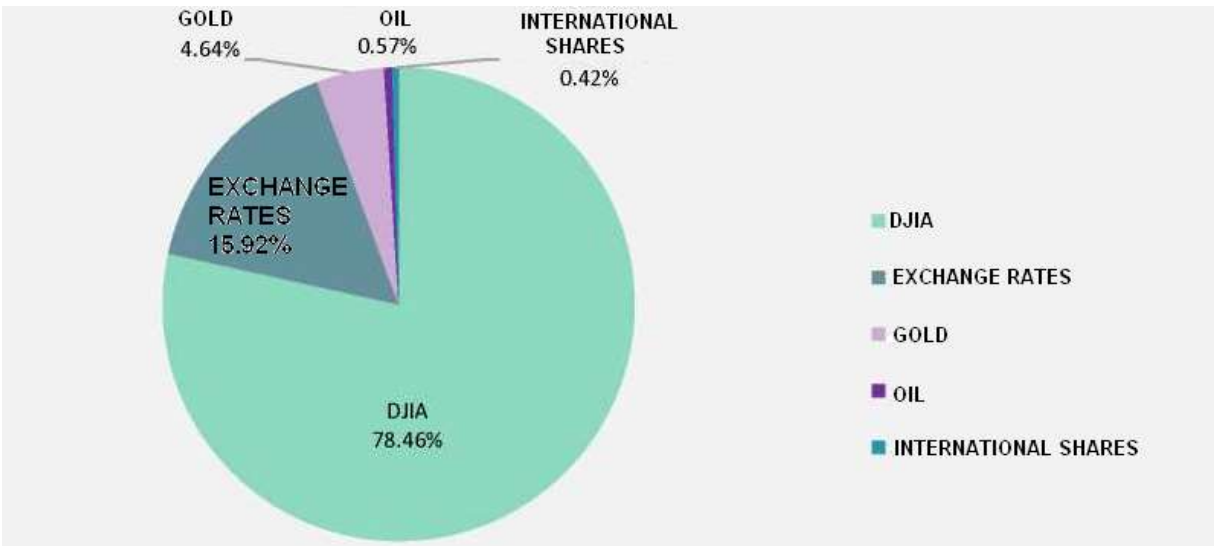


Source: Sibex

The analysis of the structure of futures contracts shows a high interest of investors for instruments that have the Dow Jones Industrial Average international index (78.46%) as their underlying asset, followed by contracts with the exchange rate acting as their underlying asset (15.92%).

Throughout 2016, there were no options transactions, as these instruments were suspended from trading.

Figure 24. The structure of futures contracts, conducted on Sibex in 2016, by the value of each type of underlying asset



Source: Sibex, ASF calculat

4. THE INTERMEDIARIES

At the end of December 2016, 38 intermediaries were operating on the regulated markets in Romania, including 31 local entities authorized by ASF, and 7 entities authorized in other EU Member States. The most significant brokerage activities took place on the regulated spot market administered by the BSE (37 entities), while in the markets administered by SIBEX 7 entities were active (6 entities on the spot market, and 4 on the market futures).

Table 20.The intermediary categories active on the regulated markets in Romania

Category	BSE -spot market	SIBEX - spot market	SIBEX - futures market	Total (unique intermediaries)
Financial Investment Services Companies (FISCs)	26	6	3	**26**
Local credit institutions	5	-	-	**5**
Investment firms in other EU Member States	4	-	1	**5**
Credit institutions in other EU Member States	2	-	-	**2**
TOTAL	**37**	**6**	**4**	

Source: BSE and SIBEX, ASF calculations

On the alternative trading systems in Romania, a total of 31 intermediaries were activated at the end of 2016, out of which 25 Financial Investment Services (FICs), 5 local credit institutions and one authorized investment firm in another EU Member State. 31 entities were registered on the Aero market of the Bucharest Stock Exchange, while 6 intermediaries were registered on the ATS market at SIBEX.

Table 21.The intermediary categories active on the alternate trading systems in Romania

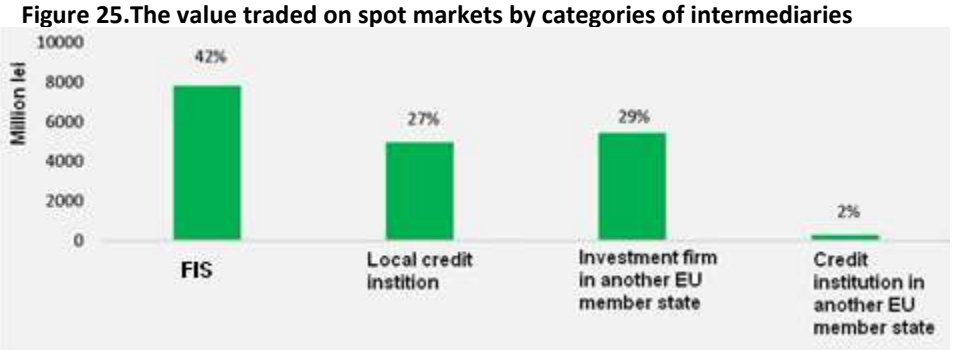
Category	Aero - BSE	ATS - SIBEX	Total (unique intermediaries)
Financial Investment Services Companies (FISCs)	25	6	**25**
Local credit institutions	5	-	**5**
Investment firms in other EU Member States	1	-	**1**
TOTAL	**31**	**6**	

Source: BSE and SIBEX, ASF calculations

In 2016, the Financial Investment Services Companies (FISCs) were the most active intermediaries in the spot markets (regulated ATS), the value traded by them being about 7.8 million lei. Local intermediaries (FISCs and credit institutions) accounted for around 70% of the total value of transactions. Among the authorized intermediaries in other EU Member States that traded in the most spot markets, the investment firms were the largest, with a market share of 29%.

On the regulated futures market managed by SIBEX, only futures contracts were traded, amounting to 21,638 contracts, by only three active intermediaries: one authorized investment firm in another EU Member State that has a market share of about 50%, and two Financial Investment Services (FICs) with market shares of 29% and 21%, respectively.

Figure 25.The value traded on spot markets by categories of intermediaries



Source: BSE and SIBEX, ASF calculations

Wood & Company Financial Services concluded 2016 first in the rankings of the regulated spot market participants, with an average value of 4,460,063,327 lei and a market share of 15.6%. The following positions are held by Swiss Capital and Raiffeisen Bank, which account for 13.4% and 13.1%, respectively, of the total intermediated value in 2016. A number of 5 companies have a market share of more than 10%, accounting for about 65% of the total intermediated value in 2016.

Table 22.The ranking of intermediaries in spot markets on 30December 2016

Item no.	Name of the intermediary	Intermediated value (lei)	Share
1	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	4,460,063,327	15.6%
2	SWISS CAPITAL SA	3,096,322,089	13.4%
3	RAIFFEISEN BANK	2,285,867,085	13.1%
4	BANCA COMERCIALA ROMANA	1,758,701,893	11.8%
5	IEBA TRUST	1,122,430,375	11.0%
6	BT CAPITAL PARTNERS	1,041,167,575	6.4%
7	BRD Groupe Societe Generale	783,000,325	5.7%
8	CONCORDE SECURITIES LTD	732,543,461	3.4%
9	TRADEVILLE	381,187,629	2.4%
10	INTERCAPITAL INVEST	327,537,353	2.1%
Total top 10		**15,988,821,111**	**84,8%**
Total traded value as at 30 December 2016		**18,523,092,004**	**100%**

Source: BSE and SIBEX, ASF calculations

The total value of the transactions made by the first 10 intermediaries represents 84.8% of the total value in 2016. Of these, 5 are Financial Investment Services (FICs), 3 are local credit institutions, and 2 are authorized investment firms in another EU Member State.

As a result of the small value of transactions on spot markets administered by SIBEX (about 7.2 million lei), the ranking of the first 10 BSE intermediaries remains the same as for the total markets presented above and the values for each intermediary do not differ much.

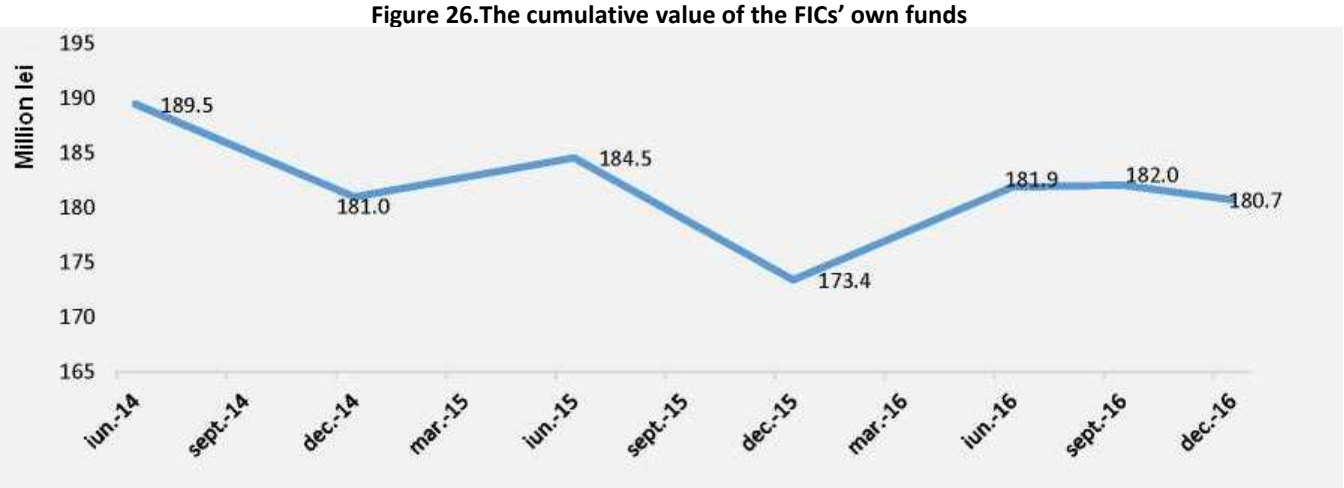
Table 23. The ranking of the first 10 intermediaries on spot markets managed by BSE as at 30December 2016

Position (year)	Name of the intermediary	Intermediated value (lei)	Share
1	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	4,460,063,327	24.1%
2	SWISS CAPITAL SA	3,096,322,089	16.7%
3	RAIFFEISEN BANK	2,285,867,085	12.3%
4	BANCA COMERCIALA ROMANA	1,758,701,893	9.5%
5	IEBA TRUST	1,122,430,375	6.1%
6	BT CAPITAL PARTNERS	1,041,167,575	5.6%
7	BRD Groupe Societe Generale	783,000,325	4.2%
8	CONCORDE SECURITIES LTD	732,543,461	4.0%
9	TRADEVILLE	380,985,386	2.1%
10	INTERCAPITAL INVEST	327,537,353	1.8%

Source: BSE

The cumulative value of the FICs' own funds increased compared to the end of the previous year amounting to 181 million lei, representing an increase of approximately 4%.

Figure 26.The cumulative value of the FICs' own funds



Source: ASF

At the end of December 2016, FICs had in custody a cumulative asset value of approximately 5.82 billion lei (approximately 1.29 billion Euros), representing both the client's assets and the financial assets held by them. Out of a total of 27 SSIFs, only 11 have a level of custodian assets of over 100 million lei.

The cumulative number of active client accounts at the end of 2016 was of 21,985, with 608 fewer than those recorded in the first nine months of 2016 (an investor may have accounts simultaneously open with multiple intermediaries). The graphs below show that the value of custodian assets is generally correlated with the number of active accounts.

Figure 27.The value of custodian assets in relation with the level of the own funds

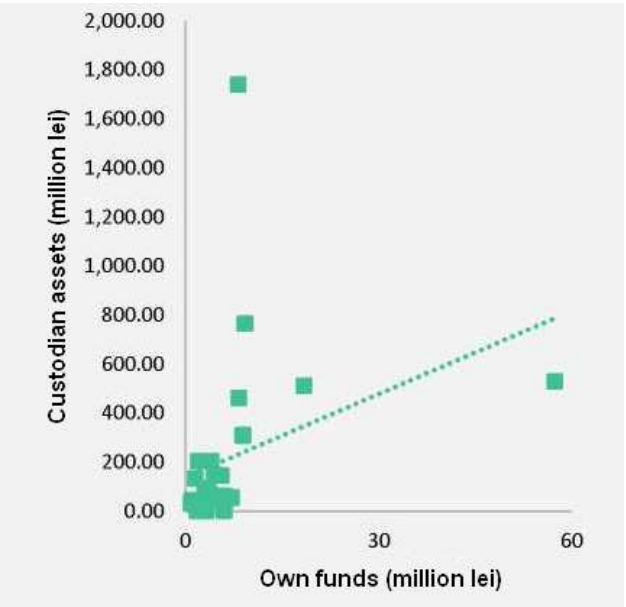
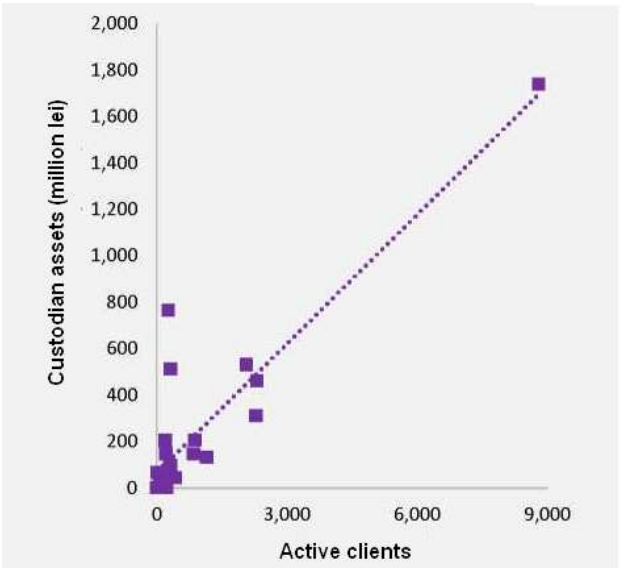
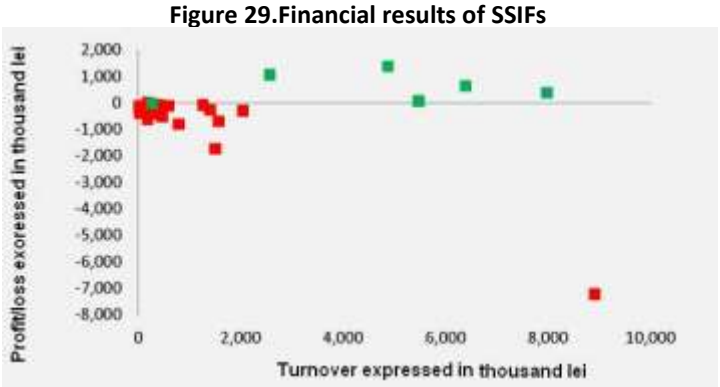


Figure 28.The value of custodian assets in relation with the number of active accounts



A total of six SSIF, out of a total of 27, obtained a profit[1] at the end of 2016, the cumulative value of their profits being about 3.5 million lei. The cumulative loss of the 21 FICs that had negative results at the end of 2016 was of about 15 million lei.

Figure 29.Financial results of SSIFs



[1]The presented results are based on the preliminary accounting balances corresponding to December 2016, as the financial results were not audited at the time when the report was drawn.

5. COLLECTIVE INVESTMENT UNDERTAKINGS (CIUs)

Entities operating on 30 December 2016 are:

Table 24. The number of CIUs and IMCs

Entity category	30.12.2015	30.12.2016
	No. of entities	*No. of entities*
Investment management companies	21	21
Open investment funds	74	75
Closed investment funds	29	25
Financial investment companies	5	5
Fondul Proprietatea	1	1
Depositaries	6	6

Source: ASF

Table. The 25 CIUs' assets depositaries

Depositary	Total assets at 30.12.2016 (lei)
BRD - Groupe Societe Generale SA	**24.289.584.284**
Banca Comercială Română SA	**8.636.661.161**
RAIFFEISEN BANK SA	**8.294.157.902**
UNICREDIT ȚIRIAC BANK SA	**108.431.422**
BANCPOST SA	**105.011.631**
LIBRA INTERNET BANK SA	**9.725.947**
TOTAL ASSETS	**41.443.572.346**

Source: ASF

5.1 Investment management companies

Of the total investment management companies, banking groups remained the dominant category, controlling most of the cumulative total of assets managed by IMCs. According to the data in the table below, the first five IMCs by assets are all affiliated to the banking system, and the assets managed by them on 30December 2016 amounted to 21,265,048,516 lei, respectively 94.49% of the total assets of the investment fund industry.

Table 26.The main investment management companies and managed assets

IMC	Total assets (lei) 30.12.2015	% of total assets	Total assets (lei) 30.12.2016	% of total assets
SAI ERSTE ASSET MANAGEMENT SA	**8,013,689,825**	**36.96%**	**7,785,384,529**	**34.59%**
SAI RAIFFEISEN ASSET MANAGEMENT SA	**6,709,324,003**	**30.95%**	**6,708,182,987**	**29.81%**
SAI BT ASSET MANAGEMENT SA	**2,350,835,855**	**10.84%**	**3,251,706,383**	**14.45%**
SAI BRD ASSET MANAGEMENT SA	**2,918,479,501**	**13.46%**	**2,891,127,244**	**12.85%**
SAI OTP ASSET MANAGEMENT SA	**481,494,382**	**2.22%**	**628,647,373**	**2.79%**
TOTAL ASSETS MANAGED BY THE 5 IMCs	**20,473,823,567**	**94.43%**	**21,265,048,516**	**94.49%**
TOTAL ASSETS other IMCs	**1,206,851,040**	**5.57%**	**1,240,925,799**	**5.51%**
TOTAL ASSETS MANAGED by the local IMCs	**21,680,674,607**	**100.00%**	**22,505,974,315**	**100.00%**

Source: ASF

According to the scope of activity, an IMC can manage open and closed investment funds, as well as individual investment accounts. On the whole market, open-end investment funds are more numerous than closed ones and accumulate assets of significantly higher value.

Figure 30.The degree of concentration on the Romanian investment funds market (by the net asset as at 30.12.2016)

Source: ASF

In the case of investment management companies (IMCs), although the number of open-end investment funds is high, the HH index is 0.2590, which shows a high degree of concentration. This is also confirmed by the CR (concentration risk) indicators used by the Competition Council showing that the first three IMCs have a market share of 80.28%. In the case of closed-end investment fund managers, the degree of concentration is moderate.

5.1.1 Managing individual IMC accounts

From the centralized analysis of individual investment accounts, it appears that on 30 December 2016, 4 investment management companies administered 227 individual investment accounts, amounting to an asset value of 129,976,209 lei.

Table 27. The number of individual investment accounts and assets managed by IMCs on 30 December 2016

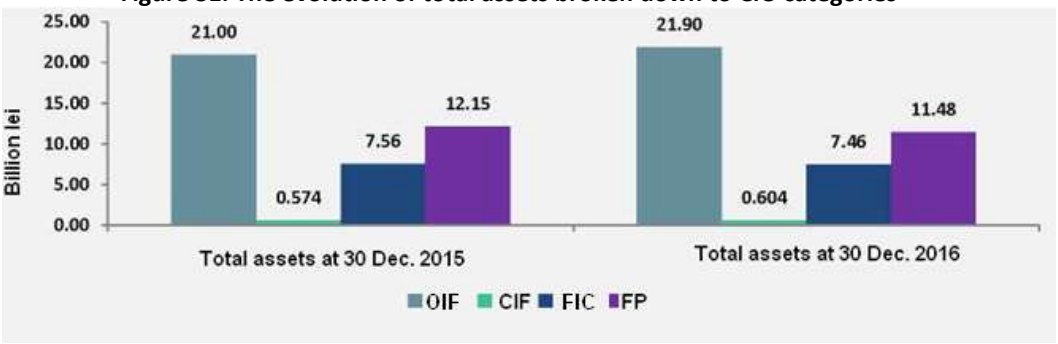
IMCs	30.12.2015		30.12.2016	
	No. of individual accounts	Managed assets (lei)	No. of individual accounts	Managed assets (lei)
TOTAL IMCs	**230**	**111,004,598**	**227**	**129,976,209**

Source: ASF

5.1.2 The management of collective investment undertakings (CIUs)

The total value of assets managed by local collective investment undertakings (CIUs) on 3 December 2016 is up by about 0.4%, as compared to the level recorded at the end of December 2015. A breakdown by category of collective investment undertakings shows that in the case of open-ended investment funds the positive dynamics manifested during the previous quarters and years was maintained, being the categories of CIU with the most significant contribution to the evolution of total assets. Also, in the case of closed investment funds, there is also an increase of total assets compared to the end of the previous year, after a few of them becoming open funds throughout the last few quarters, which led to the decrease in the assets of this category of CIUs.
The total assets of the other categories of collective investment undertakings declined over the analysis periods. In the case of financial investment companies, the decrease is of 1.24%, while in the case of Fondul Proprietatea (the "Property Fund") there was a decrease of the total asset of over 5.5%.

Figure 31. The evolution of total assets broken down to CIU categories



Source: ASF

The total assets of Fondul Proprietatea continued to decline during the fourth quarter of 2016 compared to the end of December 2015, reaching the reference date at about lei 11.47 billion compared to 12.15 billion lei (in December 2015). The decrease in the assets of Fondul Proprietatea during the last quarters took place as a result of the redemption and cancellation of shares, which also led to a decrease in the share capital of the fund.

Table 28. The total assets broken down to CIU categories

(mil. lei)	Total assets in Dec. 2015	Total assets in Dec. 2016
Open funds	20,995	21,902
Closed funds	574	604
FICs	7,556	7,462
FP	12,148	11,475
TOTAL CIUs	**41,274**	**41,444**

Source: ASF

Source: ASF

Figure 32.The dynamics of total assets broken down to CIU categories at 30.12.2016, as compared to 30.12.2015

At the end of December 2016, aggregate assets of open-end investment funds accounted for around 53% of the total of local collective investment funds assets compared to the end of December of the previous year, with OIF assets accounting for about 51%. The growth trend of the open investment fund industry in Romania is confirmed as a share of total CIU assets supported by the positive evolution of the assets related to this industry, together with the decrease of the assets of SIFs and of Fondul Proprietatea.

Table 29. The structure of investment portfolios by CIU and by asset classes (million lei)

Total assets - 30.12.2016	Open funds	Closed funds	FICs	FP	TOTAL
Shares	538	417	6,268	10,033	**17,256**
Bonds	15,300	61	86	-	**15,447**
Government securities	483	-	103	1,110	**1,695**
Deposits and cash	4,939	100	282	311	**5,633**
OPCVM/AOPC Titles	998	10	604	-	**1,612**
Others	-357	16	120	21	**-200**

Source: ASF

From the perspective of the structure of placements, Open Investment Funds are predominantly oriented to fixed income instruments, while FICs, FP and CIFs have a dominant focus on equity investments. As a distinction between the placements of the three categories of CIUs, FICs and CIFs have mainly invested in quoted shares, while FP has shrunk its holdings in listed companies over the past year, dominating on 30 December 2016 investments in unlisted shares (about 66% of the total asset). The orientation of the different categories of collective investment undertakings towards a particular type of investment strategy is justified by the closed or open nature of each type of CIU and by the risk appetite of their investors.

On the whole market, the consolidated investment structure of all CIUs still indicates a preference for fixed income instruments / money market instruments whose total value is 22.40 billion, accounting for about 54% of the total cumulative total of the CIUs. Full-market equity investments amount to 17.25 billion, accounting for 42% of total CIU assets.

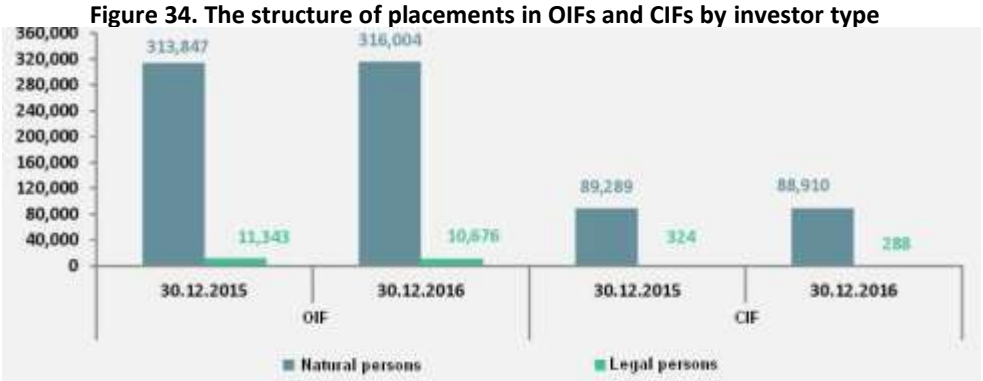
On 30 December 2016, compared to the same period of the previous year, there was a decrease in investments in total CIU assets (-10%), together with the increase in investments in bonds and government securities (+ 16%).

Figure 33. The evolution of strategic assignment of CIU portfolios

Source: ASF

In terms of structure by investor categories, as the number and combined value of holdings, the market for collective investment undertakings is dominated by individual investors.

Figure 34. The structure of placements in OIFs and CIFs by investor type



Source: ASF

This structure by type of investor is a feature of investment funds, found on most European markets, which offers more financial stability (due to lower dependence on a small number of investors with a high value of holdings and high volatility of underwritings and redemptions). This is also the result of progressive redundancy commissions that stimulate medium and long term holdings, a less suited strategy for legal persons (commercial companies) that need short-term treasury management.

It should be noted that this statistic can not be very accurate because an investor can simultaneously have participations in several funds, managed by different companies, as such can be "counted" several times.

The number of investors in closed investment funds is much lower than that in open funds. At the end of December 2016, their number stood at 89,198 investors. Of these, most of them (89,010 persons) are investors in closed funds.

5.2 Open investment funds (OIFs)

At the end of December 2016, 75 open investment funds were structured into five categories: equity funds (17), bond funds (30), diversified funds (16), monetary funds (1) and other funds 11: bottom-end fund, ETF or real estate funds). In view of the high number of bond funds and the value of their net assets, it is clear that the investors' preference for investment strategies targeting fixed income instruments and / or money market instruments in the fourth quarter of 2016 is maintained, as the interest in equity funds is at a moderate level.

Table 30. The evolution of the number of OIFs, by category

OIFs by investment policy	30.12.2015	30.12.2016
Equity Funds (Including Index Funds)	17	17
Diversified funds	17	16
Bond Funds	29	30
Monetary Funds	1	1
Other Funds	10	11
T O T A L	**74**	**75**

Source: ASF

As shown in the adjoining table, bond funds have the largest share in the category of this market segment. Equity and diversified funds are also well represented, showing that investors' interest in these two classes of assets (bonds and shares) is significant. At the opposite end, there are monetary funds which, due to the very restrictive and prudent investment policy, enjoy less popularity.

In countries featuring developed and mature economies, money funds are used predominantly by companies for short-term availability management, and are often considered safer and more liquid than bank deposits.

Table 31. The distribution of investors by category of OIF

Categories of funds	30.12.2015			30.12.2016		
	Natural persons	Legal persons	TOTAL	Natural persons	Legal persons	TOTAL
Equity Funds (Including	8,055	166	8,221	7,667	146	7,813
Diversified funds	45,718	342	46,060	46,229	328	46,557
Bond Funds	254,494	10,611	265,105	257,227	10,006	267,233
Monetary Funds	563	155	718	473	139	612
Other Funds	5,017	69	5,086	4,408	57	4,465
T O T A L	**313,847**	**11,343**	**325,190**	**316,004**	**10,676**	**326,680**

Source: ASF

At the end of December 2016, compared to December 2015, FDI developments were positive in terms of asset release rates (+ 4.3%), while the number of investments in open funds (326,680 at 30December 2016, rising by 0.5% and reaching 325.190 investors at the end of December 2015).

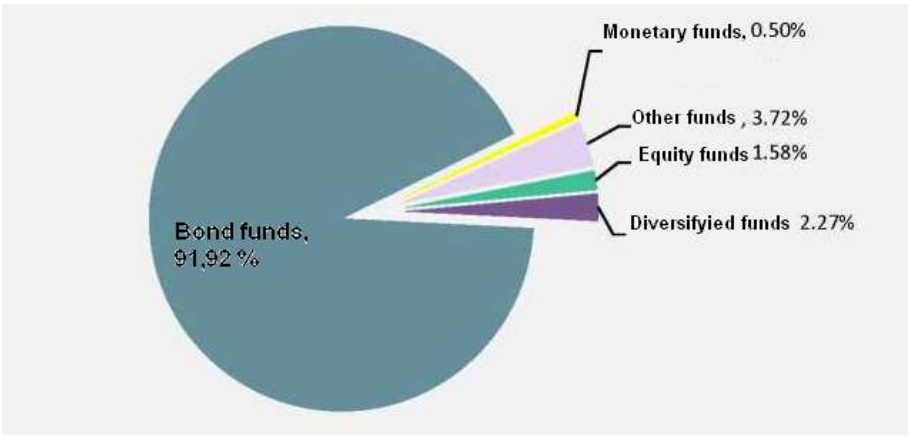
Table 32.The structure of assets by category of OIF

OIFs by investment policy	Net asset 30.12.2015 (lei)	Net asset 30.12.2016 (lei)
Equity Funds (Including	**328,451,461**	**345,885,910**
Diversified funds	**430,049,070**	**497,143,407**
Bond Funds	**19,161,477,097**	**20,107,808,448**
Monetary Funds	**125,445,653**	**109,218,337**
Other Funds	**928,764,474**	**814,761,677**
T O T A L	**20,974,187,754**	**21,874,817,779**

The open funds industry remains dominated by fixed income placements, so that about 92% of all managed assets are coordinated by bond funds. As far as the structure of FDI portfolios is concerned, it is mainly directed towards fixed income financial instruments.

Of these, the largest share in the total assets of open funds is held by quoted state bonds (27%), followed by bonds issued by Member States (25%), which during the previous quarters held the largest share in total assets of open funds. Also, bank deposits continue to have a high share in total assets (21%).

Figure 35. The market share of OIF by the investment policy and the underlying asset



Source: ASF

Table 33. The evolution of strategic assignment of OIF assets

Portfolio items	30.12.2015	% of AT	30.12.2016	% of AT
Quoted shares	**436,707,101**	**2.08%**	**463,000,651**	**2.11%**
Unquoted shares	**4,944,194**	**0.02%**	**743,816**	**0.00%**
Shares traded in EU Member States	**62,062,361**	**0.30%**	**72,139,774**	**0.33%**
Shares traded in non-EU countries	**197,513**	**0.00%**	**2,457,071**	**0.01%**
Treasury bills	**3,659,961,849**	**17.43%**	**5,928,346,730**	**27.07%**
Unquoted government bonds	**2,462,195,343**	**11.73%**	**2,391,789,762**	**10.92%**
Quoted corporate bonds	**801,927,345**	**3.82%**	**694,547,787**	**3.17%**
Unquoted corporate bonds	**27,461,971**	**0.13%**	**13,189,446**	**0.06%**
Quoted municipal bonds	**640,203,066**	**3.05%**	**761,911,576**	**3.48%**
Unquoted municipal bonds	**3,565,697**	**0.02%**	**1,083,214**	**0.00%**
Bonds issued by EU Member States	**6,433,815,547**	**30.64%**	**5,509,589,247**	**25.16%**
Newly issued securities	**104,411,409**	**0.50%**	**132,279,584**	**0.60%**
Cash	**252,955,851**	**1.20%**	**333,240,575**	**1.52%**
Government Securities > 1year	**125,938,604**	**0.60%**	**69,868,175**	**0.32%**
Government Securities < 1 year	**302,940,972**	**1.44%**	**412,817,151**	**1.88%**
Bank deposits	**4,829,629,858**	**23.00%**	**4,605,817,068**	**21.03%**
Bank deposits at Member State / non-member state institutions	**12,507,559**	**0.06%**	**0**	**0.00%**
OPCVM / AOPC titles	**1,071,913,205**	**5.11%**	**998,171,961**	**4.56%**
Report contracts that have as an underlying asset other instruments than government bonds and municipal bonds	**-4,387,386**	**-0.02%**	**-180,959,524**	**-0.83%**
Derivative financial instruments (including Transaction Certificates in MS)	**943,642**	**0.00%**	**926,845**	**0.00%**
Derivatives outside the regulated market	**-73,450,039**	**-0.35%**	**-63,927,268**	**-0.29%**
Structured products	**0**	**0.00%**	**1,586,701**	**0.01%**
Dividends and other receivables	**1,486,636**	**0.01%**	**428,682**	**0.00%**
Other assets	**-162,714,690**	**-0.78%**	**-246,866,157**	**-1.13%**
TOTAL ASSETS (LEI)	**20,995,217,607**	**100.00%**	**21,902,182,866**	**100.00%**

Source: ASF

5.3 Close investment funds (CIFs)

Table 34. The evolution of the number of CIFs, by category

CIFs by investment policy	30.12.2015	30.12.2016
Equity Funds	9	7
Diversified funds	10	10
Bond Funds	1	1
Monetary Funds	9	7
Other Funds		-
TOTAL	29	25

Source: ASF

On 30 December 2016, a total of 25 closed investment funds were operating on the Romanian capital market. The number of CIFs declined as compared to the end of 2015, as two closed investment funds (one for shares and one for other funds) turned into open investment funds.

The total number of participants in closed investment funds (natural persons and legal persons) was of 89,198 investors on 30 December 2016, being much lower than that of the participants in the open funds (326,680), due to the fact that the Fund is addressed to the informed investors and they have smaller possibilities for the liquidation of the participations. At the same time, the regulation and supervision of open funds is much stricter, which gives investors more confidence. Some of the closed funds are listed on the Bucharest Stock Exchange, similar to the ETF open funds, which balances the lower liquidity specific to closed funds.

Table 35.The distribution of investors by category of CIF

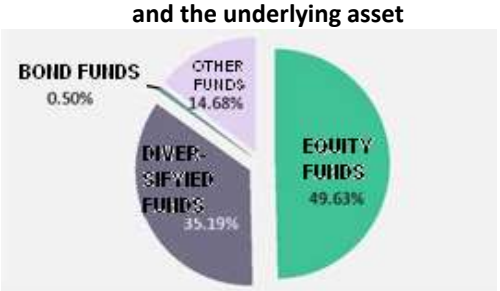
Categories of funds	30.12.2015			30.12.2016		
	Natural persons	Legal persons	TOTAL	Natural	Legal persons	TOTAL
Equity Funds	88,937	268	89,205	88,760	250	89,010
Diversified funds	69	24	93	64	19	83
Bond Funds	74	2	76	69	1	70
Monetary Funds			-	-	-	-
Other Funds	209	30	239	17	18	35
TOTAL	89,289	324	89,613	88,910	288	89,198

Source: ASF

Table 36.The structure of assets by category of CIF

CIFs by investment policy	Net asset 30.12.2015 (lei)	Net asset 30.12.2016 (lei)
Equity Funds	275,273,574	298,300,414
Diversified funds	202,029,430	211,485,884
Bond Funds	4,300,312	3,006,184
Monetary Funds		-
Other Funds	91,283,255	88,253,640
TOTAL	572,886,570	601,046,121

Figure 36. The market share of CIF by the investment policy and the underlying asset



Source: ASF

Among the closed investment fund categories, equity funds are best represented, both as a number of funds and as net asset value (hold a share of approximately 50% in the aggregate net assets of closed funds), which shows that the interest of investors for this class of assets (shares) is significant. Share funds are followed in terms of market share by the diversified funds (35% of the net asset). Thus, on 30 December 2016, about 85% of the total assets managed are coordinated by shares and diversified funds.

On the opposite side there are bond funds. On 30 December 2016, a single closed bond fund carried out investment activities, indicating the lower interest of investors in this class of assets. The net asset value of the closed bond fund, amounting to 3 million, represented only 0.5% of the aggregate net assets of the CIF.

From the perspective of the structure of the CIF portfolios, it is noted that they are mainly oriented towards investments in shares, which account for 69% of the total assets of CIFs, out of which 61% of the assets represent placements in quoted shares. Compared to 30December 2015, there is an increase in equity and non-equity investments.

There is also a much lower preference for investment strategies targeting fixed income instruments. Thus, bond investments hold a 10% share of the total asset, significantly lower than the share of placements in this class of OIF assets.

Table 37. The evolution of strategic assignment of CIF assets

Portfolio items	30.12.2015	% of AT	30.12.2016	% of AT
Quoted shares	301,300,173	52.45%	320,339,263	53.05%
Unquoted shares	44,743,186	7.79%	47,734,658	7.91%
Shares traded in EU Member States	18,659,536	3.25%	37,736,100	6.25%
Shares traded in non-EU countries	15,914,867	2.77%	10,902,121	1.81%
Treasury bills	1,011,480	0.18%	0	0.00%
Unquoted government bonds	0	0.00%	0	0.00%
Quoted corporate bonds	1,249,308	0.22%	918,720	0.15%
Unquoted corporate bonds	54,872,294	9.55%	58,007,495	9.61%
Quoted municipal bonds	272,530	0.05%	55,301	0.01%
Bonds issued by EU Member States	3,972,908	0.69%	0	0.00%
Bonds issued by non-EU countries	1,927,178	0.34%	1,917,522	0.32%
Cash	18,919,959	3.29%	21,888,122	3.63%
Bank deposits	66,588,001	11.59%	78,192,821	12.95%
OPCVM / AOPC titles	14,652,342	2.55%	10,268,665	1.70%
Promissory note	3,450,159	0.60%	3,607,607	0.60%
Report contracts that have as an underlying asset other instruments than government bonds and municipal bonds	204	0.00%	0	0.00%
Derivative financial instruments (including Transaction Certificates in MS)	18,025,422	3.14%	0	0.00%
Derivatives outside the regulated market	4,323,543	0.75%	7,872,681	1.30%
Structured products	0	0.00%	48,000	0.01%
Dividends and other receivables	574,883	0.10%	339,438	0.06%
Other assets	3,994,429	0.70%	3,962,936	0.66%
TOTAL ASSETS (LEI)	**574,452,402**	**100.00%**	**603,791,449**	**100.00%**

Source: ASF

5.4 Financial investment companies (FICs)

According to the ASF's centralized reports, the highest net assets in value are owned by FIC1, followed by FIC2 and FIC5. The other two FICs have lower value portfolios.

Table 38. The synthetic evolution of the five financial investment companies

DATE	Indicators	FIC1 Banat-Crişana	FIC2 Moldova	FIC3 Transilvania	FIC4 Muntenia	FIC5 Oltenia
30.12.2015	VUAN (lei)	3.3295	1.4450	0.5255	1.3408	2.8048
	Market price	1.6880	0.786	0.2735	0.7440	1.690
	Discount (%)	49.30%	45.61%	47.95%	44.51%	39.75%
	Net asset (lei)	1,827,374,666	1,486,980,705	1,147,868,969	1,082,069,609	1,627,243,228
	No. of issued shares	548,849,268	1,029,076,548	2,184,286,664	807,036,515	580,165,714
30.12.2016	VUAN (lei)	3.7071	1.5492	0.4164	1.4556	2.5767
	Market price	1.8480	0.780	0.2500	0.6560	1.630
	Discount (%)	50.15%	49.65%	39.96%	54.93%	36.74%
	Net asset (lei)	1,920,298,265	1,587,572,688	909,430,433	1,174,696,247	1,494,928,609
	Net asset (lei)	518,000,000	1,024,754,689	2,184,286,664	807,036,515	580,165,714

Source: ASF

At the end of December 2016, as compared to the end of 2015, the aggregate net assets of FICs declined by approximately 1.2%, with two of the five financial investment companies registering depreciation of the net asset. The most significant decrease was recorded for FIC3 (FIC Transilvania: -20.8%), while in the case of FIC4 (SIF Muntenia) there was an increase of 8.6%. On 30December 2016, as compared to the end of 2015, there is a decrease in the market price for 4 of the 5 financial investment companies, and the market price of SIF3 (SIF Transilvania) was appreciated. The discount of the market price in relation with VUAN was at 30 December 2016 at a significant level in all 5 FICs.

Table 39.The Cumulative structure of total FIC portfolios at 30.12.2016 and 30.12.2015, respectively

Asset structure	Total cumulative assets at 30.12.2015	Share of the total cumulative assets at 30.12.2015 (%)	Total cumulative assets at 30.12.2016	Share of the total cumulative assets at 30.12.2016 (%)
Quoted shares	4,769,915,719	63.13%	4,770,385,151	63.93%
Shares issued / traded in EU Member States	348,629,154	4.61%	333,314,669	4.47%
Shares issued / traded in non-EU countries	3,057,460	0.04%	0	0.00%
Quoted corporate bonds	53,817,919	0.71%	49,002,890	0.66%
Unquoted shares	1,319,357,681	17.46%	1,164,088,068	15.60%
Cash	12,711,874	0.17%	15,406,814	0.21%
Municipal bonds	129,813	0.00%	117,919	0.00%
Unquoted corporate bonds	72,836,305	0.96%	36,729,289	0.49%
Treasury bills	0	0.00%	0	0.00%
Government Securities > 1year	0	0.00%	102,716,798	1.38%
Bank deposits	266,679,621	3.53%	266,927,202	3.58%
Quoted OPCVM / AOPC titles	163,416,343	2.16%	377,032,935	5.05%
ETF	5,064,276	0.07%	0	0.00%
Unquoted OPCVM / AOPC titles	329,938,384	4.37%	226,525,606	3.04%
Derivative financial instruments traded on the regulated market	0	0.00%	0	0.00%
Structured products	21,840,000	0.29%	21,812,000	0.29%
Dividends and other receivables	41,055,178	0.54%	28,693,546	0.38%
Other assets	147,635,551	1.95%	69,531,116	0.93%
TOTAL ASSETS (LEI)	**7,556,085,278**	**100.00%**	**7,462,284,004**	**100.00%**

Source: ASF

On 30 December 2016, investments in quoted shares hold the largest share in the aggregate asset of FICs (64%). There is a decrease in the value of investments in unlisted shares on 30 December 2016, as compared to 30 December 2015.

5.5 Fondul Proprietatea SA

At the end of December 2016, Fondul Proprietatea managed assets of approximately 11.43 billion lei, down by 5.5% compared to the end of 2015. FP assets were mainly concentrated in Romania.

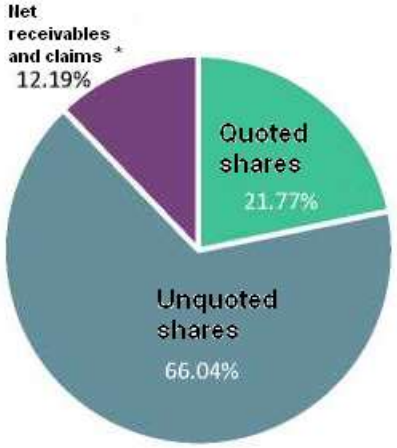
Table 40. The synthetic evolution of "Fondul Proprietatea"

Portfolio items	30.12.2015	30.12.2016
Number of issued shares	10,452,388,827	9,630,931,675
Net Asset(lei)	12,087,846,128	11,427,351,380
VUAN	1.1564	1.1865
Closing price (lei)	0.8100	0.7950
Discount (%)	30%	33%

Source: ASF

Compared to 30December 2015, the number of companies to which Fondul Proprietatea holds holdings decreased to 45 commercial companies at the end of June, 7 of which were listed on a regulated market, 6 were admitted to trading on an alternative trading system, and 32 being companies commercial transactions not admitted to trading.
From the structure of the FP portfolio by asset type, we can notice that there is an increase in the share of unlisted shares in the net asset, as a result of the sale of shares in the listed companies and the decrease in the total value of the asset.

Figure 37. The types of assets that are part of the portfolio of "Fondul Proprietatea" at 30.12.2016 (% din VAN)



Source: Fondul Proprietatea
**Net receivables and claims include bank deposits, current bank accounts, government securities, dividend receivables, and other assets from which the value of debt (including short-term loans from banks, value of debt to shareholders in relation to capital returns and additions to dividends from previous years) and of provisions is subtracted.*

Of the listed companies, OMV Petrom holds the largest share of the fund's net asset (16.26%), and from the category of unlisted companies, the largest share of the fund's net asset is held by HIDROELECTRICA (29.61%), followed by CN Aeroporturi Bucureşti SA, ENEL Banat Distribution, and Engie Romania.

Table 41. The top ownerships of Fondul Proprietatea as at 30.12.2016

Name of the company	% of VAN at 30.12.2016
Hidroelectrica SA	29.61
OMV Petrom SA	16.26
CN Aeroporturi Bucureşti SA	6.66
E-Distribuţie Banat SA	5.25
Engie Romania SA	3.97
TOTAL	**61.75**

Source: Fondul Proprietatea

Table 42. The evolution of strategic assignment of the assets of Fondul Proprietatea

Asset structure (lei)	30.12.2015	% of AT	30.12.2016	% of AT
Quoted shares	4,620,375,338	38.03%	2,487,346,572	21.68%
Unquoted shares	7,220,693,260	59.44%	7,546,147,064	65,76%
Cash	648,858	0.01%	5,781,686	0.05%
Government securities	-	0.00%	-	0.00%
Government Securities > 1year	78,961,721	0.65%	1,110,020,073	9.67%
Bank deposits	197,825,552	1.63%	305,335,161	2.66%
Other assets	29,577,288	0.24%	20,728,167	0.18%
TOTAL ASSETS (lei)	**12,148,082,016**	**100.00%**	**11,475,358,724**	**100.00%**

Source: ASF

Over the past year, there has been a change in the structure of the FP portfolio, with a significant increase in the share of unlisted equity investments (65.8% at 30 December 2016), corroborated with the fall in equity investments. There is an increase in FP placements in government securities with a maturity of less than one year, which as at 30 December 2016 had a weight of 9.7% in the total assets.

Table 43.The structure of shareholders of Fondul Proprietatea as at 30.12.2016

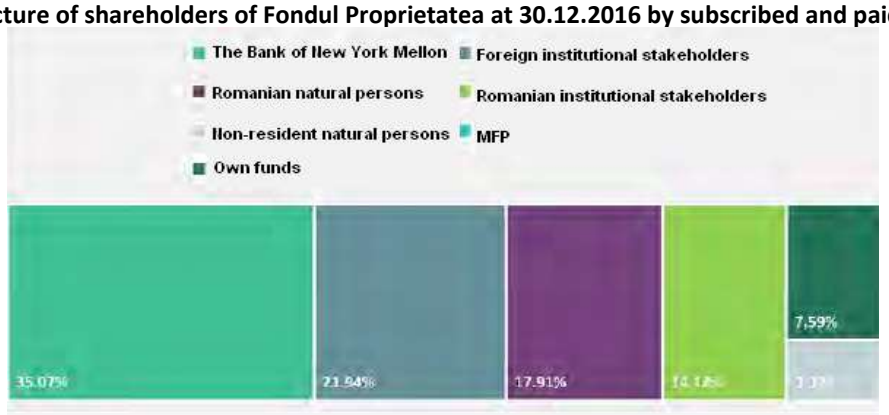
The Bank of New York Mellon (the depository bank for GDRs based on supporting actions)	35.07%
Foreign institutional shareholders	21.94%
Romanian natural persons	17.91%
Romanian institutional shareholders	14.12%
Non-resident natural persons	3.32%
MFP*	0.05%
Own shares**	7.59%
TOTAL	**100.00%**
The total number of shareholders as at 30.12.201630.12.2016 – 7,146	

Source: Fondul Proprietatea

** 363,812,350 unpaid shares by MFP*

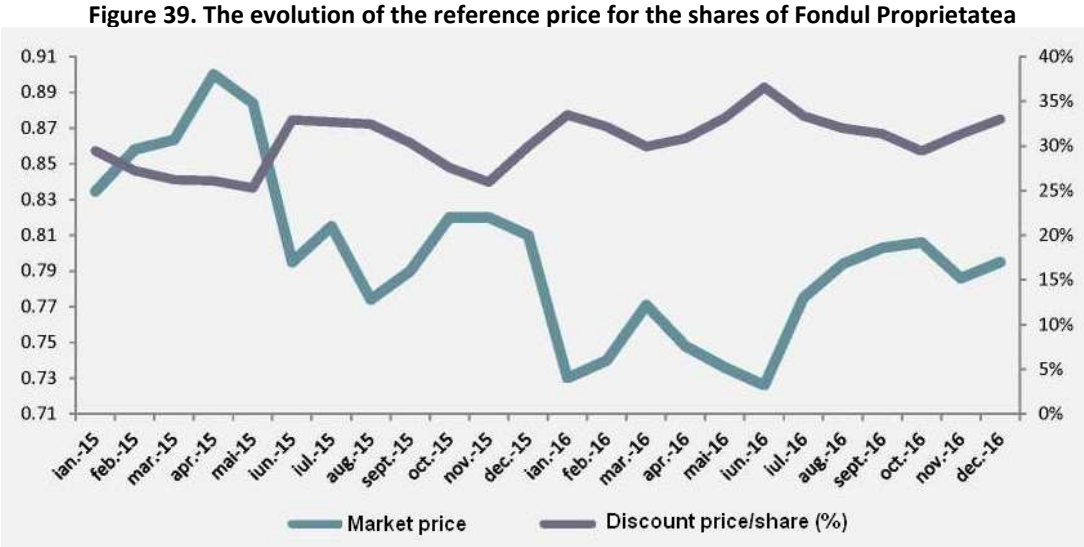
*** 712.171.156 own shares purchased by the Fund under the sixth redemption program (the balance remaining after the partial cancellation of shares on 26 October 2016), and 78,974,351 own shares purchased by the Fund under the seventh redemption program.*

Figure 38.The structure of shareholders of Fondul Proprietatea at 30.12.2016 by subscribed and paid-up share capital



On 30 December 2016, the total number of shareholders was of 7,146 and, according to Fondul Proprietatea's monthly report, and the significant shareholders being the American group Elliott-Associates (21.06% of voting rights at 21 October 2015) and City of London Investment Mgmt (5.04% of total voting rights at 5 April 2016).

Figure 39. The evolution of the reference price for the shares of Fondul Proprietatea



Among the significant events that took place in the year 2016, stand out the following: the sale of the Fund's full participations in Romgaz (SNG), E.ON Distributie Romania SA and E.ON Energie Romania SA. The sale of the shares in E.ON Distributie and E.ON Energie took place at the end of June 2016, while up to that date Fondul Proprietatea held 56,749,014 shares in E.ON Distributie Romania SA (representing 18.34% of the share capital) and 9,903,524 shares in E.ON Energie Romania SA (representing 13.4% of the share capital).

THE EVOLUTION OF THE

INSURANCE MARKET IN ROMANIA

2016

THE INSURANCE MARKET

The insurance market in Romania registered in 2016 a total of the gross written premiums, cumulated for insurance companies and branches, of 10.05 billion lei, representing an increase by 10% as compared to the previous year.

The non-life insurance segment grew by 11% in 2016,as compared to 2015, and the life insurance segment grew by 6.7,%.

The value of gross premiums written by insurance companies and branches, in Romania alone, was of 9.93 billion lei, up by 12% as compared to the previous year (8.86 billion lei).

Gross written premiums in other states recorded a 54% drop in 2016 (0.1 billion lei), as compared with 2015 (0.27 billion lei).

Motor insurances, belonging to class A3 (land transport vehicle insurance excluding railway vehicles) and A10 (third party liability motor insurance) represent 74% of the total gross premiums written for non-life insurance, and 60% of the total gross premiums written by insurance companies and branches in 2016.

Subscriptions for the two classes of non-life insurance increased in 2016, especially for Class A10, which witnesses an advance of about 26% as compared to the same period of last year.

Unlike the European insurance market that is dominated by the life insurance segment (about 61%, according to Insurance Europe data for 2014), in Romania it represented only about 18% of gross written premiums, the market being dominated by general insurances, respectively by the motor insurances.

The highest increase over the same period of the previous year was recorded in the area of health insurances, by about 70%.

This report is based on the accounting reports submitted by the insurance companies, except for the chapter on the transition to the Solvency II regime, which is based on the reports submitted by the insurance companies covered by the scheme only.

The data used are preliminary data and may be subject to change as a result of the annual financial audit.

I. INSURANCE COMPANIES

At 31 December 2016, 31 insurance companies were active in the insurance market, of which 17 practiced only non-life insurance ("AG"), 7 practiced only life insurance ("AV"), and 7 had composite activity.
In January 2016, the Board of Financial Supervisory Authority (ASF) decided to implement the resolution measures for Carpatica Asig SA.
On July 27, 2016 ASF decided to withdraw the authorization of Carpatica Asig and trigger the bankruptcy proceedings.
In December 2016, ASF decided to withdraw the authorization of LIG Insurance and trigger bankruptcy proceedings.
Starting with May 2016, ASF approved the change in the legal form of Metropolitan Life from an insurance company to a branch. The data on Metropolitan is included in the "Branches" chapter for both 2016 and comparative periods.

I.1. Gross written premiums (GI and LI)

The insurers have accumulated 2016 gross written premiums in the amount of 9,387,339 thousand lei, up by 10% in 2016, as compared to 2015:
• Gross written premiums (GWP) for general insurances (GI) that amount to 7,717,502 thousand lei, up by 11% as compared to the previous year;
• Gross written premiums for Life insurances (LI) that amount to 1,669,837thousand lei, up by 6% as compared to the previous year;

Figure 40. The evolution of the volume of gross written premiums between 2012 and 2016

Table 44. The dynamics of the breakdown by insurance segments between 2012 and 2016

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016
GI	6,454,395,818	6,488,150,452	6,448,556,518	6,957,416,634	7,717,501,992
LI	1,736,614,154	1,493,750,277	1,374,917,896	1,577,502,907	1,669,836,733
TOTAL	**8,191,009,972**	**7,981,900,729**	**7,823,474,414**	**8,534,919,541**	**9,387,338,725**
GI weight (%)	79%	81%	82%	82%	82%
Li weight (%)	21%	19%	18%	18%	18%

Table 45. The dynamics of the gross written premiums by insurance segments between 2012 and 2016-2016

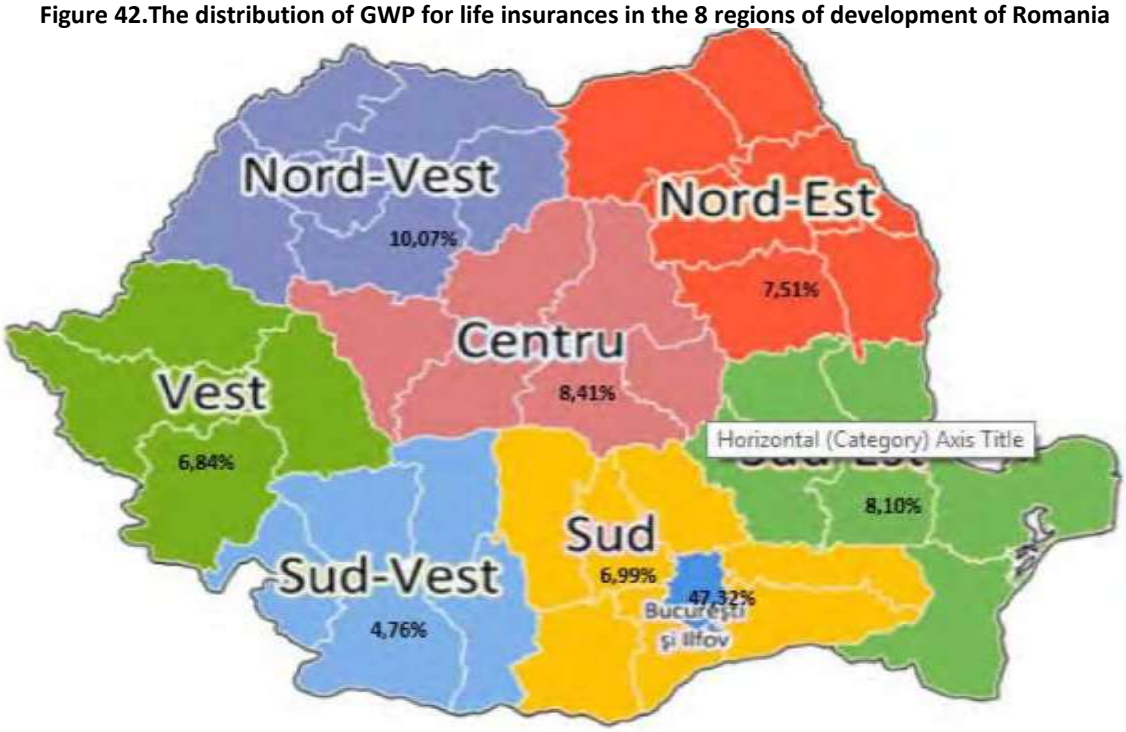
Category	Insurance class	GWP (lei)				
		Q4 2012			Q4 2012	
	A1	225,684,732		A1	225,684,732	
	A2	44,594,699		A2	44,594,699	
	A3	1,916,682,149		A3	1,916,682,149	
	A4	5,053,043		A4	5,053,043	
	A5	15,339,962		A5	15,339,962	
	A6	29,396,555		A6	29,396,555	
	A7	42,547,281		A7	42,547,281	
	A8	1,081,228,539		A8	1,081,228,539	
	A9	161,311,425		A9	161,311,425	
GI	A10	2,137,043,377	**GI**	A10	2,137,043,377	**GI**
	A11	21,422,643		A11	21,422,643	
	A12	14,276,953		A12	14,276,953	
	A13	420,349,378		A13	420,349,378	
	A14	116,510,672		A14	116,510,672	
	A15	152,259,090		A15	152,259,090	
	A16	12,120,991		A16	12,120,991	
	A17	22,480		A17	22,480	
	A18	58,551,849		A18	58,551,849	
	TOTAL	**6,454,395,818**		**TOTAL**	**6,454,395,818**	
	C1	1,076,966,446		C1	1,076,966,446	
	C2	1,338,262		C2	1,338,262	
	C3	591,772,025		C3	591,772,025	
	C4	-		C4	-	
LI	C5	-	**LI**	C5	-	**LI**
	C6	-		C6	-	
	C7	-		*C7*	-	
	A1	31,368,034		*A1*	31,368,034	
	A2	35,169,387		*A2*	35,169,387	
	TOTAL	**1,736,614,154**		**TOTAL**	**1,736,614,154**	
TOTAL		**8.191.009.972**	**7,981,900,729**	**TOTAL**	**8.191.009.972**	**7,981,900,729**

With regard to the geographical distribution of underwritings, it is noted that both general insurance and life insurance, the most cumulative value contracts are made in Bucharest and Ilfov, followed by a significant distance between the Northwest and Centre regions.

In the case of life insurances, the discrepancy between Bucharest and Ilfov and the other regions of the country is much more pronounced. In the case of life insurances, the discrepancy between Bucharest and Ilfov and the other regions of the country is much more pronounced.

Figure 41.The distribution of GWP for general insurances in the 8 regions of development of Romania

Figure 42.The distribution of GWP for life insurances in the 8 regions of development of Romania



The insurance market in Romania is characterized by a high degree of concentration. In 2016, 87% of the total gross written premiums were made by 10 insurance companies of the 31 companies that were performing insurance / reinsurance activity on 31.12.2016, similar to previous years

Table 46.The companies with the largest volumes of gross written premiums and their share in the total market (general insurances and life insurances)

Item no.	Company	Total written premiums (general insurances and life insurances) (lei)	Market share
1	ALLIANZ - TIRIAC ASIGURĂRI SA	1,227,537,849	13.08%
2	OMNIASIG VIG	1,083,220,549	11.54%
3	ASIROM VIENNA INSURANCE GROUP SA	1,072,282,256	11.42%
4	GROUPAMA ASIGURARI SA	932,265,394	9.93%
5	EUROINS ROMANIA ASIGURARE REASIGURARE SA	870,458,189	9.27%
Total (1-5)		**5,185,764,237**	**55.24%**
6	CITY INSURANCE SA	789,618,049	8.41%
7	NN ASIGURARI DE VIATA SA	661,714,718	7.05%
8	GENERALI ROMANIA ASIGURARE REASIGURARE SA	642,793,295	6.85%
9	UNIQA ASIGURARI SA	476,447,512	5.08%
10	CARPATICA ASIG SA	451,766,097	4.81%
Total (1-10)		**8,208,103,908**	**87.44%**
	Other companies	1,179,234,817	12.56%
TOTAL		**9,387,338,725**	**100%**

Gross written premiums for general insurances

The total gross premiums written for general in 2016 were 7,717,501,992 lei, up by 11% as compared to the previous year. The first 10 insurance companies that have subscribed premiums related to general insurances have accumulated a value of 7,367,854,282 lei, which represents 95% of the total of this segment of activity.

Table 47.The top of insurance companies by gross written premiums for general insurances in 2016

Item no.	Company	Total written premiums (general insurances(lei)	Market share
1	ALLIANZ - TIRIAC ASIGURARI SA	1,119,363,883	14.50%
2	OMNIASIG VIG	1,083,220,549	14.04%
3	ASIROM VIENNA INSURANCE GROUP SA	955,550,910	12.38%
4	GROUPAMA ASIGURARI SA	900,879,153	11.67%
5	EUROINS ROMANIA ASIGURARE REASIGURARE SA	870,458,189	11.28%
Total (1-5)		**4,929,472,684**	**63.87%**
6	CITY INSURANCE SA	789,618,049	10.23%
7	GENERALI ROMANIA ASIGURARE REASIGURARE SA	573,690,028	7.43%
8	UNIQA ASIGURARI SA	476,447,512	6.17%
9	CARPATICA ASIG SA	451,766,097	5.85%
10	POOL-UL DE ASIGURARE P,A,I,D,	146,859,912	1.90%
Total (1-10)		**7,367,854,282**	**95.47%**
	Other companies	349,647,710	4.53%
TOTAL		**7,717,501,992**	**100.00%**

Of the total gross premiums written for general insurances, the largest shares are held by classes A10 — Civil liability for the use of land vehicles, A3 — Land vehicles, excluding railway rolling stock, A8 — Fire and natural disasters (for goods other than those insured in classes A3 - A7).

In 2016, the share of these three classes was 89% of the total gross written premiums for general insurances:

- A10 —Liability for the use of land vehicles, with a volume of gross written premiums of 4,144,148,099 lei, representing 54% of total of general insurances, registered a 26% increase in 2016, as compared to the same period of 2015;
- A3 —Land vehicles, excluding railway rolling stock, with a volume of gross written premiums of 1,756,071,493 lei, representing 23% of total of general insurances, registered a 4% increase in 2016, as compared to the same period of 2015;
- A8 —Fire and natural disasters, (for goods other than those insured in classes A3 - A7), with a volume of gross written premiums of 946,402,736 lei, representing 12% of total of general insurances, registered a 2% increase in 2016, as compared to the same period of 2015.

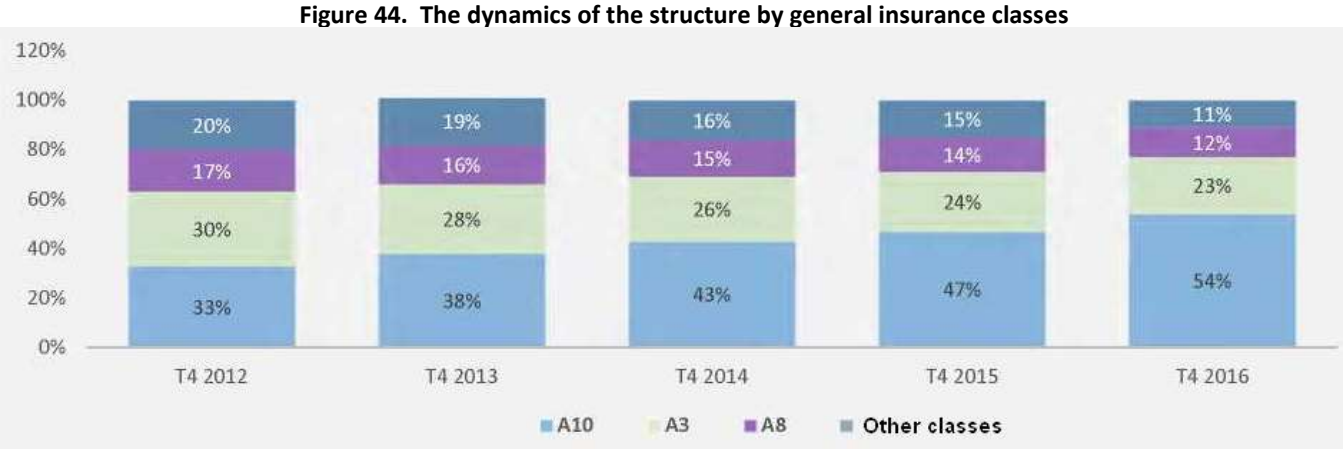
Table 48.The structure by general insurance classes

Class	GWP GI(lei)					Share in 2016	Change in percentage between 2016/2015 (%)
	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016		
A10	2,137,043,377	2,461,675,830	2,800,428,974	3,288,863,039	4,144,148,099	53,70%	26,01%
A3	1,916,682,149	1,796,496,249	1,684,128,251	1,687,601,059	1,756,071,493	22,75%	4,06%
A8	1,081,228,539	1,021,907,073	954,401,654	965,963,860	946,402,736	12,26%	-2,03%
Other classes	1,319,441,753	1,208,071,301	1,009,597,639	1,014,988,676	870,879,664	11,28%	-14,20%
TOTAL	**6,454,395,818**	**6,488,150,453**	**6,448,556,518**	**6,957,416,634**	**7,717,501,992**	**100,00%**	**10,92%**

Figure 43.The evolution of the volume of gross written premiums by classes of general insurances (million lei)

Dynamics show that over the past four years, the share of gross written premiums for A10 has risen steadily from one year to the next, while other major general insurances classes either declined or slowed down.

Figure 44. The dynamics of the structure by general insurance classes



Gross written premiums for life insurance

Gross premiums written by life insurance companies increased by 6% in 2016, as compared to the previous year.

Also, a high degree of concentration was maintained in 2016, as 10 companies accounted for 94% of the total subscribed premiums on this segment, with cumulative underwritings amounting to 1.573.717.112 lei.

Table 49.The top of insurance companies by gross written premiums for life insurances in 2016

Item no.	Company	Total written premiums (life insurances) (lei)	Market share
1	NN ASIGURARI DE VIATA SA	661.714.718	39.63%
2	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP SA	249.016.716	14.91%
TOTAL (1-2)		910,731,434	54.54%
3	BRD ASIGURARI DE VIATA SA	118.532.747	7.10%
4	ASIROM VIENNA INSURANCE GROUP SA	116.731.346	6.99%
5	ALLIANZ - TIRIAC ASIGURARI SA	108.173.966	6.48%
6	ERGO ASIGURARI DE VIATA SA	95.803.704	5.74%
7	GENERALI ROMANIA ASIGURARE REASIGURARE SA	69.103.267	4.14%
8	EUROLIFE ERB ASIGURARI DE VIATA SA	59.224.619	3.55%
9	UNIQA ASIGURARI DE VIATA SA	51.038.602	3.06%
10	GRAWE ROMANIA ASIGURARE SA	44.377.427	2.66%
TOTAL (1-10)		1,573,717.112	94.24%
Other companies		96.119.621	5.76%
TOTAL		**1,669,836,733**	**100.00%**

Of the total gross written premiums for life assurances, the highest weights are held by the C1 — Life insurances, annuities and additional insurances, and C3 — Life insurances and annuities related to investment funds, which together account for 95% of the total gross written premiums for life insurances.

The dynamic analysis has lead to the following conclusions:

- Class C1 —Life insurances, annuities and additional insurances, represents 67% of total life insurances underwritings, reaching a 17% increase in 2016, as compared to the same period last year;

•Class C3 — Life insurances and annuities related to investment funds, represents 28% of total life insurances underwritings, reaching a 17% increase in 2016, as compared to the same period last year.

Table 50.The structure by life insurance classes

Class	GWP LI(lei)					Share in 2016	Change in percentage (%)
	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016		
C1	1,076,966,446	942,646,135	831,652,383	958,365,523	1,116,981,597	67%	17%
C3	591,772,025	505,100,078	502,212,424	573,225,687	473,969,406	28%	-17%
Other classes	67,875,683	46,004,064	41,053,089	45,911,697	78,885,730	5%	72%
TOTAL	**1,736,614,154**	**1,493,750,277**	**1,374,917,896**	**1,577,502,907**	**1,669,836,733**	**100%**	**6%**

Figure 45.The evolution of the volume of gross written premiums by classes of life insurances (million lei)

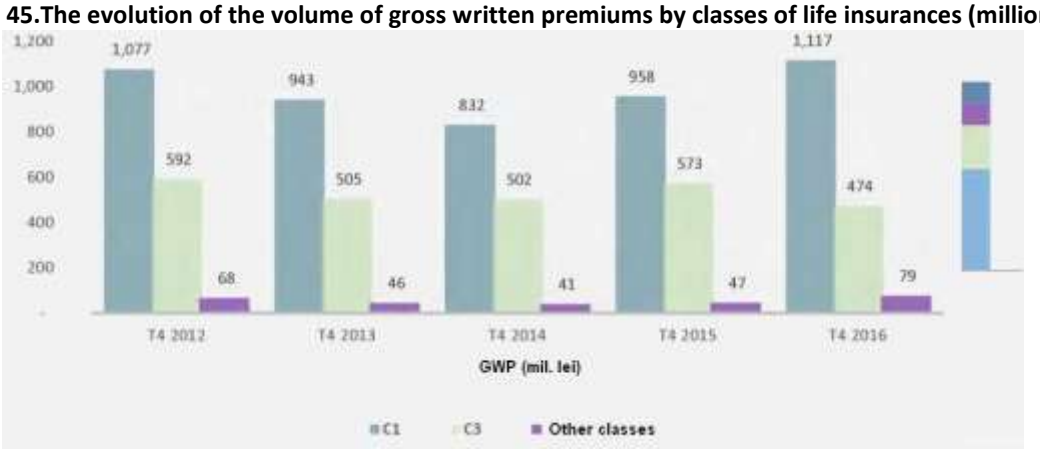


Figure 46. The dynamics of the structure by life insurance classes

I.2 The gross indemnities paid by insurers (IBPs)

At the end of the fourth quarter of 2016, the insurance companies reported the paid gross indemnities (excluding partial and total maturities and redemptions), cumulated for the two categories of insurance, amounting to 3,755,308,900 lei, as follows:

• 3,601,260,908 lei are related to the non-life insurance contracts (96%), registering a decrease of 5%, as compared to the previous year (3,773,614,760 lei);

• 154.047.992 lei were amounts paid for gross indemnities related to life insurance, registering an increase by 6%,as compared to the previous year (144,890,234 lei).

The decrease in non-life insurance is due to the bankruptcy of three insurance companies (Astra, Carpatica and Forte). The indemnities for the insurance portfolio of the three companies were taken over by the Guarantee Fund for the Insured Persons within the limit of the 100,000 Euros ceiling and by BAAR for external indemnities exceeding 100,000 Euros.

In 2016, the Guarantee Fund for the Insured Persons paid indemnities amounting to 144.7 million lei, out of which approximately 78% for RCA (the insurance of civil responsibility) indemnities, and the indemnity reserve approved on 31 December 2016 comprises 788.6 million lei out of which 34% represents the approved RCA insurance margin.

The gross indemnities related to life insurances are supplemented by partial or total maturities and redemptions, amounting to 562,214,105 lei, decreasing by 2%,as compared to the previous year (571,263,546 lei).

Figure 47. The evolution of the amount of gross indemnities paid including maturities and redemptions for life and general insurances (million lei)

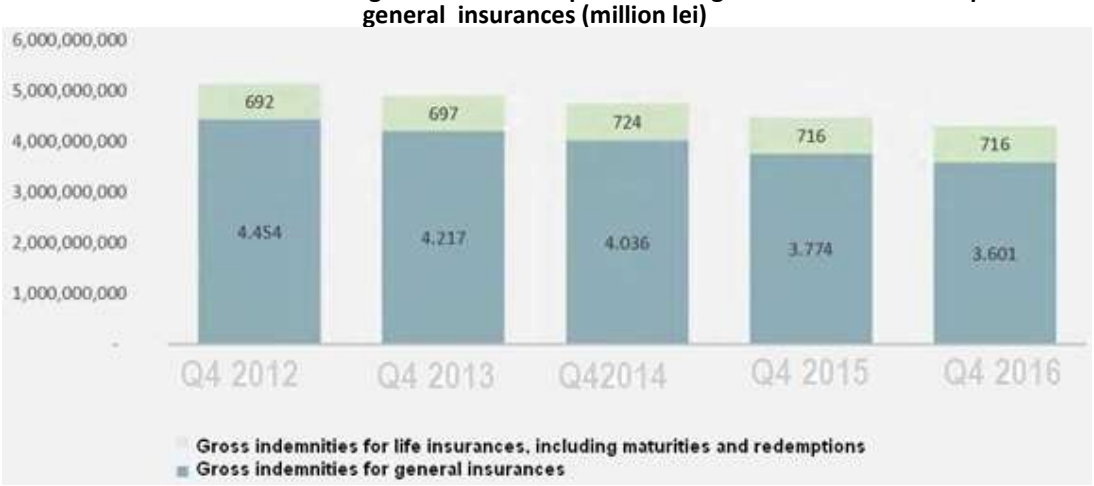


Table 51. The dynamics of gross indemnities paid including maturities and redemptions for life and general insurances between 2012 and 2016

Period	GWPGI + LI (lei)	Change in percentage from the previous period (%)	GWPGI(lei)	Change in percentage from the previous period (%)	GWP LI, Maturities, total and partial redemptions	Change in percentage from the previous period (%)
Q4 2012	5,145,934,106		4,453,717,618		692,216,488	
Q4 2013	4,914,125,780	-4,50%	4,217,170,541	-5.31%	696,955,239	0.68%
Q4 2014	4,760,577,248	-3,12%	4,036,207,152	-4.29%	724,370,096	3.93%
Q4 2015	4,489,768,540	-5,69%	3,773,614,760	-6.51%	716,153,780	-1.13%
Q4 2016	4,317,523,005	-3,84%	3,601,260,908	-4.57%	716,262,097	0.02%

Gross indemnities paid for general insurances

Cumulatively, the gross indemnities paid by 10 insurance companies accounted for 97% of the total indemnities paid at the level of the general insurances segment.

Table 52.The insurance companies with the highest volume of gross indemnities paid for general insurances

Item no.	Company	GWPGI(lei)	*Market share*(%)
1	OMNIASIG VIG	566,453,673	15.73%
2	EUROINS ROMANIA ASIGURARE REASIGURARE SA	492,255,331	13.67%
3	GROUPAMA ASIGURARI SA	470,580,656	13.07%
4	ALLIANZ - TIRIAC ASIGURARI SA	461,606,309	12.82%
TOTAL (1-4)		***1,990,895,969***	***55.28%***
Item no.	**Company**	**GWPLI**(lei)	***Market share***(%)
5	ASIROM VIENNA INSURANCE GROUP SA	416,709,523	11.57%
6	CITY INSURANCE SA	346,279,976	9,62%
7	UNIQA ASIGURARI SA	263,782,417	7,32%
8	CARPATICA ASIG SA	233,378,632	6.48%
9	GENERALI ROMANIA ASIGURARE REASIGURARE SA	207,076,984	5.75%
10	GOTHAER ASIGURARI - REASIGURARI SA	42,569,843	1.18%
TOTAL (1-10)		***3,500,693,344***	***97.21%***
	Other companies	100,567,564	2,79%
TOTAL		***3,601,260,908***	***100%***

Significant weightings of gross indemnities paid by insurance companies were recorded on the following classes of insurance (91% of total):

- Class A10 —Liability for the use of land vehicles, with a gross amount of paid indemnities of 1,957,548,246 lei, represents 54% of the total gross indemnities paid for general insurances and recorded a decrease of 4%, as compared to the same period of the previous year;
- Class A3—Land vehicles, excluding railway rolling stock, with a gross paid indemnity amount of 1,140,473,687 lei, represents 32% of the total gross indemnities paid for general insurances and recorded a decrease of 8%, as compared to the same period of the previous year;
- Class A8— Fire and natural disasters, (for goods other than those insured in classes A3 - A7),with a gross paid amount of 195,477,481 lei, represents 5% of the total gross indemnities paid for general insurance and recorded an increase of 7%, as compared to the same period of the previous year.

The gross indemnities paid for the other classes represent 9% of the total payments for general insurances, which in absolute value amounted to 307,761,494 lei.

Figure 48. The dynamics of the structure by life insurance classes for the general insurances category

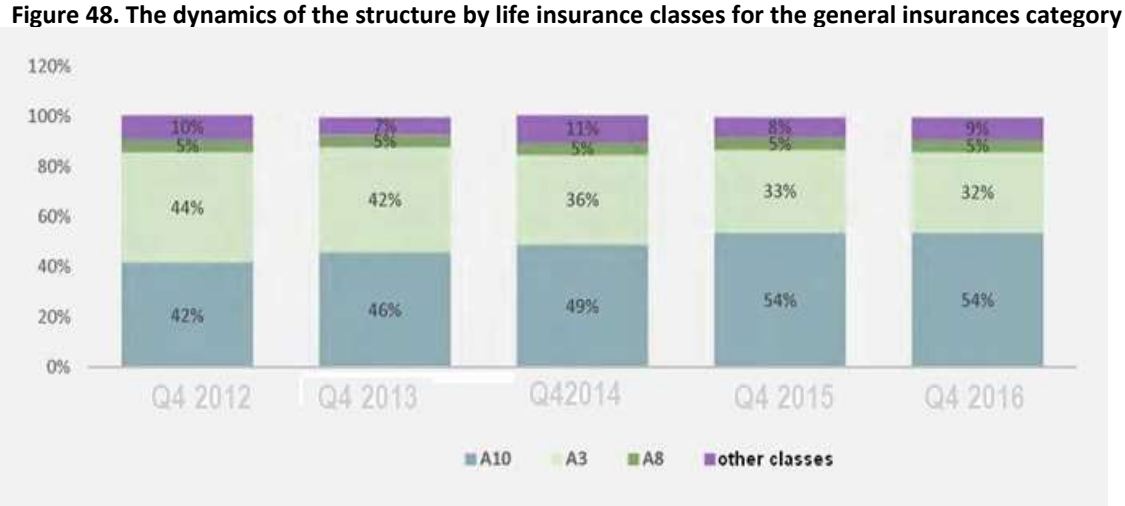
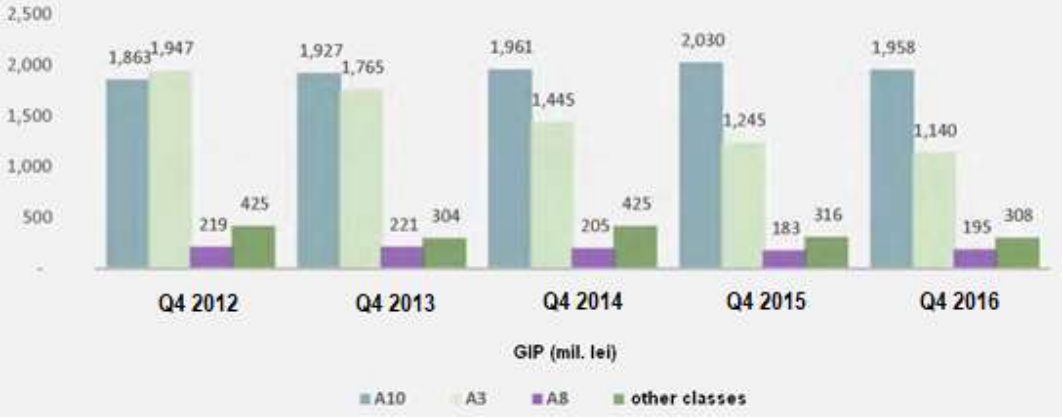


Figure 49. The evolution of the volume of gross indemnities paid for general insurances (million lei)



Gross indemnities, maturities and redemptions related to life insurances

The amount of gross indemnities, maturities and redemptions paid in respect of life insurances stood at 716.262.097 lei in 2016, remaining stable compared to the previous year.

Cumulatively, the gross amounts paid (indemnities, maturities and redemptions) by the 10 insurance companies accounted for 98% of the total gross claims paid in the life insurance segment

Table 53.The insurance companies with the highest volume of gross indemnities, maturities, and redemptions paid for life insurances

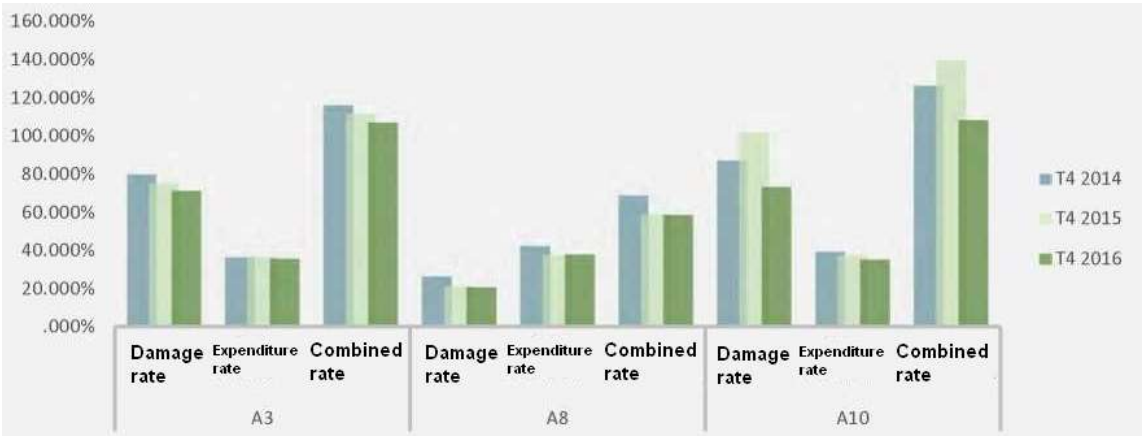
Item no.	Company	gross indemnities, maturities, total or partial redemptions	Weight from the total
1	NN ASIGURĂRI DE VIATA SA	325,071,892	45.38%
2	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP SA	105,395,549	14.71%
TOTAL (1-2)		**430.467.441**	**60,10%**
3	ASIROM VIENNA INSURANCE GROUP SA	80,667,020	11.26%
4	ALLIANZ - TIRIAC ASIGURARI SA	71,804,045	10.02%
5	GENERALI ROMANIA ASIGURARE REASIGURARE SA	37,885,856	5.29%
6	SIGNAL IDUNA ASIGURARE REASIGURARE SA	20,237,923	2.83%
7	GRAWE ROMANIA ASIGURARE SA	19,467,236	2.72%
8	ERGO ASIGURARI DE VIATA SA	13,696,008	1.91%
9	BRD ASIGURARI DE VIATA SA	12,672,311	1.77%
10	GROUPAMA ASIGURARI SA	12,205,432	1.70%
TOTAL (1-10)		**699.103.272**	**97,60%**
	Other companies	17,158,825	2.40%
TOTAL		**716.262.097**	**100%**

In 2016, the largest weightings in the gross indemnities paid in total amount of 716.262.097 lei were held by the following classes of insurance:

- Class C3— Life insurances and annuities related to investment funds accounts for 49% of the total payments made and amounts to 349,202,719 lei;
- Class C1— Life insurances, annuities and additional insurances accounts for 48% of the total payments made and amounts to 340,547,941 lei;
- The payments for the other classes amounted to 26,511,437 lei and accounted for 4% of the total life insurance payments.

I. 3. The damage and expenditure rate

Figure 50. The quarterly evolution of the damage rate and of the combined damage rate for the main general insurance classes between 2014 and 2016



To analyze more closely the damage rate, we have included in the Table below the quarterly rates calculated based on cumulated data.

Table 54. The quarterly evolution of the damage rate and of the combined damage rate for the main general insurance classes

	Class A3			Class A8			Class A10		
Period	Damage rate	Purchasing and administration expenditures rate	Combined rate	Damage rate	Purchasing and administration expenditures rate	Combined rate	Damage rate	Purchasing and administration expenditures rate	Combined rate
Q4 2014	79.78%	36.36%	116.14%	26.41%	42.33%	68.74%	87.05%	39.33%	126.38%
Q4 2015	74.95%	36.67%	111.62%	21.27%	37.66%	58.93%	101.76%	37.37%	139.12%
Q4 2016	71.26%	35.70%	106.97%	20.72%	37.87%	58.59%	73.25%	35.26%	108.51%

Table 55. The quarterly evolution of the Purchasing and administration expenditures, as well as of commission expenses between 2014 and 2016 (forth quarter of each year)

Period	Indicator	class A3	class A8	class A10
Q4 2014	Purchasing and administration expenditures	639,993,782	414,657,320	1,036,133,295
	of which commission expenses	231,232,947	218,528,385	515,054,300
Q4 2015	Purchasing and administration expenditures	586,987,746	344,435,041	984,050,767
	of which commission expenses	226,911,736	193,198,095	550,695,676
Q4 2016	Purchasing and administration expenditures	602,210,801	353,741,028	1,144,306,558
	of which commission expenses	190,975,392	115,074,374	527,274,732

Figure 51. The quarterly evolution of the Purchasing and administration expenditures, as well as of commission expenses between 2014 and 2016 (forth quarter of each year)

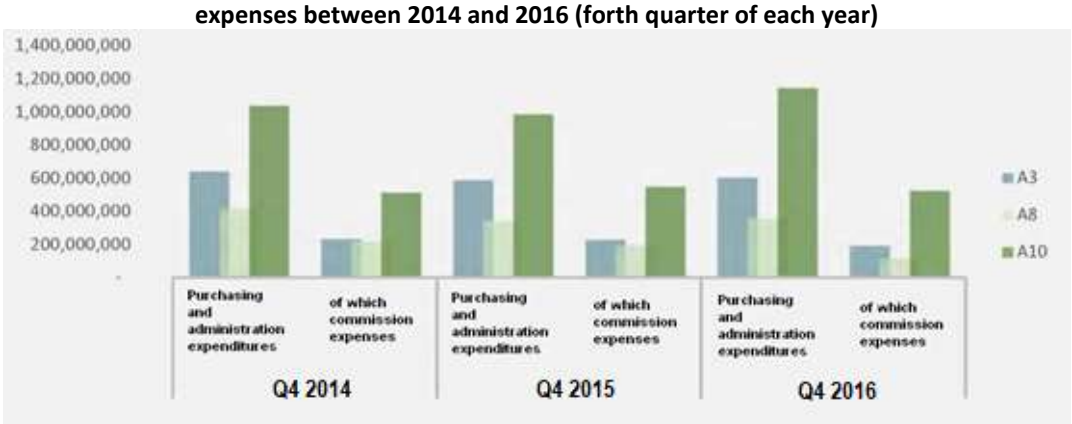


Table 56. The evolution of the share of commission expenses in gross written premiums between 2014 and 2016

Period	class A3	class A8	class A10
Q4 2014	14%	23%	18%
Q4 2015	13%	20%	17%
Q4 2016	11%	12%	13%

Figure 52. The evolution of the share of commission expenses in gross written premiums(%)

It is noted that the weighting of commissions in gross written premiums declined as a result of companies' efforts to ensure a reduction in the combined ratio and thus to improve the indicators of profitability and financial stability.

The market average of all general insurance classes has dropped from 17% in 2015, to 12% in 2016.

I. 4 Technical reserves

As of 31.12.2016, the insurance companies had gross technical reserves for life and general insurances totalling 14,404,041,408 lei, increasing compared to the end of the third quarter of 2016 (13,753,316,872 lei) and to the end of 2015 (13,656,546,791 lei).

Gross technical reserves for general insurances registered a volume of 8,060,286,826 lei, thus accounting for 56% of the total.

For life insurances, the companies constituted reserves amounting to 6,343,754,582 lei, a level corresponding to a weight of 44% of the total.

Technical reserves for general insurances

For the activity of general insurances, on 31.12.2016, insurance companies had gross technical reserves amounting to 8,060,286,826 lei.

The structure of the gross technical reserves for the category of general insurances and the significant classes as a share in the total as at 31.12.2016, was the following:

- premium reserves, in a gross value of 3,321,310,343 lei, accounted for 41% of the total gross technical reserves for general insurances;
- approved damage reserves, amounting to 3.081.025.905 lei, accounted for 38% of the total gross technical reserves for general insurances;
- gross non-accrued damage reserves, amounting to 1,356,611,662 lei, accounted for 17% of the total gross technical reserves for general insurances.

Table 57.The structure of gross technical reserves for general insurances as at 31.12.2016, as compared to 30.09.2016 and 31.12.2015

	31.12.2016	Share in the total	A10	A3	A8	Share in significant classes
	lei	(%)	lei	Lei	lei	(%)
Premium reserves	3,321,310,343	41.21%	1,507,023,708	915,125,303	459,715,680	86.77%
Approved damage reserves	3,081,025,906	38.22%	1,828,420,216	389,011,040	248,899,660	80.05%
Non-accrued damage reserves	1,356,611,662	16.83%	1,086,720,836	96,402,452	49,939,630	90.89%
Other technical reserves	301,338,916	3.74%	4,235,178	93,838,285	135,100,041	77.38%
Total reserves	8,060,286,827	100.00%	4,426,399,938	1,494,377,080	893,655,011	84.54%

	30.09.2016	Share in the total	A10	A3	A8	Share in significant classes
	lei	(%)	lei	lei	lei	(%)
Premium reserves	3,160,508,000	41.57%	1,457,929,132	872,613,005	450,814,059	88.00%
Approved damage reserves	2,926,120,603	38.49%	1,677,358,615	398,263,197	274,907,006	80.33%
Non-accrued damage reserves	1,164,480,746	15.32%	906,279,911	104,799,452	42,572,089	90.48%
Other technical	351,635,369	4.63%	72,194,236	95,191,534	134,297,711	85.79%
Total reserves	7,602,744,718	100%	4,113,761,894	1,470,867,188	902,590,865	85.33%

	30.12.2015	Share in the total	A10	A3	A8	Share in significant classes
	lei	(%)	lei	lei	lei	(%)
Premium reserves	3,062,384,525	38.92%	1,235,337,609	876,989,042	461,242,448	84.04%
Approved damage	3,090,414,463	39.28%	1,944,754,600	383,125,730	275,213,626	84.23%
Non-accrued damage reserves	1,345,973,851	17.11%	1,101,957,433	106,213,188	40,309,623	92.76%
Other technical	368,692,265	4.69%	44,616,307	94,693,415	132,049,123	73.60%
Total reserves	7,867,465,104	100%	4,326,665,949	1,461,021,375	908,814,820	85.12%

Technical reserves for life insurances

For the activity of life insurances, on 31.12.2016, the insurances companies had gross technical reserves amounting to 6,343,754,582 lei.

Of these, the reserves related to the life insurances of Class C3— Life insurances and annuities related to investment funds and those related to Class C1— Life insurances, annuities and additional insurances together account for about 99% of the total.

The increase in the value of technical reserves in life insurances is both the effect of the underwriting of new risks and of the fluctuation of the calculated reserve value due to the change in the parameters included in the technical base (e.g. risk-free return used to calculate the present value of future cash flows and payments, the annual bonus rate included in the insured amount etc.).

Unlike general insurances where insurances policies generally have a duration of 1 year or less (the reserves set up to be released either at the time of the payment of the damage or at the end of the contract), the life insurances contracts have a long-term horizon, which makes sure the reserves are kept for long periods of time and accumulate gradually.

Table 58.The structure of gross technical reserves for the life insurances category, as at 31.12.2016

	31.12.2016 (lei)	Share in the total(%)
Premium reserve	431,330,027	6.80%
Mathematical reserve	5,656,286,598	89.16%
Benefits and rebates reserve	119,811,570	1.89%
Other technical reserves	136,326,387	2.15%
Total technical reserves corresponding to life insurances	**6,343,754,582**	**100%**

Table 59.The structure of gross technical reserves for the life insurances category, as at 30.09.2016

	30.09.2016 (lei)	Share in the total (%)
Premium reserve	390,288,841	6.35%
Mathematical reserve	5,496,648,304	89.37%
Benefits and rebates reserve	120,849,334	1.96%
Other technical reserves	142,785,675	2.32%
Total technical reserves corresponding to life insurances	**6,150,572,154**	**100%**

Table 60.The structure of gross technical reserves for the life insurances category, as at 31.12.2015

	31.12.2015 (lei)	Share in the total (%)
Premium reserve	380,438,307	6.57%
Mathematical reserve	5,154,812,729	89.04%
Benefits and rebates reserve	120,685,774	2.08%
Other technical reserves	133,144,877	2.30%
Total technical reserves corresponding to life insurances	**5,789,081,687**	**100%**

I.5The liquidity of insurance companies

The liquidity ratio is determined as the ratio between the liquid assets provided by the rules and the short-term liabilities of insurers to policyholders.
At 31 December 2016, the liquidity ratio for each of the categories of insurances, as well as the elements contributing to its formation, recorded the following values:

Table 61.The liquidity ratio for each of the categories of insurances at 31 December 2016

	Government securities (mil. lei)	Municipal bonds (mil. lei)	Traded stocks and shares (mil. lei)	Deposits (mil. lei)	Current Account and cash desk (mil. lei)	Short term bonds (mil. lei)	Liquidity ratio
GI	4,647	47	358	503	274	2,272	2.57
LI	2,823	64	1,249	342	78	899	5.07

Table 62.The liquidity ratio for each of the categories of insurances at 30 September 2016

	Government securities (mil. lei)	Municipal bonds (mil. lei)	Traded stocks and shares (mil. lei)	Deposits (mil. lei)	Current Account and cash desk (mil. lei)	Short term bonds (mil. lei)	Liquidity ratio
GI	4,527	47	296	554	448	2,278	2.58
LI	2,730	64	1,209	303	74	863	5.08

I.6 Reinsurance

For the general insurances category

Approximately 34% of the gross written premiums in 2016 for general insurances were ceded into reinsurance.

Table 63. The evolution of GWPs and of the net reinsurance premiums between 2012 and 2016 for GI

Period	GWPs (lei)	Net reinsurance premiums (lei)	Degree of retention	Degree of cession into reinsurance (%)
Q4 2012	6,454,395,818	4,775,481,607	73.99%	26.01%
Q4 2013	6,488,150,452	4,213,359,198	64.94%	35.06%
Q4 2014	6,448,556,518	4,566,330,094	70.81%	29.19%
Q4 2015	6,957,416,634	4,740,024,497	68.13%	31.87%
Q4 2016	7,717,501,992	5,111,883,479	66.24%	33.76%

Table 64. The evolution of GPIs and of the net reinsurance GPIs between 2012 and 2016 for GI

Period	GPIs (lei)	Net reinsurance GPIs (lei)	Degree of retention	Degree of cession into reinsurance (%)
Q4 2012	4,453,717,618	3,516,588,872	78.96%	21.04%
Q4 2013	4,217,170,541	2,726,797,136	64.66%	35.34%
Q4 2014	4,036,207,152	2,863,676,139	70.95%	29.05%
Q4 2015	3,773,614,760	2,673,254,225	70.84%	29.16%
Q4 2016	3,601,260,908	2,443,131,348	67.84%	32.16%

Compared to gross indemnities paid in 2016, about 32% was the amount recovered from the reinsures.

Of the gross technical reserves existing at the end of the fourth quarter of 2016, about 34% was related to reinsurance cessions.

Table 65. The evolution of the gross technical reserves and of tenet technical reserves between 2012 and 2016 for GI

Period	Gross technical reserves (lei)	Net reinsurance technical reserves (%)	Degree of retention	Degree of cession into reinsurance
Q4 2012	6,971,815,101	4,899,683,739	70.28%	29.72%
Q4 2013	7,340,812,161	5,451,031,282	74.26%	25.74%
Q4 2014	7,598,200,584	5,712,552,531	75.18%	24.82%
Q4 2015	7,867,465,104	5,475,970,612	69.60%	30.40%
Q4 2016	8,060,286,827	5,296,485,729	65.71%	34.29%

Traditionally, there are important differences in reinsurance policy between life insurances and general insurances.

For a large part of general insurance products (e.g. catastrophe insurance, civil liability insurance), as part of their own risk management strategy, insurers often resort to different forms of collateral contracts of cession into reinsurance, thus limiting the maximum loss suffered in case of the occurrence of the events insured against which could have a significant financial impact.

For the life insurances category

In the case of life insurances, insurance companies generally take a much larger share of the subscribed risk.

Due to the fact that the insurance premiums are generally anticipated and the indemnities in the event of the insured event are fixed by the contract for each event, therefore they are more predictable, the life insurance companies do not resort to cession into reinsurance as in the case of general insurances. In the past 5 years, the reinsurance cession was less than 4% of the gross written premiums and no more than 2% of the gross technical reserves, fluctuations from one year to the next not being significant.

Table 66. The evolution of GWPs and of the net reinsurance premiums between 2012 and 2016 for LI

Period	GWPs (lei)	Net reinsurance premiums (lei)	Degree of retention	Degree of cession into reinsurance (%)
Q4 2012	1,736,614,154	1,685,133,377	97.04%	2.96%
Q4 2013	1,493,750,277	1,439,591,355	96.37%	3.63%
Q4 2014	1,374,917,896	1,328,395,922	96.62%	3.38%
Q4 2015	1,577,502,907	1,531,023,372	97.05%	2.95%
Q4 2016	1,669,836,733	1,609,777,383	96.40%	3.60%

Table 67. The evolution of GPIs and of tenet reinsurance GPIs between 2012 and 2016 for LI

Period	GPIs (lei)	Net reinsurance GPIs (lei)	Degree of retention	Degree of cession into reinsurance (%)
Q4 2012	129,416,290	113,667,595	87,83%	12,17%
Q4 2013	122,124,738	106,914,488	87,55%	12,45%
Q4 2014	132,208,935	112,211,861	84,87%	15,13%
Q4 2015	144,890,234	122,919,164	84,84%	15,16%
Q4 2016	154,047,992	136,503,963	88,61%	11,39%

Table 68. The evolution of the gross technical reserves and of tenet technical reserves between 2012 and 2016 for LI

Period	Gross technical reserves (lei)	Net reinsurance technical reserves (%)	Degree of retention	Degree of cession into reinsurance
Q4 2012	5,273,635,644	5,182,855,780	98.28%	1.72%
Q4 2013	5,094,009,149	5,026,814,722	98.68%	1.32%
Q4 2014	5,348,016,549	5,315,449,394	99.39%	0.61%
Q4 2015	5,789,081,687	5,763,459,444	99.56%	0.44%
Q4 2016	6,343,754,582	6,315,693,779	99.56%	0.44%

I.7 Statistical data under the new solvency regime

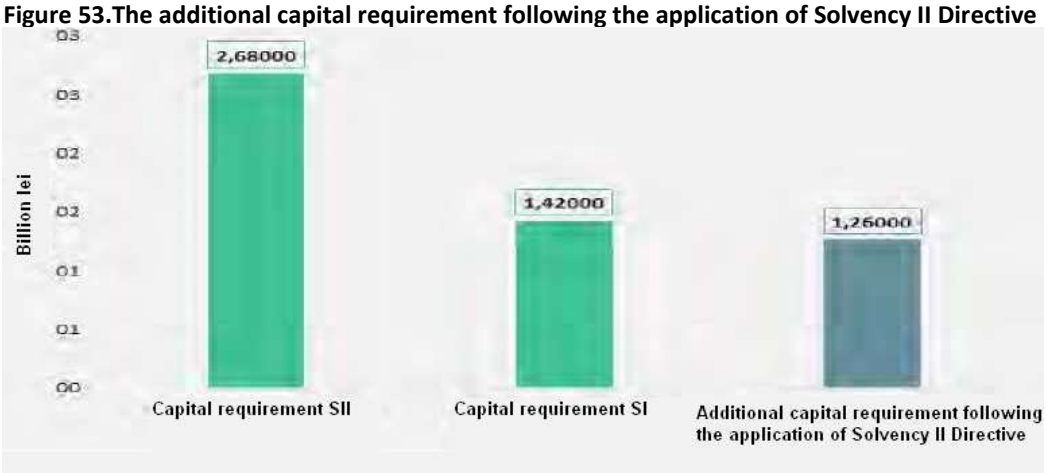
The entry into force of the Solvency II Directive as of 1 January 2016 imposed on insurance companies the need to align with new rules and standards.

The directive increases consumer protection by introducing prudential financial requirements (Pillar I) in order to ensure that payments are made to policyholders and / or beneficiaries of insurance policies.

As a prudential risk-based regime, Solvency II uses specific models to assess assets, bonds and capital requirements involved in the insurance activity.

By applying these provisions, there are significant differences compared to the values calculated under the statutory regulations (Solvency I regime), especially with regard to reserves and prudential financial requirements (capital requirements).

Figure 53.The additional capital requirement following the application of Solvency II Directive

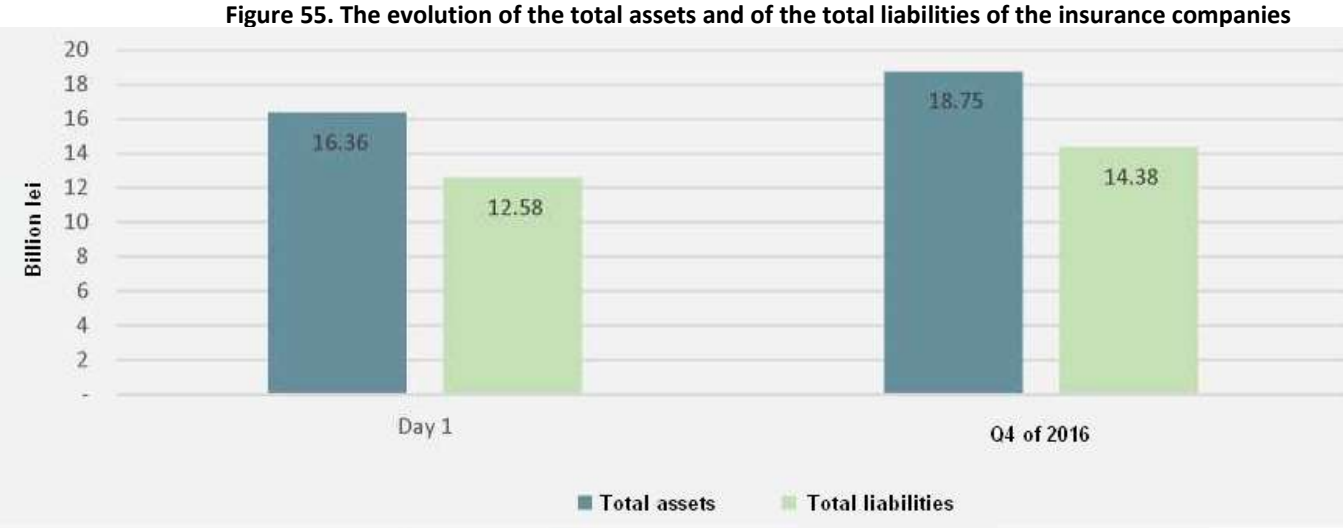


Under Solvency II, capital requirements for insurance companies are higher and are actually based on the risks assumed by them (both from an investment perspective and an underwriting one).
A comparative analysis between capital requirements imposed by Solvency II versus Solvency I indicators for the Romanian insurance sector an additional capitalization requirement of 1.26 billion lei at market level, which represents approximately 16% of the gross premiums written in 2015.
The additional funding requirement that came with the transition to the Solvency II regime is partly covered by the surplus consisting in the own funds resulting from the change in the method of asset and reserves valuation (especially in the case of life insurances).
Thus, on 1 January 2016, the companies had their own funds eligible to cover the capital requirements increasing by 1.14 billion lei (about 40%), as compared to the solvency margin available on 31 December 2015, under the previous prudential regime.

Figure 54. The additional capital requirement following the application of Solvency II

During the fourth quarter of 2016, both the value of the assets and that of the liabilities of the insurance companies (measured according to the Solvency II principles) increased compared to the values recorded on Day 1.
Thus, total assets of insurance companies increased by 15% and debts by 14% in the fourth quarter of 2016, as compared to the value recorded on 1 January 2016.

Figure 55. The evolution of the total assets and of the total liabilities of the insurance companies

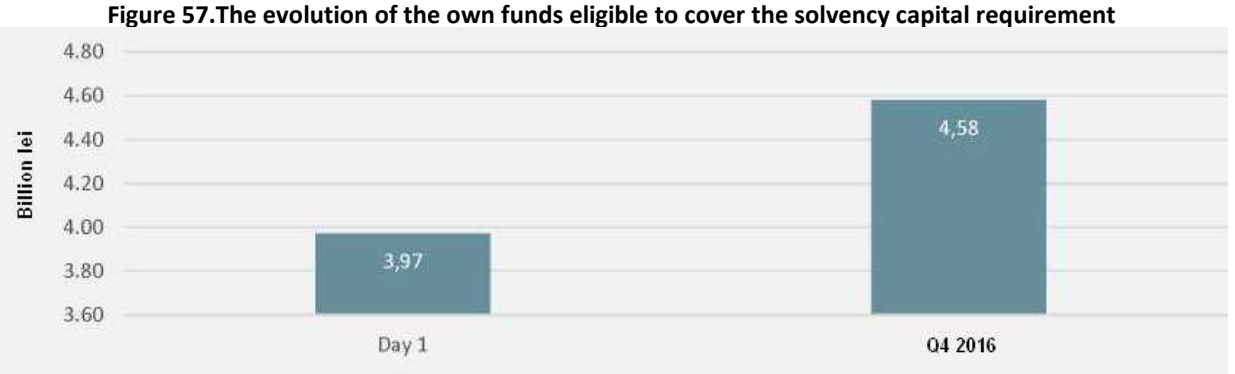


The surplus of assets against debts was of 4.37 billion lei, on 31.12.2016, up with 16% from 3.78 billion lei, on 1 January 2016.

Figure 56. The evolution of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR)

A comparative analysis of the situation recorded at Day 1 and that existing at the end of the fourth quarter of 2016 indicates an increase in the Solvency Capital Requirement (SCR) by 206 million lei.
This indicator has a significance equivalent to the maximum between the safety fund and the minimum solvency margin that will be calculated under the Solvency I regime.
With regard to the minimum capital requirement, which replaces the safety fund with the entry into force of the Solvency II fund, there is an 8% increase as at 31.12.2016, as compared to Day 1.
The own funds eligible to cover the solvency capital requirement reach, at the end of the fourth quarter of 2016, a value of 4.58 billion lei, up by 40%, as compared to Day 1.

Figure 57.The evolution of the own funds eligible to cover the solvency capital requirement



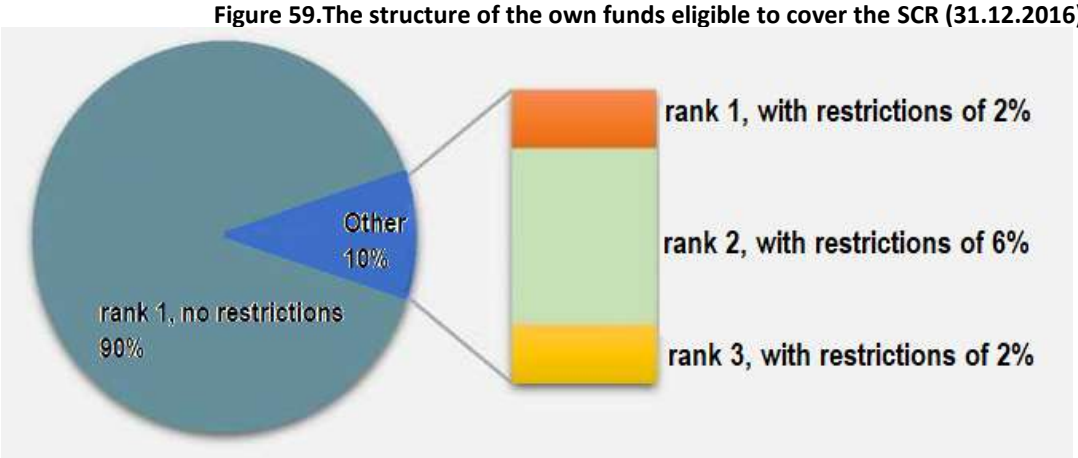
The aggregate amount of own funds eligible to cover SCR is formed by adding up the company's own funds to the 3 ranks defined by the Solvency regime II according to quality criteria.

Figure 58.The structure of the own funds eligible to cover the SCR (D1)

On 1 January 2016 (the first day of applicability of Solvency II), eligible own funds amounted to 3.9 billion lei at the level of the whole system, consisting mainly of items of rank 1, with no restrictions (93.11%), and elements of rank 2 (4.77%).

During the fourth quarter of 2016, the eligible own funds amounted to 4.58 billion lei and, with respect to the component elements, items of rank 1, with no restrictions (91%).

Figure 59.The structure of the own funds eligible to cover the SCR (31.12.2016)

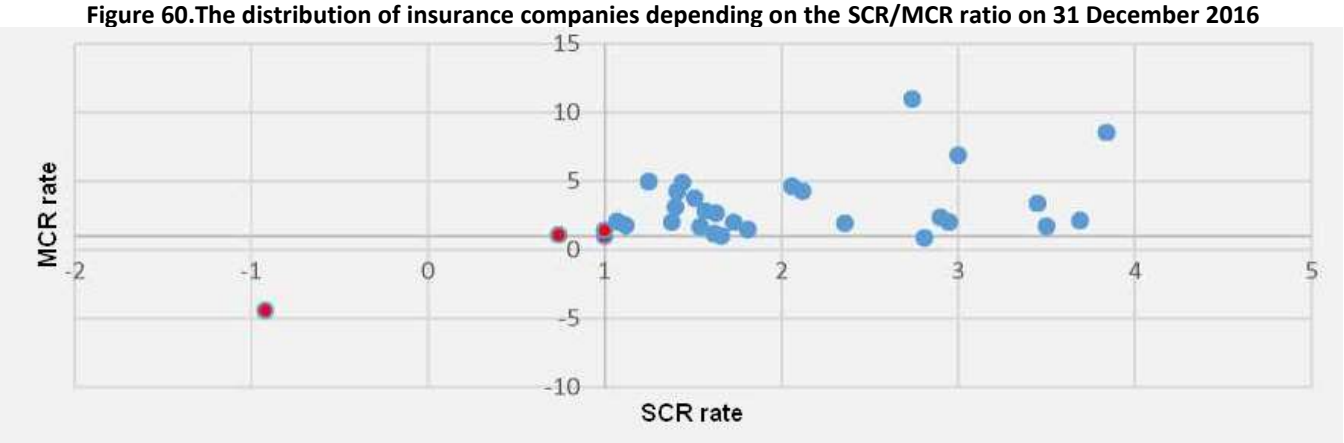


The significant share of rank 1 items in total eligible own funds indicates that, at market level, the capital held by insurance companies in Romania is of very good quality (consisting mainly in their own funds).

The SCR and MCR rates represent the ratio between the own funds eligible to cover the capital requirements and their actual value.

In the fourth quarter of 2016, there was a company that did not meet the capital requirements (SCR) or the minimum capital requirements (MCR), and a company that did not meet either the capital requirement (SCR), or the minimum capital requirements (MCR) .

Figure 60.The distribution of insurance companies depending on the SCR/MCR ratio on 31 December 2016



It is noted that on 31 December 2016 for most companies, the level of eligible own funds was positive and the SCR rate was over-unitary.

I.8The evolution of the third party motor liability insurance (RCA) market in 2016

In 2016, on the insurance market, the following insurers authorized by A.S.F. for RCA activities, were operational:

- Allianz-Ţiriac Asigurări SA, Asigurarea Românească - Asirom Vienna Insurance Group SA, Societatea de Asigurare - Reasigurare City Insurance SA, Carpatica SA, Euroins Romania Asigurare - Reasigurare SA, Generali Romania Asigurare Reasigurare *SA,* Groupama Asigurări *SA,* Omniasig Vienna Insurance Group SA and Uniqa SA.

During 2016, following the assessments made by A.S.F., it was established that it is appropriate that the company Carpatica Asig SA be liquidated through the ordinary insolvency procedure and it was decided to close the recovery procedure on the basis of a recovery plan, namely to establish the state of insolvency, to initiate the bankruptcy proceedings and to withdraw the operating license of Carpatica Asig SA.

The market share

In 2016, there is a significant concentration in the top of the first insurers, reaching the situation where the first two insurers accumulate about 38% of the RCA portfolio in Romania.

Table 69.The market share in 2016

Item no.	Company	Total written premiums (lei)	Market share
1	EUROINS	833,142,226	20.65%
2	ASIROM VIG	698,875,670	17.33%
TOTAL (1-2)		1,532,017,896	**37,98%**
3	CITY INSURANCE	650,398,378	16.12%
4	CARPATICA	424,054,342	10.51%
5	ALLIANZ - TIRIAC	382,351,193	9.48%
6	OMNIASIG VIG	359,604,951	8.92%
7	GROUPAMA	282,239,447	7.00%
8	GENERALI	204,985,868	5.08%
9	UNIQA	197,982,872	4.91%
TOTAL		**4,033,634,947**	**100%**

Concerning the history of competition in the RCA market and the struggle to gain a higher market share, a statistic for the period 2011-2016 shows that traditionally the Romanian RCA market was dominated by 3-4 large insurers, while the share of the other players was much lower, or even insignificant.
There is a significant increase in market share for most of the RCA insurance companies (e.g. City Insurance had an increase from 10.4% to 16.1%) due to the redistribution of the portfolio owned by Carpatica, an important player in the RCA market in the past.

Table 70. The evolution of the RCA market shares registered between 2011 and 2016 is as follows:

	Company	2011	2012	2013	2014	2015	2016
1	EUROINS	**12.80%**	**18.80%**	**19.50%**	**16.60%**	**22.00%**	**20.65%**
2	CARPATICA	**9.20%**	**12.70%**	**17.30%**	**18.00%**	**16.40%**	**10.51%**
3	ASIROM VIG	**15.60%**	**10.80%**	**8.60%**	**9.40%**	**12.70%**	**17.33%**
4	CITY INSURANCE	**0.30%**	**2.30%**	**7.50%**	**10.70%**	**10.40%**	**16.12%**
5	OMNIASIG VIG	**20.40%**	**10.20%**	**7.90%**	**9.90%**	**10.20%**	**8.92%**
6	ASTRA	**20.30%**	**16.70%**	**15.10%**	**15.40%**	**8.70%**	**0.00%**
7	ALLIANZ - TIRIAC	**8.00%**	**8.30%**	**8.70%**	**8.30%**	**8.20%**	**9.48%**
8	GROUPAMA	**4.30%**	**9.30%**	**5.20%**	**4.30%**	**5.60%**	**7.00%**
9	UNIQA	**4.30%**	**7.10%**	**8.20%**	**5.50%**	**3.80%**	**4.91%**
10	GENERALI	**4.60%**	**3.60%**	**1.70%**	**1.70%**	**1.90%**	**5.08%**
11	ABC	**0.10%**	**0.10%**	**0.30%**	**0.30%**	**0.00%**	**0.00%**
	Total	100%	100%	100%	100%	100%	100%
	For Omniasig VIG, for the years before the merger, were cumulated the figures of Omniasig and BCR Saguaro Generale						
	For Generali, for the years before the merger, were cumulated the figures of Generali and Ardaf						
	For Astra, was used data as at 30 June 2015 for the entire year 2015						
	For Caraptica, was used data as at 30 June 2016for the entire year 2016						

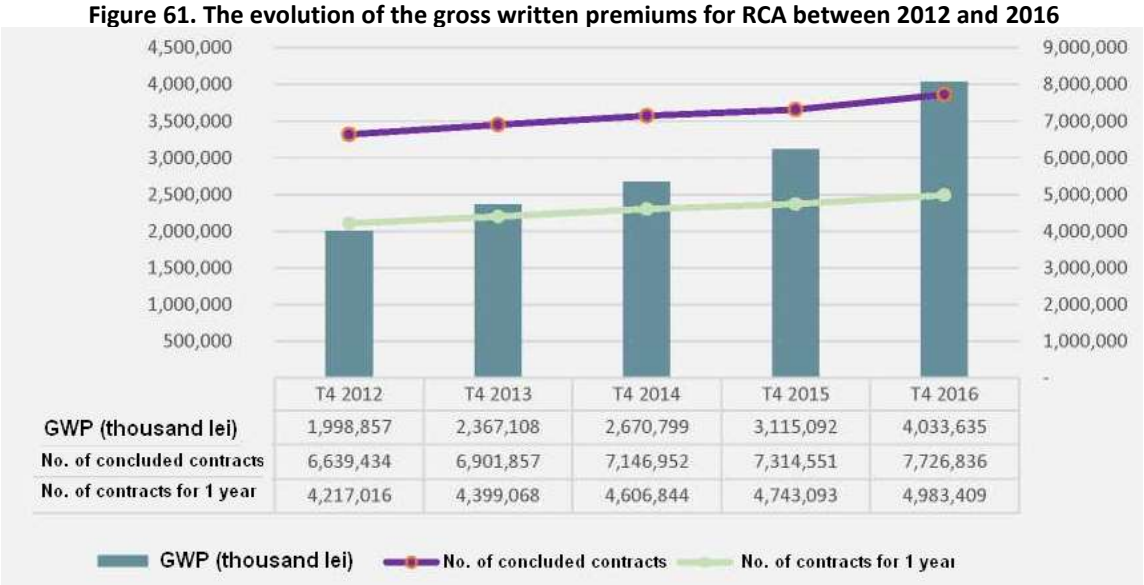
The evolution of the premiums

The total amount of insurance premiums subscribed for RCA in 2016 reached 4,033,634,947lei, and the remainder up to the total of A10 class represented the carrier's insurance for the goods transported as a carrier.

Compared to the same period of the previous year, gross written premiums increased by 29.5%.

Expressed in annual units (in order to take account of the different duration of the policies), the number of RCA contracts concluded in 2016 was of 4,983,409 contracts, equivalent to an increase by 5.07%, as compared to the previous year.

Figure 61. The evolution of the gross written premiums for RCA between 2012 and 2016



In 2016, similarly to previous years but decreasing, the largest share is represented by policies with a valid period of 6 months.

Table 71.The share of the contracts concluded during the period of the total number of contracts, depending on the validity period – between 2012 and 2016

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016
Over a period of 12 months	32.91%	33.39%	35.08%	36.27%	37.92%
Over a period of6months	60.04%	59.52%	57.52%	55.83%	51.37%
Over a period of 1month	7.06%	7.10%	7.40%	7.90%	10.71%
Total	100%	100%	100%	100%	100%

Table 72.The share of the contracts concluded during the period of the total number of contracts, depending on the type of contractor (natural person or legal person) – between 2012 and 2016

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016
Natural persons	77.78%	78.06%	78.35%	78.80%	78.29%
Legal persons	22.22%	21.94%	21.65%	21.20%	21.71%
Total	100%	100%	100%	100%	100%

In the last year there were no significant changes in the structure of customer portfolios, so that at the level of the entire market the share of the contracts concluded with natural persons remained at a constant level, of around 78%.

The evolution of the average RCA premium

For the whole of the market, the annual RCA average premium increased by about 23% in 2016, as compared to the previous year, amounting to 809 lei.

Table 73. The evolution of the average RCA premium between 2012 and2016

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016
Total market	474	538	580	657	809
Natural persons	362	400	423	455	528
Legal persons	809	957	1,072	1,311	1,725

To illustrate how the first average is calculated, the detailed calculation for 2016 is shown below.

Table 74.The average RCA premium between during the first nine months of 2016

	Total	Natural persons	Legal persons
Number of contracts concluded during the period:	**7,726,836**	**6,048,955**	**1,677,881**
Over a period of 12 months	2,929,698	2,135,510	794,188
Over a period of 6 months	3,969,478	3,241,901	727,577
Over a period of 1 month	827,660	671,544	156,116
RCA subscribed premiums (lei), out of which:	**4,033,634,921**	**2,014,207,953**	**2,019,426,968**
With a validity of 12 months	2,250,002,955	975,326,895	1,274,676,060
With a validity of 6 months	1,702,784,241	990,613,272	712,170,969
With a validity of 1 month	80,847,725	48,267,786	32,579,939
The RCA average premium for 12-month contracts (calculated as the ratio between the volume of premiums subscribed for contracts with a validity of 12 months and the number of RCA contracts with a validity of 12 months) - lei	768	457	1,605
The RCA average premium for 6-month contracts (calculated as the ratio between the volume of premiums subscribed for contracts with a validity of 6 months and the number of RCA contracts with a validity of 6 months multiplied by 2) - lei	858	611	1,958
The RCA average premium for 1-month contracts (calculated as the ratio between the volume of premiums subscribed for contracts with a validity of 1 month and the number of RCA contracts with a validity of 1 month multiplied by 12) - lei	1,172	863	2,504
Annual exposure units (12-month contracts + 6-month contracts divided by 2 + number of 1 month contracts divided by 12)	**4,983,409**	**3,812,423**	**1,170,986**
The annualized RCA average premium (GWP divided by annual exposure units) - lei	**809**	**528**	**1,725**

The evolution of indemnities

The average RCA indemnity paid for injuries in 2016 declined by 11%, as compared to the previous year, while material damage indemnity increased by 2% per total, the average indemnity remaining at a relatively constant level.

Figure 62. Evolution of indemnities paid between 2012 and2016 for injuries (in thousand lei) and the number of related claims paid

Figure 63. The evolution of indemnities paid between 2012 and 2016 for material indemnities (in thousand lei) and the number of related claims paid

Figure 64. The evolution of average indemnities and of average premiums between 2012 and 2016

Table 75.The evolution of indemnities paid between for injuries

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016
Indemnities paid to natural persons	174,758,447	220,266,636	279,364,114	256,575,512	252,414,068
Indemnities paid to legal persons	124,520,766	164,603,783	192,318,426	182,603,559	165,861,391
Total paid indemnities	**299,279,213**	**384,870,419**	**471,682,540**	**439,179,071**	**418,275,459**

Table 76. The evolution of indemnities paid between for material damages

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016
Indemnities paid to natural persons	800,073,233	838,152,005	817,022,264	826,935,413	846,950,774
Indemnities paid to legal persons	594,178,325	650,993,213	608,175,080	683,675,610	664,660,729
Total paid indemnities	**1,394,251,558**	**1,489,145,218**	**1,425,197,344**	**1,510,611,023**	**1,511,611,503**

Figure 65. The evolution of the average indemnity paid between for RCA, for injuries

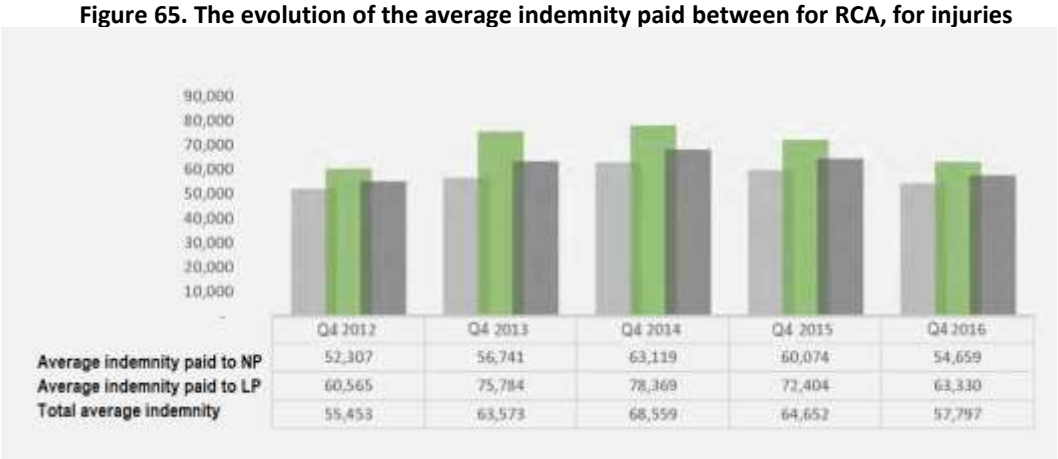
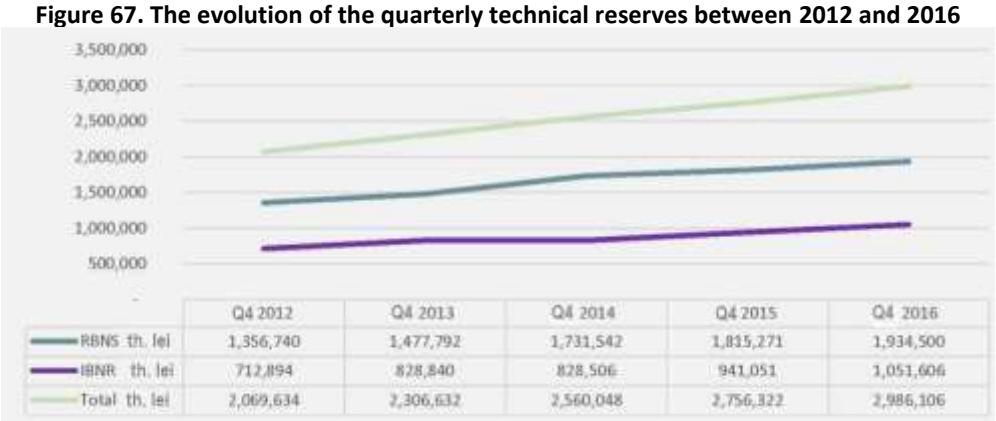


Figure 66. The evolution of the average indemnity paid between for RCA, for material damages

In order to have an overview of the actual expenses with indemnities, it is also necessary to consider the variation of the technical reserves set up by companies for the RBNS as well as for the non-approved and consequently unpaid indemnities (IBNR).

Figure 67. The evolution of the quarterly technical reserves between 2012 and 2016



I.9The housing insurances

In 2016, optional housing insurances registered a decrease of 6%, as compared to the same period of the previous year.

Table 77. The dynamics of number of contracts and volume of gross written premiums for optional housing insurances between 2012 and 2016 (quarterly)

Period	Number of contracts in force (pcs.)	Number of contracts concluded in the reported period (pcs.)	Gross written premiums (lei)	Gross paid indemnities (lei)
Q4 2012	3,324,910	3,344,273	565,773,166	76,678,178
Q4 2013	2,462,765	3,280,716	548,361,838	58,333,736
Q4 2014	1,830,996	2,057,208	348,818,065	60,030,452
Q4 2015	1,424,589	1,691,392	335,384,973	60,743,359
Q4 2016	1,303,997	1,289,917	316,632,212	62,893,837

Figure 68. The dynamics of number of contracts and volume of gross written premiums for compulsory housing insurances between 2012 and 2016 (quarterly)

The compulsory housing insurances are illustrated by the results of the PAID Disaster Insurance Pool.
Compared to the fourth quarter of 2015, the number of contracts in force at the end of the period increased by 7%, and gross written premiums increased by 9%.

Table 78. The evolution of compulsory housing insurances

Period	Number of contracts in force at the end of the reported period (pcs.)	Number of new contracts concluded in the reported period (pcs.)	Gross written premiums (lei)	Gross paid indemnities (lei)
Q4 2012	331,131	331,131	24,200,893	276,689
Q4 2013	736,318	736,318	60,253,975	473,496
Q4 2014	1,491,329	1,491,329	126,632,285	2,968,224
Q4 2015	1,590,954	1,590,954	134,862,012	3,881,833
Q4 2016	1,703,047	1,703,047	146,859,912	2,525,055

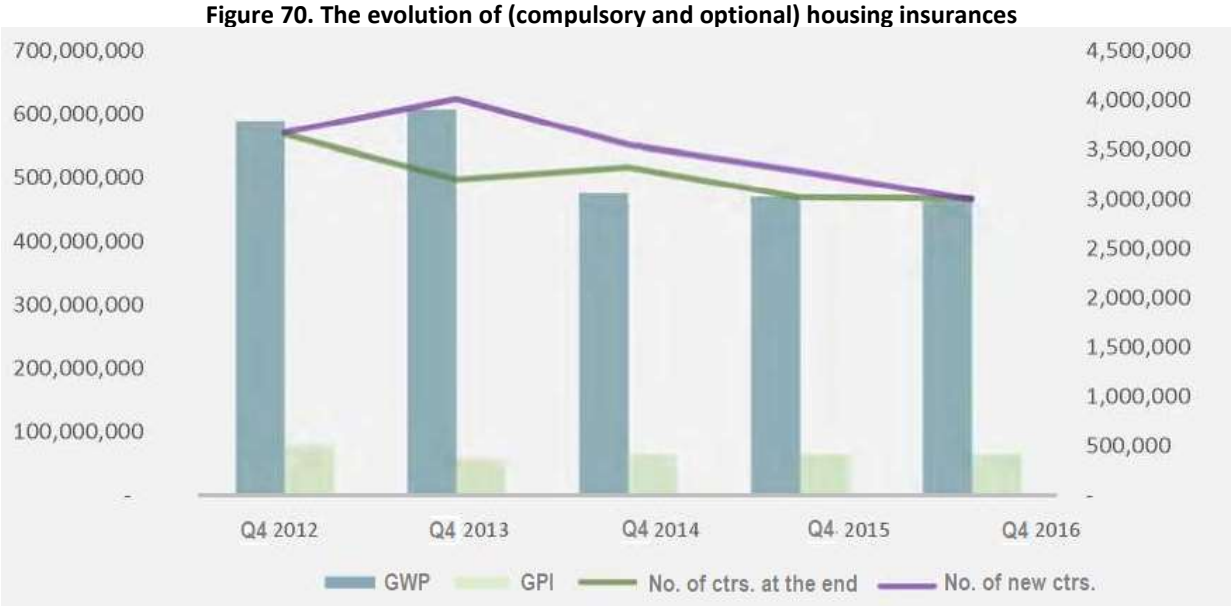
Figure 69. The evolution of compulsory housing insurances

On the whole of the (compulsory and optional) housing insurance market, in 2016 there was a decrease in gross written premiums of about 1%, as compared to the same period of the previous year.

Table 79. The evolution of (compulsory and optional) housing insurances

Period	Number of contracts in force at the end of the reported period (pcs.)	Number of new contracts concluded in the reported period (pcs.)	Gross written premiums (lei)	Gross paid indemnities (lei)
Q4 2012	3,656,041	3,675,404	589,974,059	76,954,867
Q4 2013	3,199,083	4,017,034	608,615,813	58,807,232
Q4 2014	3,322,325	3,548,537	475,450,350	62,998,676
Q4 2015	3,015,543	3,282,346	470,246,985	64,625,192
Q4 2016	3,007,044	2,992,964	463,492,124	65,418,892

Figure 70. The evolution of (compulsory and optional) housing insurances



II. Subsidiaries

As of 31 December 2016, 11 branches were active in the insurance market, out of which 8 practiced general insurance ("GI") activities, and 3 practiced life insurance ("LI").

Starting in May 2016, ASF has approved the change in the legal form of Metropolitan Life from an insurance company to a subsidiary.

II.1 The gross premiums written by subsidiaries (GI and LI)

Subsidiaries have accumulated in 2016 gross written premiums worth 663.6 million lei, up by 12% from the gross premiums written in 2015:

- Gross written premiums (GWP) for general insurances (GI) amounted to 304.7 million lei, up by 14%, as compared to the previous year;
- Gross written premiums (GWP) for life insurances (LI) amounted to 358.9 million lei, up by 11%, as compared to the previous year.

Table 80. The dynamics of breakdown by insurance segments between 2015 and 2016

	Q4 2015	Q4 2016
GI	268,163,430	304,743,476
LI	324,329,541	358,874,259
TOTAL	**592,492,971**	**663,617,734**
GI weight (%)	45%	46%
LI weight (%)	55%	54%

Figure 71. The evolution of volume of gross written premiums between 2015 and 2016

II.2 The gross indemnities paid by subsidiaries(GPI)

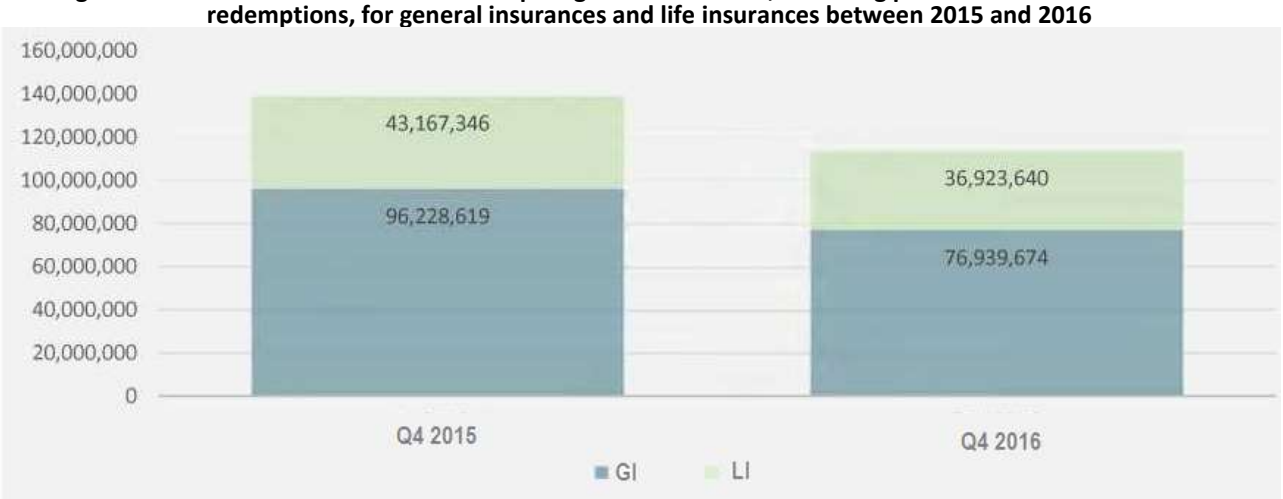
In 2016, subsidiaries reported paid gross indemnities (excluding partial and total maturities and redemptions), cumulated for the two categories of insurances, in the amount of 113.9 million lei, as follows:

- 76.9 million lei are related to the general insurance contracts (68% of the total gross indemnities paid), decreasing by 20%, as compared to 2015 (96.2 million lei);
- 36.9 million lei represent the amounts paid for gross indemnities related to life insurances, registering a decrease of 14%, as compared to 2015 (43.2 million lei).

Table 81. The evolution of the volume of paid gross indemnities, excluding partial and total maturities and redemptions, for general insurances and life insurances (million lei)

	Q4 2015	Q4 2016
GI	96,228,619	76,939,674
LI	43,167,346	36,923,640
TOTAL	**139,395,965**	**113,863,314**
GI weight (%)	69%	68%
LI weight (%)	31%	32%

Figure 72. The evolution of the volume of paid gross indemnities, excluding partial and total maturities and redemptions, for general insurances and life insurances between 2015 and 2016



III. INSURANCE AND / OR REINSURANCE BROKERS

According to the centralized data, as of 31.12.2016, 324 insurance and / or reinsurance brokers carried out insurance intermediation and / or indemnity adjustment out of the total of 327 who submitted quarterly reports by the fourth quarter of 2016, according to the norms in force, while 94 insurance brokers figured with suspended / temporarily suspended activity.

III.1 The insurance brokering activity

As a result of the centralization of the reports submitted on 31 December 2016, it is clear that on that date the value of the general insurances and life insurances premiums amounted to 6,208,320,421 lei, registering a nominal increase as compared to the same period of 2015 (5.217,310,211 lei) of 18,99 percentage points (an increase of 18.67% for general insurances and an increase of 31.75% for life insurances).

In 2016, insurance and / or reinsurance brokers mediated 66.14% of the total gross premiums written by insurers for the two categories of insurances (6.208.320.421 lei), which is an increase of 5.01 percentage points, as compared to the brokering degree recorded in the similar period of 2015 (61.13%).

Table 82. The evolution of the degree of brokering

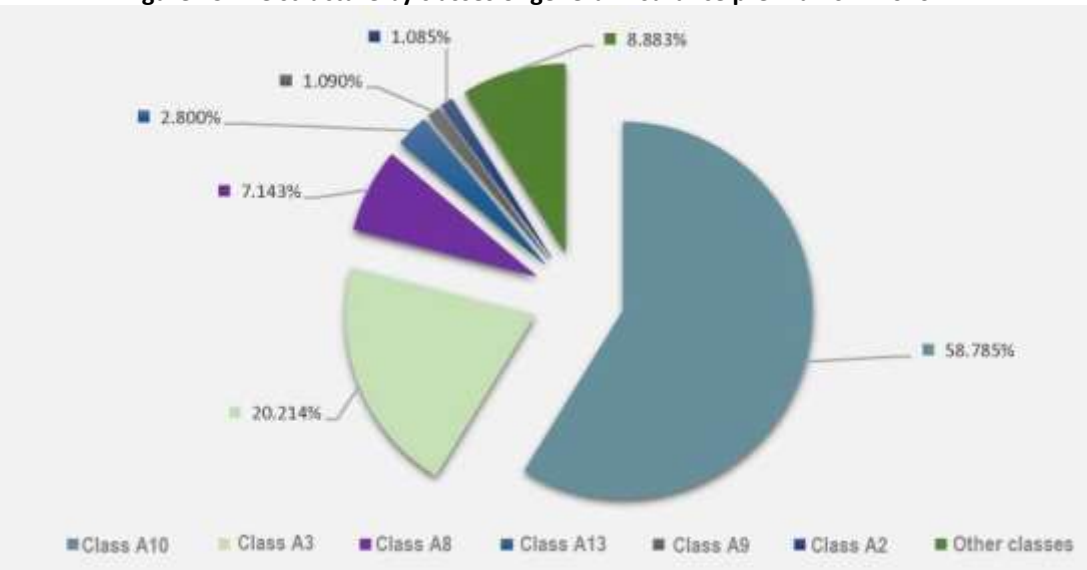
Period	Brokered premiums (lei)			*Gross written premiums (lei)			Brokering degree (%)		
	Total, of which:	GI	LI	GI	LI	GI	GI	LI	GI
31.12.2012	3,603,711,982	3,506,100,616	97,611,366	8,191,009,972	6,454,395,818	1,736,614,154	44.00%	54.32%	5.62%
31.12.2013	3,928,510,997	3,830,266,198	98,244,799	7,941,900,729	6,448,150,452	1,493,750,277	49.47%	59.40%	6.58%
31.12.2014	4,553,370,570	4,440,078,309	113,292,261	7,823,474,414	6,448,556,518	1,374,917,896	58.20%	68.85%	8.24%
31.12.2015	5,217,310,211	5,088,347,613	128,962,597	8,534,919,541	6,957,416,634	1,577,502,907	61.13%	73.14%	8.18%
31.12.2016	6,208,320,421	6,038,410,337	169,910,084	9,386,102,882	7,716,266,149	1,669,836,733	66.14%	78.26%	10.18%

Gross written premiums do not include premiums written by Metropolitan Life SA

Analyzing the structure of the first brokers by the insurance and / or reinsurance brokers by classes of general insurances, it is noticed that, in 2016, significant weightings in the total premiums for general insurances (6,038,410,337 lei), have the following classes:

- class A10.Civil liability insurances for vehicles (RCA + CMR) covers 58.79% (3,649,577,970 lei);
- class A3.Land transport insurances(Casco) covers 20.21% (1,254,970,037 lei);
- class A8.Insurances against fire and other natural disasters covers 7.14% (443,435,151 lei);
- class A13. Insurances of general civil liability, excluding the one mentioned in classes 10-12 covers 2.80% (173,848,867 lei);
- class A9. Other damages or losses related to goods other than those mentioned in classes 3-7 covers1.09% (67,646,018 lei);
- class A2. Health insurances covers 1.09% (67,383,721 lei);
- Other classes held a weight of 8.88% (558,458,656 lei) of the total premiums.

Figure 73.The structure by classes of general insurance premiums in 2016



By analyzing the structure of the **premiums brokered** by the insurance brokers by **life insurance** classes (169,910,084 lei) it is observed that, in 2016, the following classes have significant weightings:

- class C1. "Life insurances, annuities and additional life insurances" in the amount of 148,611,251 lei, respectively 87.46% of the total premiums for the life insurance category;
- class C3. "Life insurance and annuities, which are linked to investment funds (unit-linked funds)" in the amount of 11,830,907 lei, respectively 6.96% of the total premiums for the life insurance category;
- Other life insurance classes accounted for 5.57% of total premiums.

Figure 74. The structure by classes of life insurances of brokered premiums in 2016

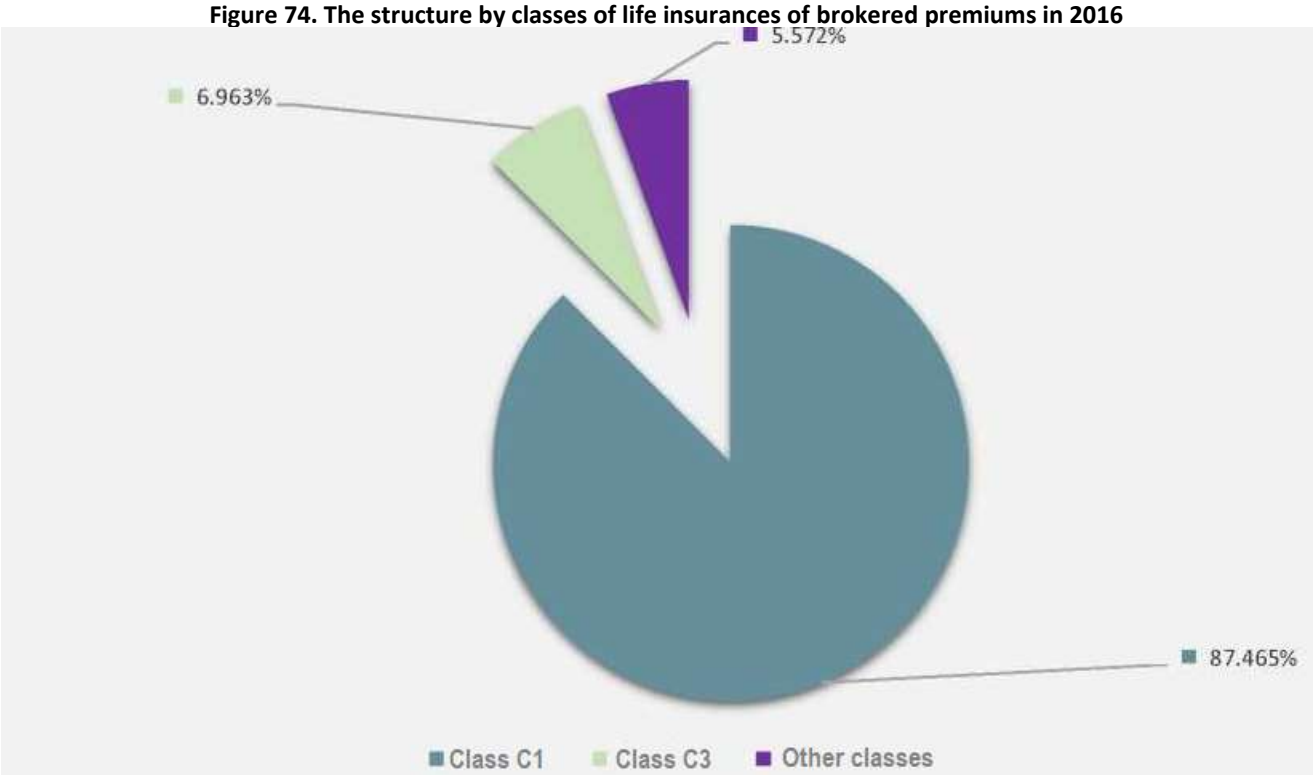


Table 83.The situation of the first 10 insurance and / or reinsurance brokers according to the value of premiums in 2016:

Item no.	Insurance broker	TOTALLI+GI	TOTAL GI	TOTAL LI	Market share
1	SAFETY BROKER DE ASIGURARE SRL	477,769,690	476,628,472	1,141,218	7.70%
2	MARSH - BROKER DE ASIGURARE-REASIGURARE SRL	390,428,709	380,376,498	10,052,211	6.29%
3	TRANSILVANIA BROKER DE ASIGURARE SRL	360,168,794	359,624,115	544,679	5.80%
4	DESTINE BROKER DE ASIGURARE-REASIGURARE SRL	301,405,583	296,966,635	4,438,948	4.85%
5	INTER BROKER DE ASIGURARE SRL	283,489,008	282,839,191	649,817	4.57%
6	DAW MANAGEMENT - BROKER DE ASIGURARE SRL	250,963,197	250,844,646	118,551	4.04%
7	CAMPION BROKER DE ASIGURARE SRL	240,963,674	237,457,570	3,506,104	3.88%
8	UNICREDIT INSURANCE BROKER SRL	198,992,032	198,748,287	243,745	3.21%
9	PORSCHE BROKER DE ASIGURARE SRL	143,219,308	143,219,308	-	2.31%
10	MILLENIUM INSURANCE BROKER (M.I.B.) SA	132,949,693	131,460,228	1,489,465	2.14%
Total premiums brokered by top 10 brokers		**2,780,349,688**	**2,758,164,950**	**22,184,738**	**X**
General total of brokered premiums		**6,208,320,421**	**6,038,410,337**	**169,910,084**	**X**
Weight (%)		**44.78%**	**45.68%**	**13.06%**	

Table 84.The total of premiums brokered and reported by insurance brokers in the first 9 months of 2016; the top 10 of insurance brokers

Item no.	Insurance broker	TOTAL LI+GI	TOTAL GI	TOTAL LI	Market share
1	SAFETY BROKER DE ASIGURARE SRL	355,681,032	354,799,640	881,392	7.79%
2	MARSH - BROKER DE ASIGURARE-REASIGURARE SRL	284,582,163	276,932,389	7,649,774	6.23%
3	TRANSILVANIA BROKER DE ASIGURARE SRL	270,208,073	269,795,631	412,442	5.92%
4	DESTINE BROKER DE ASIGURARE-REASIGURARE SRL	224,789,755	221,729,928	3,059,827	4.92%
5	INTER BROKER DE ASIGURARE SRL	209,783,958	209,292,554	491,404	4.59%
6	DAW MANAGEMENT - BROKER DE ASIGURARE SRL	188,531,923	188,432,263	99,660	4.13%
7	CAMPION BROKER DE ASIGURARE SRL	168,456,910	165,589,130	2,867,780	3.69%
8	UNICREDIT INSURANCE BROKER SRL	145,950,786	145,709,206	241,580	3.20%
9	PORSCHE BROKER DE ASIGURARE SRL	105,431,335	105,431,335	-	2.31%
10	MILLENIUM INSURANCE BROKER (M.I.B.) SA	99,032,996	97,924,570	1,108,426	2.17%
Total premiums brokered by top 10 brokers		**2.052.448.931**	**2,035,636,646**	**16,812,285**	
General total of brokered premiums		**4.567.924.683**	**4,455,026,556**	**112,898,127**	
Weight (%)		**44.93%**	**45.69%**	**14.89%**	

Table 85.The main 10 insurance and / or reinsurance companies for which insurance and / or reinsurance brokers broke insurance premiums in 2016

Item no.	Company for the trading was made	Total traded premiums	Weight in total traded premiums
1	EUROINS ROMANIA ASIGURARE REASIGURARE SA	885,254,548	14.26%
2	CITY INSURANCE SA	739,432,593	11.91%
3	ALLIANZ - TIRIAC ASIGURARI SA	717,962,438	11.56%
4	ASIROM VIENNA INSURANCE GROUP SA	703,248,576	11.33%
5	OMNIASIG VIG SA	652,854,462	10.52%
6	GROUPAMA ASIGURARI SA	558,207,345	8.99%
7	CARPATICA ASIG SA	480,487,868	7.74%
8	GENERALI ROMANIA	443,876,837	7.15%
9	UNIQA ASIGURARI SA	339,900,845	5.47%
10	GOTHAER ASIGURARI - REASIGURARI SA	85,826,637	1.38%
Traded premiums for the first 10 insurers in Romania		**5,607,052,149**	**90.32%**
Traded premiums for other insurers in Romania		**305,980,487**	**4.93%**
Traded premiums for external insurers / reinsures		**295,287,785**	**4.76%**
General total premiums traded in 2016		**6,208,320,421**	**100.00%**

It is noticed that EUROINS ROMANIA ASIG SA holds a significant share in total premiums traded by insurance and / or reinsurance brokers in 2016, respectively by 14.26%, followed by CITY INSURANCE SA, with a share of 11.91% of companies for which were traded RCA insurance contracts in a proportion of over 90%.

A number of 7 insurance and / or reinsurance brokers also reported in 2016 regularized general insurance claims amounting to 56,782,622 lei, down by 13.04%, as compared to the similar period of 2015 (65,293,755 lei).

AVUS INTERNATIONAL - Broker de Asigurare - Reasigurare SRL has reported a value of regularized claims of 42,325,910 lei, which represents 74.54% of the total volume of insured claims at the level of the brokerage market.

Table 86. The value of regularized claims

Item no.	Name of insurance broker	Value of regularized claims -lei-
1	AVUS INTERNATIONAL - BROKER DE ASIGURARE-REASIGURARE SRL	42,325,910
2	APRIL-BROKER DE ASIGURARE REASIGURARE SRL	6,605,558
3	INTERFIDES INTERNATIONAL - BROKER DE ASIGURARE SRL	6,409,780
4	ALIAT BROKER DE ASIGURARE SRL	603,100
5	VERASIG BROKER DE ASIGURARE SRL	508,178
6	BALDOR INSURANCE BROKER SRL	170,987
7	MAKLER-SIG BROKER DE ASIGURARE SRL	159,109
	Total	**56,782,622**

III.2 The income resulting from insurance brokering

In 2016, insurance and / or reinsurance brokers reported income resulting from the insurance brokering activity amounting to 1,011,115,869 lei, up by 7.28%, as compared to the previous period (942,495,426 lei).

Table 87.The situation of the income obtained by insurance brokers from the insurance brokering activity broken down by income category

	31.12.2015	31.12.2016	Change in nominal terms	Weight as at 31.12.2015	Weight as at 31.12.2015
Income resulting from insurance brokering(lei), of which:	**942,495,426**	**1,011,115,869**	**7.28%**	**100.00%**	**100.00%**
Income from negotiating insurance and reinsurance contracts	919,619,288	987,596,911	7.39%	97.6%	97.7%
from carrying out the risk inspections	251,860	1,097,675	335.83%	0.0%	0.1%
from regularization of damages	16,028,617	15,470,886	-3.48%	1.7%	1.5%
damages commission	267,708	243,506	-9.04%	0.0%	0.0%
from other activities related to the object of activity	6,327,953	6,706,891	5.99%	0.7%	0.7%

By analyzing the structure of the income obtained by insurance and / or reinsurance brokers from the insurance brokerage activity by classes of general insurances, it is noted that in 2016 they recorded a value of 969,174,513 lei, increasing by 1.06 percentage points, as compared to 2015 (911,536,708 lei).The following classes have a significant share in the total:

- class A10. Civil liability insurance for vehicles (RCA + CMR) covers 55.66% (539,430,182 lei);
- class A3. Land transport insurance (Casco) covers 19.77% (191.610.145 lei);

- class A8. Insurances against fire and other natural disasters covers 9.98% (96,755,784 lei);
- Other classes held a share of 14.58% (141,378,402 lei) of the total income from the general insurance brokering activity.

By analyzing the structure of the income obtained from the insurance intermediation activity of insurance and / or reinsurance brokers by classes of life insurances, it is observed that in 2016 they recorded a value of 41,941,356 lei, increasing by 1.35 percentage points compared to 2015 (31,064,156 lei).The following classes have a significant share in the total:

- class C1."Life insurances, annuities and additional life insurancescovers82.19% (34,472,464 lei);
- class C3.Life insurance and annuities, which are linked to investment funds (unit-linked funds) covers 9.98% (4,185,013 lei);
- Other classes accounted for 7.83% (3,283,879 lei) of the total income from the life insurance brokering activity.

From the analysis of the data included in the reports provided by the insurance and / or reinsurance brokers, it was found that in 2016, the first 10 insurance brokers hold a share of 43.15% of the total revenues from the brokerage activity.

Table 88.The income resulting from insurance brokering

Item no.	Broker name	TOTAL LI	TOTAL GI	TOTAL LI + GI as at 31.12.2016
1	SAFETY BROKER DE ASIGURARE SRL	314,710	80,968,402	81.283.112
2	TRANSILVANIA BROKER DE ASIGURARE SRL	96,694	62,395,490	62.492.184
3	DESTINE BROKER DE ASIGURARE-REASIGURARE SRL	1,190,204	49,761,917	50.952.121
4	INTER BROKER DE ASIGURARE SRL	186,869	48,928,198	49.115.067
5	DAW MANAGEMENT - BROKER DE ASIGURARE SRL	26,931	41,647,722	41.674.653
6	MARSH - BROKER DE ASIGURARE-REASIGURARE SRL	2,172,756	38,321,024	40.493.780
7	CAMPION BROKER DE ASIGURARE SRL	348,130	35,630,326	35.978.456
8	UNICREDIT INSURANCE BROKER SRL	63,678	29,514,202	29.577.880
9	AMSTERDAM BROKER DE ASIGURARE SRL	18,863,345	3,929,231	22.792.576
10	MILLENIUM INSURANCE BROKER (M.I.B.) SA	225,576	21,685,501	21.911.077
Total 1-10		**23,488,893**	**412,782,013**	**436,270,906**
General total		**41,941,356**	**969,174,513**	**1,011,115,869**
Share of the top 10 insurance brokers in the general total		**56.00%**	**42.59%**	**43.15%**

Table 89.The income resulting from insurance brokering and reported by insurance brokers in the first 9 months of 2016

Item no.	Broker name	TOTAL LI	TOTAL GI	TOTAL LI + GI as at 31.12.2016
1	SAFETY BROKER DE ASIGURARE SRL	239,741	63,677,111	63.916.852
2	TRANSILVANIA BROKER DE ASIGURARE SRL	74,033	48,925,714	48.999.747
3	DESTINE BROKER DE ASIGURARE-REASIGURARE	849,191	38,551,848	39.401.039
4	INTER BROKER DE ASIGURARE SRL	122,254	38,115,051	38.237.305
5	DAW MANAGEMENT - BROKER DE ASIGURARE SRL	17,369	32,842,251	32.859.620
6	MARSH - BROKER DE ASIGURARE-REASIGURARE	1,730,311	27,876,642	29.606.953
7	CAMPION BROKER DE ASIGURARE SRL	262,336	27,279,078	27.541.414
8	UNICREDIT INSURANCE BROKER SRL	56,931	21,689,962	21.746.893
9	MILLENIUM INSURANCE BROKER (M.I.B.) SA	161,608	16,591,652	16.753.260
10	PORSCHE BROKER DE ASIGURARE SRL		15,482,674	15.482.674
Total 1- 10		**3,513,774**	**331,031,983**	**334,545,757**
General total		**27,570,365**	**734,994,804**	**762,565,169**
Share of the top 10 insurance brokers in the general total		**12.74%**	**45.04%**	**43.87%**

III.3 The debts and receivables related to the brokering activity

As of 31.12.2016 the situation of debts and receivables from the trading activity is as follows:

• Total debts to insurance and / or reinsurance companies amounting to 65,427,240 lei, increasing by 4.87%, as compared to the previous period (in 2015 = 62,388,977 lei), of which:

- **with undue maturity = 62,430,074 lei,** *increasing by 5.28%, as compared to the previous period (59,296,560 lei),*
- with overdue maturity = 2,997,166 lei, of which, receivables with a maturity of over 30 days, registered a value of 1,758,623 lei, decreasing by 40.27%, as compared to the previous period (2,944,121 lei),

• Total receivables from the trading activity amounting to 84,068,401 lei, decreasing by 5.62%, as compared to the previous period (year 2015 = 89,075,280 lei), of which:

- **with undue maturity = 61,363,007 lei,** *decreasing by 7.25%, as compared to the previous period (66,162,969 lei),*
- with overdue maturity = 22, 705,394 lei, of which, receivables with a maturity of over 30 days, registered a value of 15,885,188 lei, decreasing by 3.95%, as compared to the previous period (15,281,579 lei),

THE EVOLUTION OF

THE PRIVATE PENSIONS MARKET

IN ROMANIA

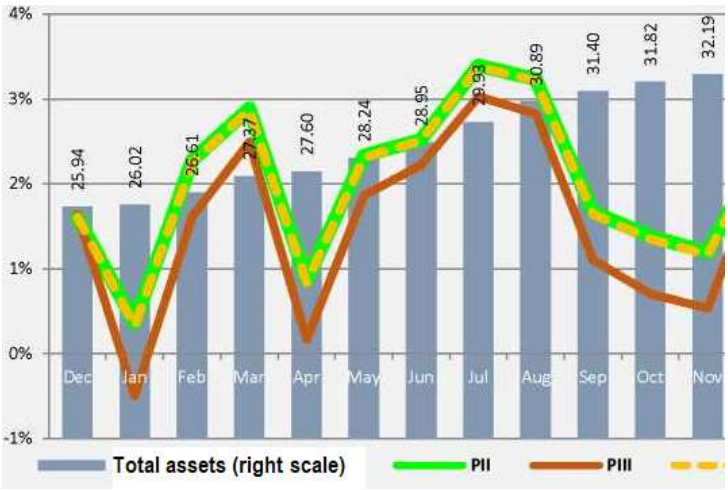
2016

1. The private pensions in Romania as at 31 December 2016

1.1. The total asset value

The value of the total assets under management at the level of the entire private pension system increased during 2016, maintaining the positive trend recorded in recent years. Thus, on 31 December 2016, the system reached **32.99** billion lei (7.26 billion Euros)[2], representing **4.35**% of GDP, compared with 3.64%
in December 2015, and 3.82% in June 2016.

Figure 75. The evolution of total assets in the private pension system December 2015 - December 2016



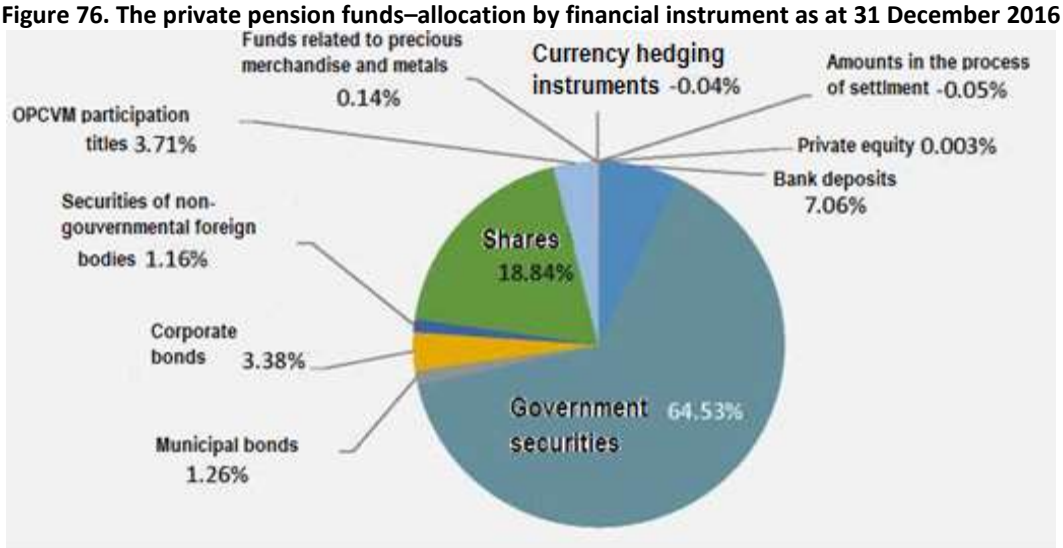
The annual growth rate of total assets was of **27.16 %**. Compared with June 2016, the increase was of**13.95 %**. Compared to the previous month, total assets have increased by **2.47 %**, above the median of December 2015 - December 2016: 2.25% (the maximum range was of 3.38%, in July 2016, and the lowest one was of 0.32%, in January 2016).

In terms of private pension funds (under Pillar II), an annual growth rate was maintained over the optional pension funds, characteristic of the nine years of operation: **27.53%,** as compared to **19.91%,** under Pillar III. And compared to June 2016 there were differences, so under Pillar II there was an increase of **14.09%**, and under Pillar III, there was an increase of 10.93%.

1.2The structure of investment of private pension funds

On 31 December 2016, the largest share in the structure of portfolios of private pension funds was held by government securities by 64.53%. The other instruments recorded the following shares: 18.84% shares, 7.06% bank deposits, 3.38% corporate bonds, 3.71% shares, and 1.26% municipal bonds (Figure 76).

Figure 76. The private pension funds–allocation by financial instrument as at 31 December 2016



[2] NBR (National Bank of Romania), exchange rate at 30 December 2016.

Compared to December 2015, portfolios of private pension funds recorded a slight decrease in the allocation of government bonds, municipal bonds, corporate bonds, shares, equity and private equity in December 2016. The other instruments recorded a slight increase. Compared to June 2016, there were decreases in the weights of bank deposits, government securities, municipal bonds and corporate bonds. However, the allocation in shares, equity and private equity, registered a slight increase. Allocation in securities of non-governmental foreign bodies and precious merchandise and metal funds increased both as compared to December 2015, and to June 2016.

On 31 December 2016, private pension funds held 92.53% of the assets in Romanian financial instruments, such as government securities, deposits, bonds, shares and collective investment funds (Figure 77). 6.82% of private pension fund assets were invested in foreign assets, most of which being issued in Germany (1.81%), France (0.90%), Ireland (0.68%), Austria 0.63%) and Great Britain (0.52%). 0.65% of the assets were invested in supranational bonds.

Figure 77.The private pension funds - structure by country as at 31 December 2016

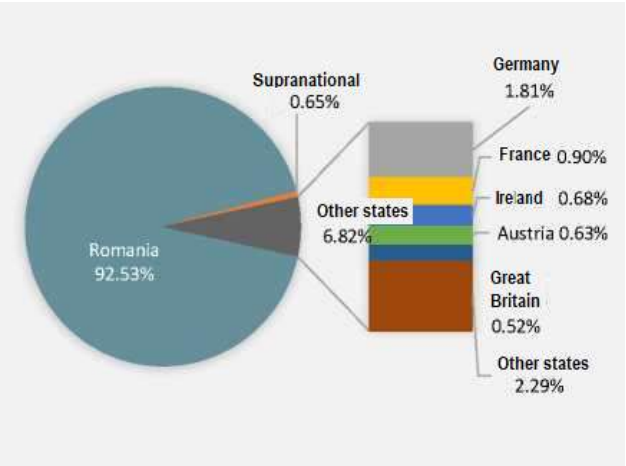
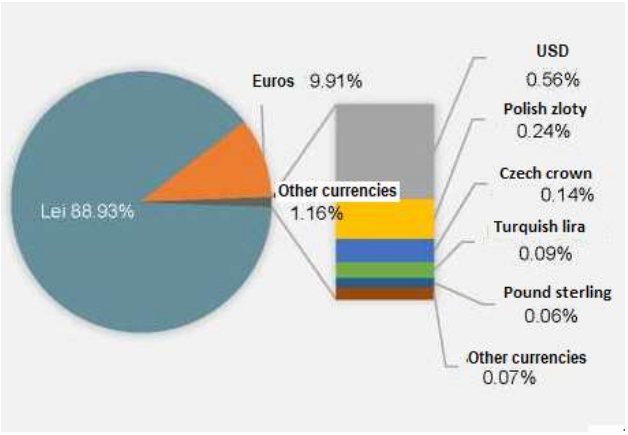
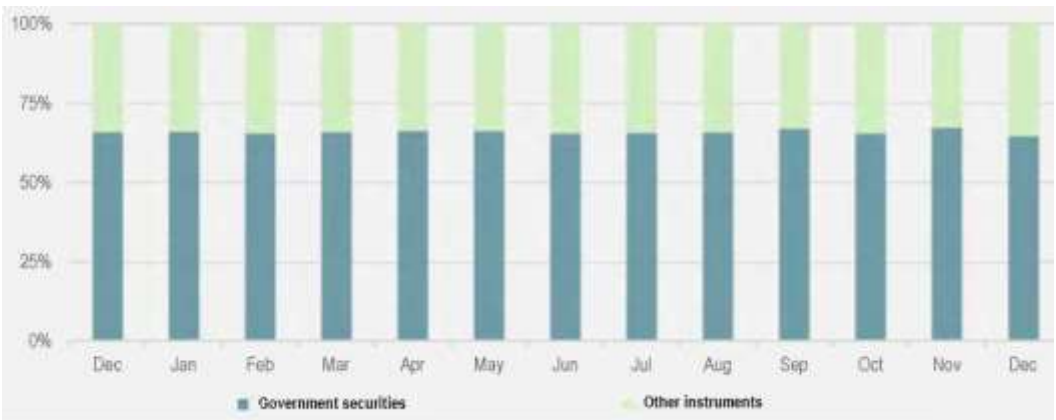


Figure 78.The private pension funds - structure by currency as at 31 December 2016



88.93% of the assets of private pension funds were denominated in national currency as at 31 December 2016 (Figure 78), while in case of foreign investments expressed in foreign currencies (11.07%) the largest share was of those in Euros (9.91%), followed by the US dollar (0.56%), the Polish zloty (0.24%), and the Czech crown (0.14%). The Euro and the US Dollar were the currencies for which private pension fund managers used currency hedging instruments. Overall, on 31 December 2016, the net exposure of the private pension scheme (coverage ratio) was of 4.77% of the total system using instruments to hedge the foreign exchange risk.

Figure 79. The evolution of the weight of government securities in total assets between December 2015 and December 2016



As at 31 December 2016, private pension funds' investments in government securities recorded 21.29 billion lei, representing 64.53% of the total assets, the lowest share of the analyzed period, between December 2015 and December 2016 (Figure 79). The share of government securities fluctuated slightly during this period, about three percentage points, the maximum being recorded in November 2016 (67.24%).

Figure 80.The private pension funds
The state bonds issued by Romania - structure by currencies and maturities at 31 December 2016

From the point of view of the currencies in which the government securities in which the private pension funds were denominated, the highest values were registered in the case of the issues in lei for 10 years (26.92%), 5 years (26.32%) and 7 years (20.77%), followed by those in Euros for 10 years (3.98%), 5 years (2.04%), and 7 years (2.00%).
In terms of maturities, 72.91% of the investments in government securities issued by Romania mature over the next 5 years and 27.09% have maturities between 6 and 18 years (Figure 80).
On 31 December 2016, private pension funds held investments in corporate bonds amounting to 1.12 billion lei, representing 58.29% of total bonds (Figure 81), maintaining their preference for investments in this Financial Instrument. Investments in other types of bonds recorded a much lower percentage (municipal bonds, amounting to 0.42 billion lei, with a weight of 21.75%. and supranational EBRD and EIB bonds, amounting to 0.38 billion lei, with a weight of 19.96% in total bonds).
Investments were mainly in corporate bonds of foreign issuers (55.08%), from countries such as Great Britain (14.99%), Italy (7.50%), Austria (6.98%), and Netherlands (6.56%). Also, private pension funds invested in corporate bonds in Romania, representing 44.92% of total corporate bond investments, of which the top three were Unicredit Bank SA, with 9.67% of total corporate bonds, Engie Romania SA, with 8.95%, and Romanian Commercial Bank SA, with 6.97% (Figure 82).

Figure 81.The private pension funds - bond structure as at 31 December 2016

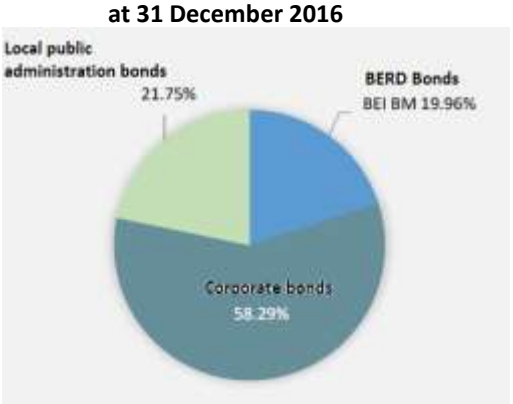
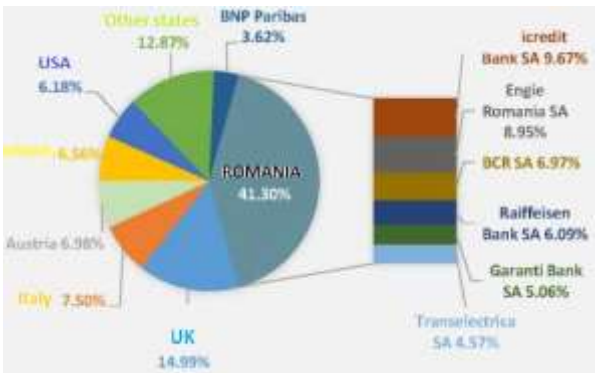


Figure 82.The private pension funds -corporate bond issuers as at 31 December 2016



The exposure of private pension funds to bank deposits increased by about two percentage points compared to December 2015 (4.70%), but compared to June 2016 (7.51%) there was a slight decrease of half a percentage point. Thus, on 31 December 2016 bank deposits registered 7.06% (2.33 billion lei). The evolution of bank deposits and the main banks to which private pension funds constituted deposits are shown in Figures 83 and 84.

Figure 83. The quarterly evolution of bank deposit issuers between December 2015 and December 2016

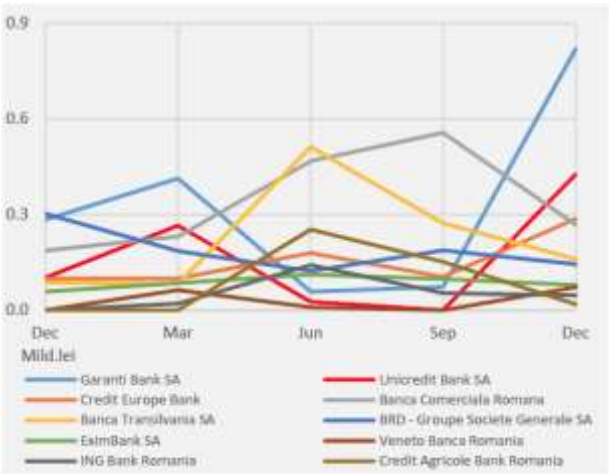
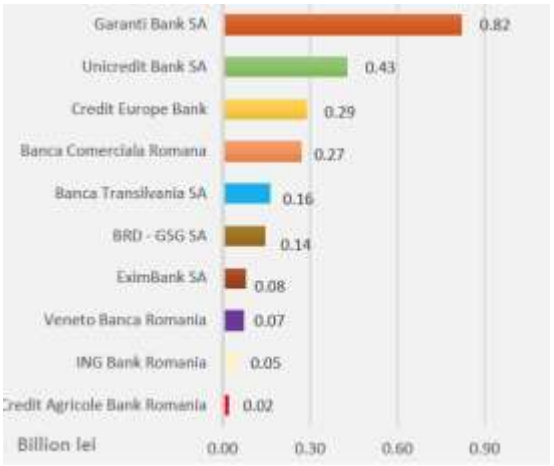


Figure 84. The private pension funds - top 10 bank deposit issuers as at 31 December 2016



It is worth noting the upward trend recorded in the fourth quarter of 2016 by the deposits with Garanti Bank SA, after they started to fall significantly from March 2016. Their value increased about three times compared to December 2015, amounting to 0.82 billion lei 31 December 2016. A similar situation is noted for deposits with UNICREDIT Bank SA (a significant increase since September 2016, after the downward trend recorded since March 2016), amounting to 0.43 billion lei on 31 December 2016[3].

Table 90. Private pension funds – placements in shares as at 31 December 2016

Country	Billion lei	% of total shares
Romania	5.56	89.41%
Germany	0.23	3.65%
France	0.17	2.68%
Austria	0.13	2.08%
Czech Republic	0.05	0.75%
Poland	0.04	0.72%
Other states	0.04	0.71%
Total	***6.21***	

On 31 December 31 2016, private pension funds held investments in shares amounting to 6.21 billion lei, representing 18.84% of the total assets. 89.41% of the total investments in shares of private pension funds (5.56 billion lei) were made in Romanian shares, while 10.59% (0.66 billion lei) were investments in shares of some issuers from Germany, France, Austria, Czech Republic, Poland, and other countries.

In the case of shares in Romania (Figure 85), Banca Transilvania SA held 17.53%, Fondul Proprietatea SA held 14.96%, OMV Petrom held 11.93%, Romgaz SA held 11.61%, and Electrica SA held 9.31%, while the shares held by FICs accounted for 7.67% of the total shares (FIC 5 Oltenia and FIC 2 Moldova with the largest shares). Among foreign issuers, Erste Group Bank AG accounted for 7.77%, Moneta Money Bank SA held 5.01%, BNP Paribas held 4.27%, OMV held 4.13%, and Axa SA held 3.72% (Figure 86).

[3] UNICREDIT Bank SA was authorized in August 2015 and performs the deposit and custody of FPAP METROPOLITAN LIFE assets starting with the end of July 2016.

Figure 85.The private pension funds–RO share issuers at 31 December 2016

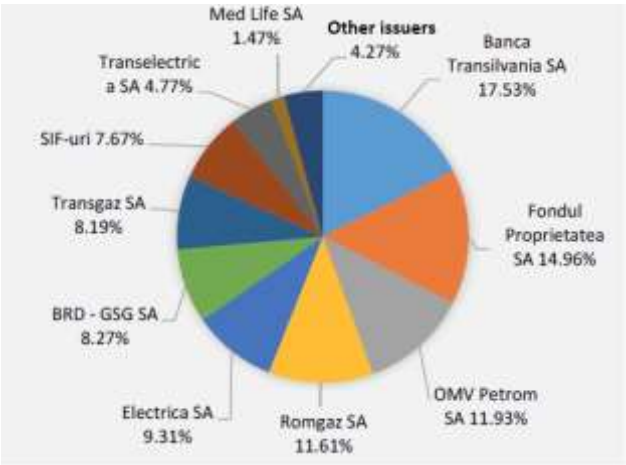
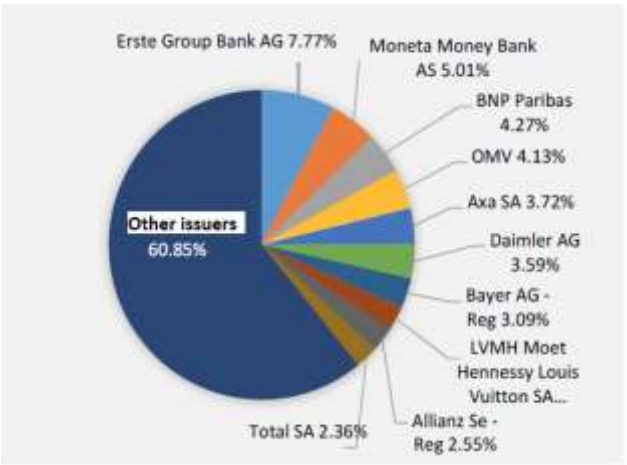


Figure 86.The private pension funds–foreign share issuers at 31 December 2016



Holdings of pension funds in collective investment undertakings - CIUs represented 3.71% of the total assets as at 31 December 2016, amounting to 1.22 billion lei (Figures 87 and 88). In terms of structure, the largest share was held by CIUs other than those classified as money or bonds, accounting for 40.51% of the total collective investment undertakings. In addition to CIUs holdings in Romania (37.78% of total collective investment undertakings), private pension funds mainly invested in issuers in countries like Germany (26.83%), Ireland (18.25%), France (8.96%), or Luxembourg (7.73%).

Figure 87.The private pension funds-CIU structure as at 31 December 2016

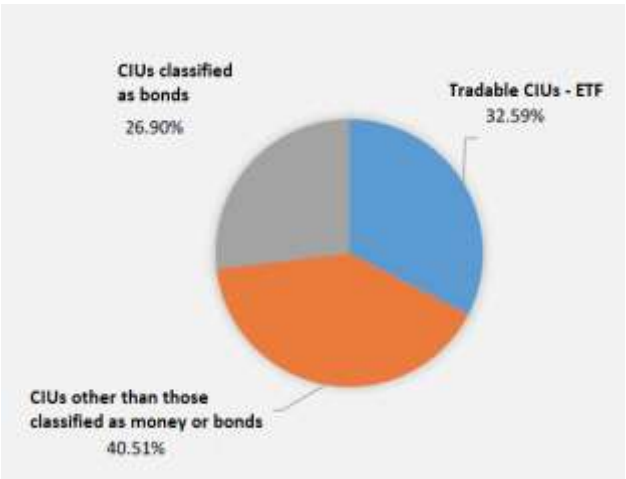
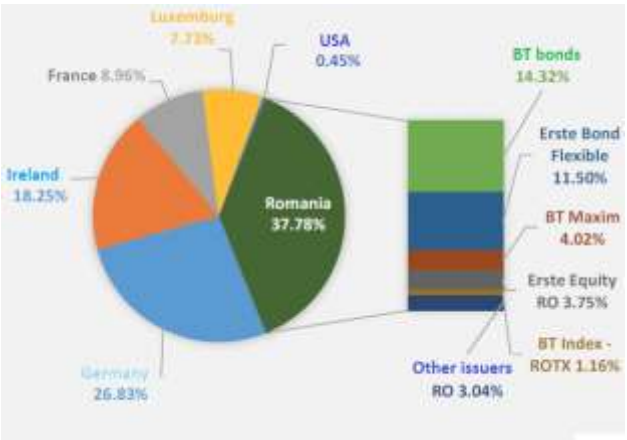


Figure 88. The private pension funds - CIU issuers as at 31 December 2016



It should also be noted that on 31 December 2016, three private pension funds (FPAP VITAL, FPAP BCR and FPF BCR Plus) held precious merchandise and metal funds (ETFs / ETCs), respectively indirect holdings in gold amounting to 0.05 billion lei, representing 0.14% of total assets (DB Physical Gold ETC EUR and ETFS Metal Securit ETFS Phys Gold).

2. The private administered pensions (under Pillar II)

2.1. The net asset value and total participants

Table 91.Pillar II. Net assets (billion lei)

Item no.	Privately administered pension fund	Dec.15	Jun.16	Dec.16	Dec.16/ Dec.15	Dec.16/ Jun.16
1	NN	9.14	10.16	11.51	25.99%	13.31%
2	AZT VIITORUL	5.41	6.04	6.86	26.71%	13.45%
3	METROPOLITAN LIFE (ALICO)*	3.49	3.90	4.45	27.48%	14.00%
4	VITAL	2.26	2.56	2.95	30.17%	15.06%
5	ARIPI	2.07	2.31	2.67	28.80%	15.58%
6	BCR	1.52	1.71	1.99	30.51%	16.17%
7	BRD	0.78	0.89	1.04	34.59%	17.29%
	TOTAL	24.67	27.58	31.47	27.53%	14.10%

**FPAP ALICO became FPAP METROPOLITAN LIFE starting with Nov. 2016*

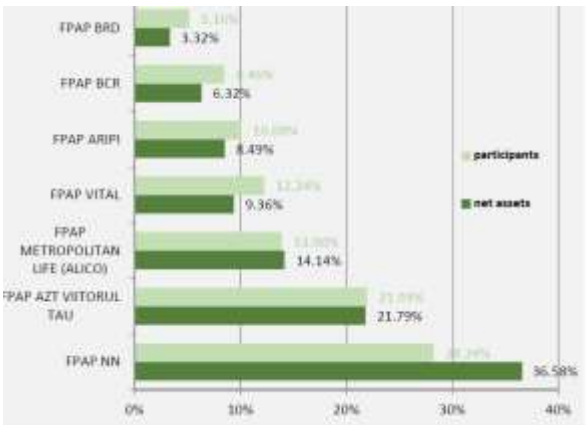
The total net asset value as of 31 December 2016 of privately managed pension funds was of 31.47 billion lei (6.93 billion Euros). The annual growth rate recorded was of 27.53% (27.06% against the Euro). The increase compared to June 2016 was of 14.10% (13.59% against the Euro). As compared to the previous month, the increase was of 2.48%.

Table 92.Pillar II. Number of participants (billion pers.)

Item no.	Privately administered pension fund	Dec.15	Jun.16	Dec.16	Dec.16/ Dec.15	Dec.16/ Jun.16
1	NN	1.88	1.90	1.92	2.15%	1.10%
2	AZT VIITORUL TAU	1.46	1.48	1.50	2.36%	1.13%
3	METROPOLITAN LIFE (ALICO)*	0.92	0.93	0.95	3.78%	1.80%
4	VITAL	0.80	0.82	0.84	4.36%	2.08%
5	ARIPI	0.64	0.66	0.67	5.52%	2.62%
5	BCR	0.54	0.56	0.57	4.45%	1.09%
7	BRD	0.31	0.33	0.35	12.26%	5.66%
	TOTAL	6.56	6.68	6.80	3.69%	1.70%

6.80 million participants were registered in the privately managed pension scheme at the end of December 2016, an annual advance of 3.69%. Compared to June 2016, the number of participants increased by 1.70%. The increase compared to the previous month was of 0.53%, above the median of December 2015-December 2016 of 0.25% (the minimum of the analyzed interval, of 0.17%, was recorded in May 2016, and the maximum, of 0.73%, in December 2015).

Figure 89.Pillar II. Market share by participants and net assets as at 31 December 2016



FPAP NN, FPAP AZT VIITORUL TĂU and FPAP METROPOLITAN LIFE (ALICO)maintained the first positions, accounting for approximately 73% of net assets and 64% of participants on 31 December 2016 (Figure 89).

FPAP BRD and FPAP BCR, accounting for approximately 10% of net assets and 14% of participants, continued to see annual and monthly increases both in net assets and in the number of participants.

2.2 New entrants

1,019 people signed admissions to become participants in one of the privately managed pension funds of the 36,295 participants entering the scheme in December 2016, resulting in an annual decrease of 23.51% in new entrants. Compared to June 2016, the number of new entrants increased significantly, approximately three times. Compared to the previous month, there was an increase of 36.64%.

35,276 persons, accounting for 97.19% of the total new entrants, were randomly assigned to December 2016. Except for FPAP NN, with a share of 89.44%, other pension funds recorded values of over 94% randomly assigned participants totally new to the system. With a fluctuating trend between December 2015 and December 2016, the number of randomly assigned persons decreased by 22.29%, as compared to the same month of 2015. Compared to June 2016, however, there was an increase of about three times, and compared to the previous month the increase was of 38.48%.

257 thousand persons entered the system in 2016, by 3.73% less than in 2015, and 246 thousand persons (95.94% of the total new entrants to the system in that year) of them were randomly assigned, by 2.09% less, as compared to 2015.

From the analysis of the evolution of the number of new entrants between December 2015 and December 2016 there is a significant increase in December 2015 (47.4 thousand people) and December 2016 (36.3 thousand persons), accompanied by the increase of the random distribution (95.9% and 97.2%, respectively[4]). Given that random assignment takes place four months after the first payment to the Health Insurance House (either as a result of earning the first salary or of the first unemployment benefit), it appears that the randomly entered participants in December entered the workforce in August, the month when the school year ends. Thus, the analysis of the structure by age group of participants shows that in December 2015, the number of persons aged 20-24 years increased by 29,000 (61% of the total new entrants in that month), as compared to the previous month, and in December 2016 it increased by about 18 thousand (49% of the total new entrants in that month)[5].

[4] This trend also manifested itself in previous years, for example, in December 2014, the number of new entrants was of 40.9 thousand people with a random distribution rate of 93 % and in December 2013 there were 40.3 thousand new entrants to the system with a random assignment of 95 %.

[5] This trend also occurred in December 2014, amounting to16 thousand people, representing 38 % of the total new entrants and in December 2013, amounting to 17 thousand persons, representing 41 % of the total new entrants in this month.

Figure 90. Pillar II. The new entrants and their rate of repartition between December 2015 and December 2016

Also, stand out the months of August and October 2016, when there were significantly lower repartition rates (of 87.5% and, respectively, 85.6%), although the number of new entrants did not increase significantly compared to the other months. Given the higher degree of financial education of students and the fact that some of them have been working ever since they were students and, in conjunction with the beginning of the academic year in October, could result in a larger share of participants who concluded admission papers, as compared to those who were randomly assigned (Figure 90).

The gender distribution of participants was at the end of December 2016 was the following: 52.11% - men and 47.89% - women (Figure 91). With regard to distribution by age, the ratio of participants up to 35 years of age compared to those aged over 35 was of 47.21% to 52.79%, as at 31 December 2016 . Considering the maturity of the system, the age-related ratio changed between December 2015 and December 2016 in favour of participants aged over 35 (Figure 92). There was a decrease in the share of those under 35 years of 1.69 percentage points compared to December 2015, when the ratio was of 48.81% to 51.11%. Compared to June 2016, when the ratio was of 48.01% to 51.99%, the decrease was of 0.8 percentage points.

Figure 91. Pillar II. Participants – The pyramid of participants by gender and age group (%) as at 31 December 2016

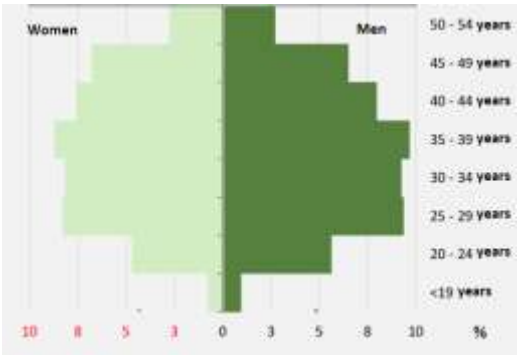


Figure 92. Pillar II. The evolution of the structure by age group between December 2015 and December 2016

The most represented economic activities at the end of December 2016 were manufacturing with 18.20% and trade with 13.13%, followed by health with 5.59%, public administration with 4.72%, and transports with 4, 71%, accounting for 46.35% of the total participants for which contributions were paid and 47.43% of the amounts contributed in December 2016. Among the least represented activities below 1% were culture, production and electricity supply, extractive industries and real estate transactions, accounting for 2.48% of the total participants and 3.23% of the total amount paid (Figure 93).

Depending on the development regions of Romania, most participants for whom contributions to privately managed pension funds were paid in December 2016 were in Bucharest: 21.34%, with 27.68% of the total paid contributions (Figure 94). The best represented regions were: Bucharest - Ilfov 21.34%, NORTH-WEST with 9.72% and CENTER with 9.39%, the three regions amounting to 40.46% of the participants for whom contributions were paid and 48.80% of the paid contributions (for about 27% of the participants, with about 21% of the amounts, it was not possible to identify the employer).

Figure 93. Pillar II. Participants – distribution by economic activities* as at 31 December 2016

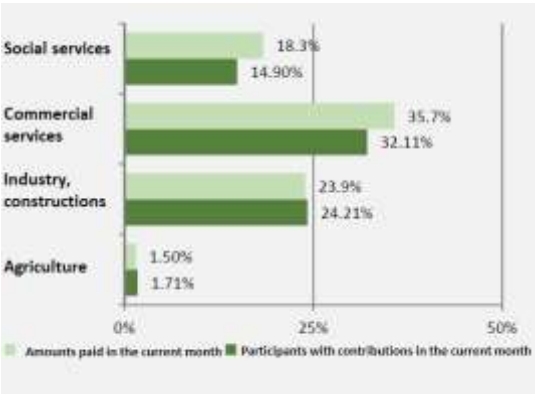


Figure 94. Pillar II. Pillar II. Participants – distribution by development regions as at 31 December 2016

**The commercial services sector comprises the following activities: activities related to trade, hotels and restaurants, transport and storage, information and communications, financial and insurance intermediation, real estate transactions, professional, scientific and technical activities, administrative and support service activities. The social services sector includes the activities: public administration (excluding armed forces and assimilated fields), education, health and social assistance, entertainment, cultural and recreational activities.*

2.3.Contributions

In December 2016, 513.55 million lei (113.09 million Euros) were transferred to the privately managed pension funds, representing an annual advance of 15.13%. Compared to June 2016, the increase was of 3.97%. Compared to the previous month, there was a decrease of 1.61% (Figure 95). In 2016, privately managed pension funds amounted to 5.88 billion lei (1.31 billion Euros), with an average of 490.23 million lei / month. Compared to 2015, the total amount of contributions of 2016 increased by 19.17%, as the contribution rate for the first two months of 2016 was of 5.0% (for 2015), and in March - December 2016 it was of 5.1% (for 2016).

Figure 95. Pillar II. The participants with contributions out of total participants between December 2015 and December 2016

Figure 96. Pillar II. The share of participants with contributions out of total participants between December 2015 and December 2016

The number of participants in December 2016 was of 4 million people, recording an annual growth rate of 1.47%. Compared with June 2016, the growth was of 0.45%, and, as compared to the previous month, there was a decrease of 1.68% (Figure 96). It is worth mentioning that between December 2015 and December 2016 the number of these participants fluctuated slightly, registering a maximum in November 2016, of 4.07 million persons, and a minimum in January 2016, of 3.82 million persons (the median of the interval being of 3.96 million persons). On 31 December 2016, the number of participants contributing to the calculation month represented 58.81% of the total number of participants under Pillar II, decreasing slightly compared to December 2015, amounting to 60.10%, and to June 2016, amounting to 59.54%.

FPAP NN recorded on 31 December 2016 the largest share of the total participants to the fund for which contributions were contributed in the calculation month (62.79%), but also the largest share of the total amount transferred this month (33.79 %), thus ranked first in terms of the average / participant contribution of 143.79 lei. The FPAP NN positioning is determined by the quality of the portfolio: a larger number of participants, with higher wage earnings, which consequently determines high returns and, more generally, higher total assets (Figure 97).

The following two positions included FPAP METROPOLITAN LIFE (Alico), with 130.13 lei / participant (57.98% - weight of participants with contributions contributed from the total participants to the fund and 13.96% share of the total amounts paid in December 2016), and FPAP AZT FUTURE, with 124.75 lei / participant (59.66% - share of participants with contributions contributed from the total participants to the fund and 21.72% of the total amount transferred in December 2016). And in the case of FPAP METROPOLITAN LIFE (Alico), which has a higher contribution compared to FPAP AZT FUTURE, the quality of the portfolio of participants is the determinant factor, meaning that they have higher wage earnings, which also determines a higher contributions volume. On 31 December 2016, the three funds together accounted for 69.47% of the paid amounts and 66.33% of the participants with amounts paid in the amount used as a reference for the calculations.

On the antipodes there were the privately managed pension funds (FPAP ARIPI, FPAP BRD, FPAP VITAL, and FPAP BCR), which recorded lower values for both the average contribution / participant (118.33 - 114.80 lei) and in terms of the share of participants with paid contributions out of the total participants to the fund (57,74% - 55,04%).

Figure 97. Pillar II. Share of participants with contributions in the current month and average contributions as at 31 December 2016

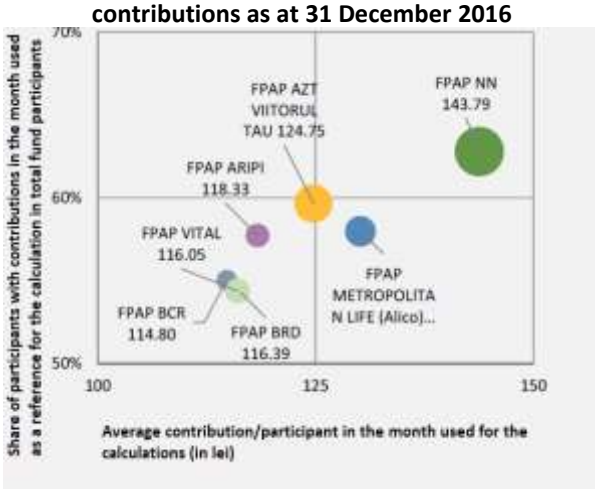
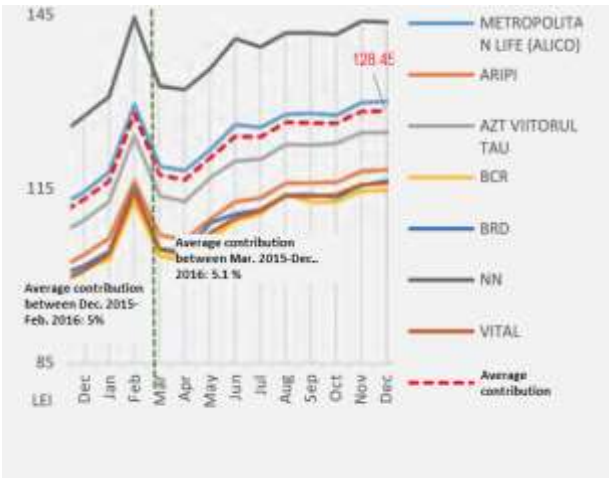


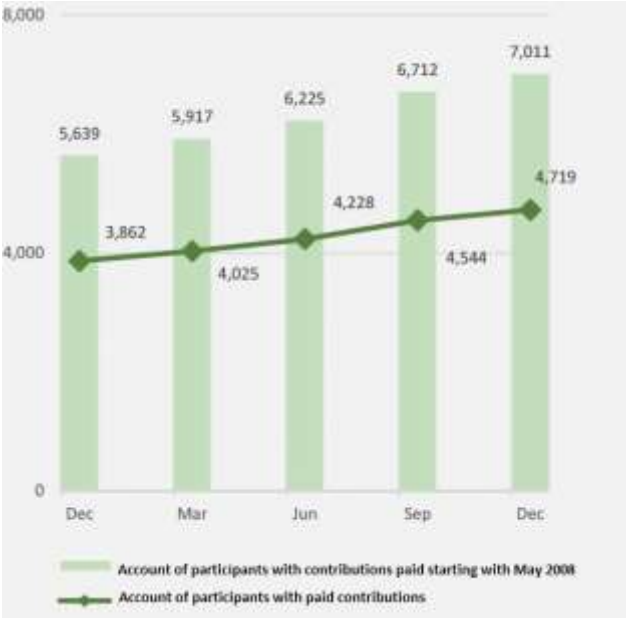
Figure 98. Pillar II. Average contribution/participant between December 2015 and December 2016



At the system level, the average contribution of the participants with paid contributions was of 128.45 lei, registering an annual growth of 13.46%, more by 3.51%, as compared to June 2016 and only more by 0.07%, as compared to the previous month. The evolution of the average contribution between December 2015 and December 2016 shows an significant increase in February 2016, as compared to the previous month (10.08%). Given that December contributions are transferred in February, the growth is explained by the higher earnings of this month (for example, bonuses, premiums, and various other benefits granted at the end of the year), as can be seen and from the 10.19% increase in gross average earnings in February 2016 (Figure 98). The decrease in the average contribution in March 2016 is due to the transfer of the January contributions, which are characterized by decreases in salary incomes (decrease of the monthly gross average

earnings by 8.26% in January 2016, as compared to December 2015, as shown by the National Institute of Statistics in March 2016).

Figure 99. Pillar II. The evolution of the average value of participant accounts between December 2015 and December 2016



The average value of an account for the approximately 6.67 million participants with active accounts under Pillar II was of 4,719 lei (1,039 Euros) as of 31 December 2016, up by 22.18% as compared to December 2015 and by 17.24% as compared to June 2016 (Figure 99). 4.70 million registered participants account up to 5.000 lei (70.48%). The value of the contract for 1.14 million persons ranged between 5,000 and 10,000 lei (17.15%), and for 0.83 million persons it was of more than 10,000 lei (12.38%). In the case of the 3.18 million participants who started to contribute since the beginning of Pillar II - May 2008, the average value of the account was of 7.011 lei (1.544 Euros) as at 31 December 2016. The constant accumulation, month by month, of the transfers on the account of the participants determines the increase of the value of the personal asset, and for periods of time, for example of 35-40 years (period of activity of the participant) leads to a higher pension income.

2.4. The payment of net assets in case of retirement, invalidity and death

During the 2016, payments of the net personal assets to participants amounted to 17.97 million lei (Figure 100), out of which 11.23 million lei as a result of the opening of the pension entitlement, representing 62.54% of the total payments made (1,603 participants), of 6.50 million lei, as a result of the death of the participant, amounting to 36.16% of the total (2.493 beneficiaries), and 0.23 million lei, as a result of invalidity of the participant, amounting to 1.31% of the total (69 participants). Total payments recorded a significant increase, of 144.59%, between December 2015 and December 2016 (Figure 101), in particular as a result of the increase in payments related to the opening of the old-age pension entitlement.

Figure 100. Pillar II. The structure of net personal asset payments in 2016

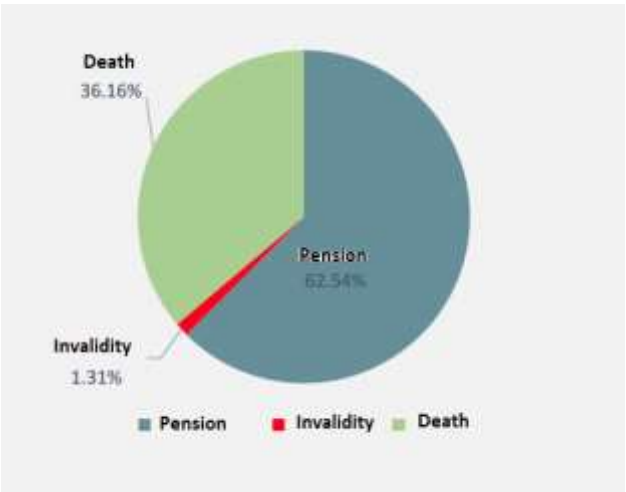


Figure 101. Pillar II. The evolution of the average value of net personal asset paid between December 2015 and December 2016

2.5 Transfers

In 2016, 1,232 participants were transferred between the privately managed pension funds, the transferred assets reaching 11.42 million lei. The pension fund which received the most transferred participants (661) and the highest value of the transferred asset (5.89 million lei) was FPAP NN. In the case of the funds from which the participants were transferred, FPAP METROPOLITAN LIFE (ALICO) ranked first with 3.04 million lei and 330 participants (Figures 102 and 103).

Figure 102. Pillar II. The value of net personal asset transferred in 2016

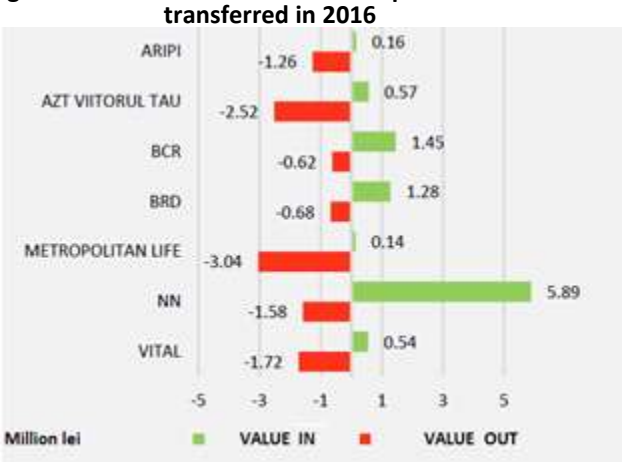
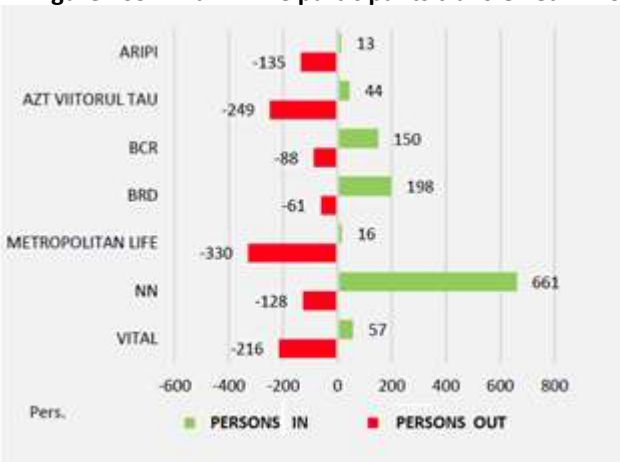


Figure 103. Pillar II. The participants transferred in 2016



2.2. The structure of the investments

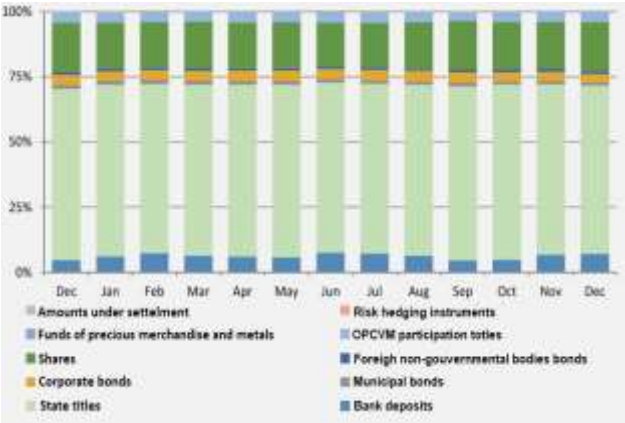
The value of assets placed in all financial instruments increased at the end of December 2016, as compared to the same month of 2015, with an increase in total assets of 27.54%. Most assets rose between 4.74% and 38.82%, but assets were up twice, as in the case of bank deposits, or seven times as in the case of funds of precious merchandise and precious metals.

Table 93. Pillar II. The investment structure – total (billion lei)

Financial instruments	Dec. -15	Jun. -16	Dec. -16	Dec.2016/ Dec.2015	Dec.2016/ Jun.2016
Bank deposits	1.16	2.10	2.26	94.56%	7.41%
Government securities	16.26	18.06	20.35	25.18%	12.66%
Municipal bonds	0.36	0.37	0.38	4.74%	2.83%
Corporative bonds	0.93	1.08	1.05	13.41%	-2.32%
Foreign non-governmental body bonds	0.26	0.23	0.36	38.82%	57.85%
Shares	4.74	4.77	5.90	24.38%	23.68%
OPCVM participation titles	0.96	1.03	1.18	22.75%	14.47%
Funds of precious merchandise and metals	0.01	0.03	0.04	612.61 %	67.18%
Risk hedging instruments	-0.011	-0.01	-0.01	17.72%	39.97%
Amounts under settlement	0.03	-0.06	-0.02	-58.75%	-72.24%
Total asset	24.69	27.59	31.48	27.54%	14.10%

Compared to June 2016, there was an increase in assets held in most financial instruments (excluding corporate bonds) in the conditions of an increase in total assets of 14.10%. The majority of assets accounted for increases between 2,83% and 67,18% (Table 93).

Figure 104. Pillar II. The structure of the investments between December 2015 and December 2016.



From the point of view of the allocation of financial resources on different active classes, except for bank deposits, non-governmental foreign bodies and funds of precious merchandise and precious metal, the other instruments recorded declines in December 2016, as compared to the same month of 2015.

As compared to June 2016, the share of non-governmental foreign bodies bonds, shares, participation titles, and funds of precious merchandise and precious metals have increased. Other financial instruments recorded decreases in total assets (Figure 104).

The structure of privately managed pension funds was as follows:

Figure 105. Pillar II. The structure of investments

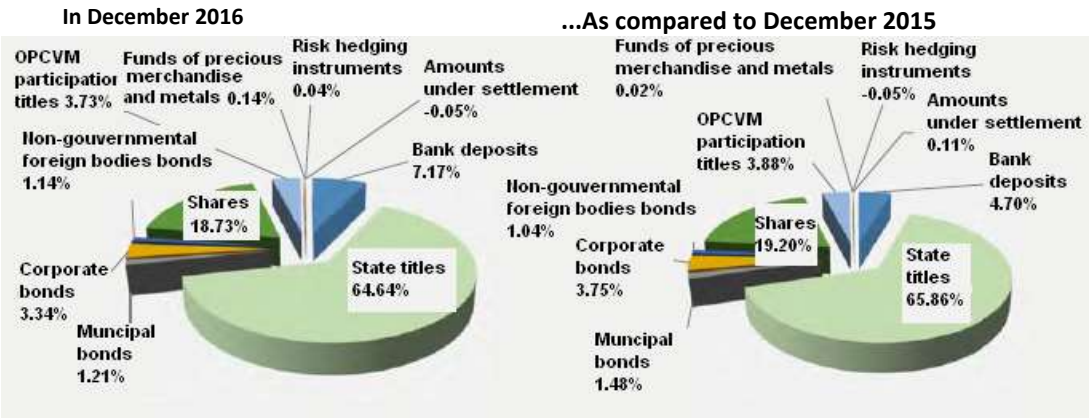
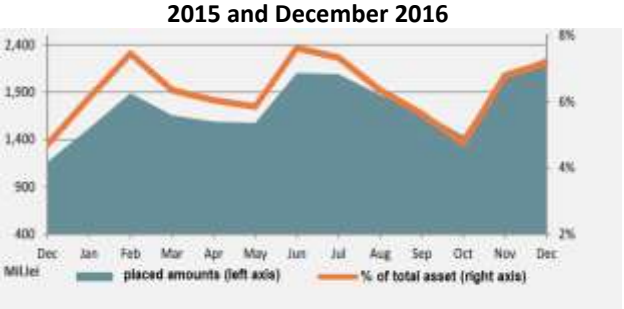


Table 94. Pillar II. Bank deposits

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Bank deposits	1.16	4.70%	2.10	7.62%	2.26	7.17%	↑	↑	↑	↓

Figure 106. Pillar II. Bank deposits between December 2015 and December 2016



Bank deposits: 7.17% of total assets, up from December 2015 (4.70%), but slightly lower compared to June 2016 (7.62%). The value of the invested assets, amounting to 2.26 billion lei, increased approximately two times compared to the same month in 2015 and by 7.41% compared to June 2016 (Table 94).

Table 95. Pillar II. Government securities

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Government securities	16.26	65.86%	18.06	65.47%	20.35	64.64%	↑	↓	↑	↓

Figure 107. Pillar II. The government securities between December 2015 and December 2016

Government securities: 64.64% of total assets decreased compared to December 2015 (65.86%) and June 2016 (65.47%). The share of government securities in total assets was between December 2015 and December 2016 on an upward trend until October last year, but declined in the last two months, registering a difference of about 3 percentage points between the highest value, of 67.37 % (October 2016) and the lowest one, of 64.64% (December 2016). The value of assets, 20.35 billion lei, increased compared to December 2015, by 25.18%, and by 12.66%, as compared to June 2016 (Table 95).

Table 96.Pillar II. Municipal bonds

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Municipal bonds	0.36	1.48%	0.37	1.34%	0.38	1.21%	↑	↓	↑	↓

Figure 108. Pillar II. The municipal bonds between December 2015 and December 2016

Municipal bonds: 1.21% of the total assets, the share decreased compared to December 2015 (1.48%) and June 2016 (1.34%). The value of the invested assets increased compared to December 2015, with 4.74% reaching 0.38 billion lei at 31 December 2016. Compared with June 2016, the increase was 2.83% (Table 96).

Table 97. Pillar II. Corporate bonds

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Corporate bonds	0.93	3.75%	1.08	3.90%	1.05	3.34%	↑	↓	↓	↓

Figure 109. Pillar II. The corporate bonds between December 2015 and December 2016

Corporate bonds: 3.34% of total assets, down slightly compared to December 2015 (3.75%) and June 2016 (3.90%). The value of assets, 1.05 billion lei, increased by 13.41% as compared to December 2015 and decreased by 2.32% as compared to June 2016 (Table 97).

Table 98. Pillar II. Non-governmental foreign bodies bonds

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Non-governmental foreign bodies bonds	0.26	1.04%	0.23	0.82%	0.36	1.14%	↑	↑	↑	↑

Figure 110. Pillar II. Non-governmental foreign bodies bonds between December 2015 and December 2016

Bonds of governmental foreign bodies: 1.14% of total assets, increased as compared to December 2015 (1.04%) and June 2016 (0.82%). The value of the invested assets, 0.36 billion lei, increased significantly compared to December 2016, 38.82% and June 2016, 57.85% (Table 98). The decline in the value of assets and the share recorded in March 2016 is explained by the fact that this month and EIB debt issuance (2009) worth 28 million lei has matured.

The significant increase in September 2016 of both the value of the assets invested in this financial instrument and the share held was determined by the fact that on 27 September 2016, the International Investment Bank issued non-government investment grade bonds with a maturity date of 27.09.2019, and, as a consequence, FPAP NN and FPAP VITAL, invested 73.48 million lei.

Table 99. Pillar II. Shares

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets	Value (billion lei)	Share in total assets	Value (billion lei)	Share in total assets	Value	Share in total assets	Value	Share in total assets
Shares	4.74	19.20%	4.77	17.28%	5.90	18,73%	↑	↓	↑	↑

Figure 110. Pillar II. Shares between December 2015 and December 2016

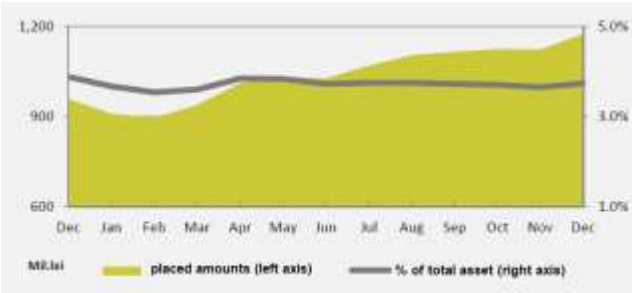
Shares: 18.73% of total assets, compared to December 2015 (19.20%), but increasing compared to June 2016 (17.28%). The share of shares in total assets fluctuated slightly in the first part of the analyzed period, between December 2015 and December 2016, with an upward trend in the last two quarters. It thus recorded a half percentage point difference between the maximum value of December 2015 (19.20%) and the minimum value of December 2016 (18.73%).

The value of the assets, of 5.90 billion lei, registered an annual advance of 24.38%, while compared to June 2016 the increase was of 23.68% (Table 99). It should be noted that in December 2016, the public offering of shares of Med Life took place at the Bucharest Stock Exchange. All seven privately managed pension funds purchased shares representing 31.22% of the total shares offered, and the total value of the shares bought was of 71.75 million lei.

Table 100 Pillar II. OPCMV participation titles

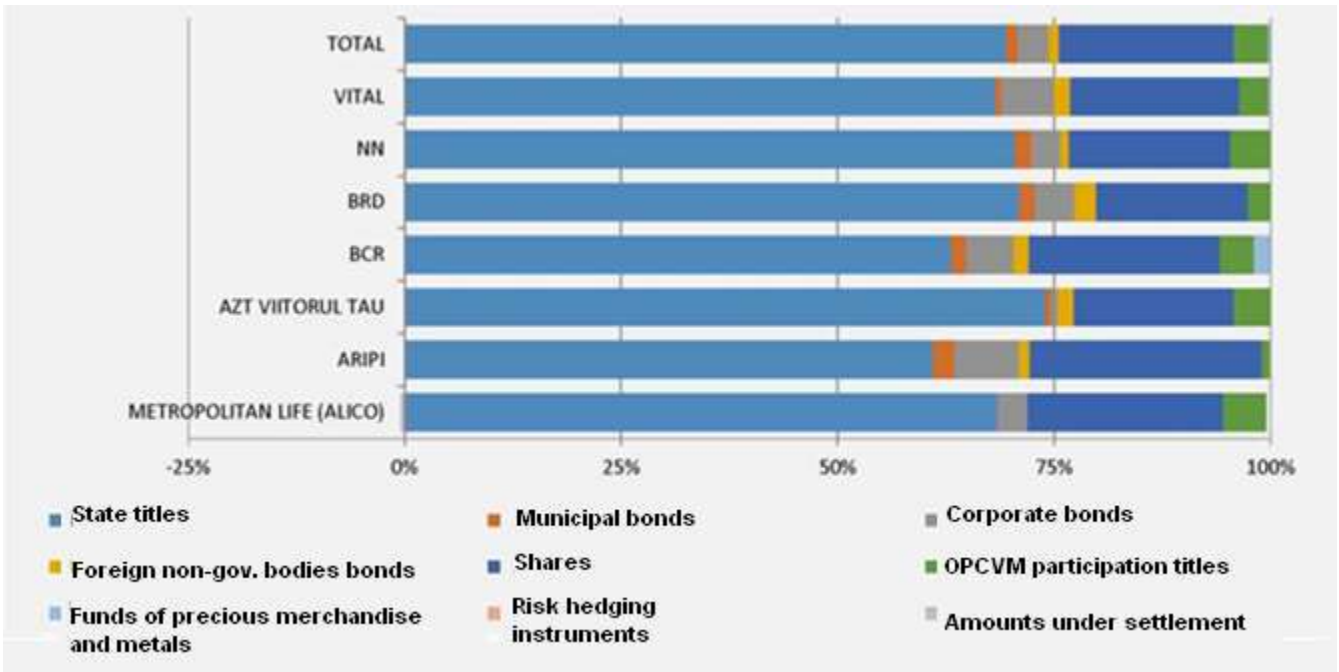
Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets	Value (billion lei)	Share in total assets	Value (billion lei)	Share in total assets	Value	Share in total assets	Value	Share in total assets
OPCMV Participation titles	0.96	3.88%	1.03	3.72%	1.18	3.73%	↑	↓	↑	↑

Figure 112. Pillar. OPCMV participation titles between December 2015 and December 2016



OPCVM participation titles: 3.73% of total assets decreased as compared to December 2015 (3.88%), but increased slightly as compared to June2016 (3.72%). The value of assets, of 1.18 billion lei, increased by 22.75%, as compared to the same month in 2015, and by 14.47%, as compared to December 2016 (Table 100).

Figure 113. Pillar II. The structure of the investment portfolios as at 31 December 2016



The other categories of financial instruments recorded the following shares in December 2016 out of the total privately managed pension funds assets:

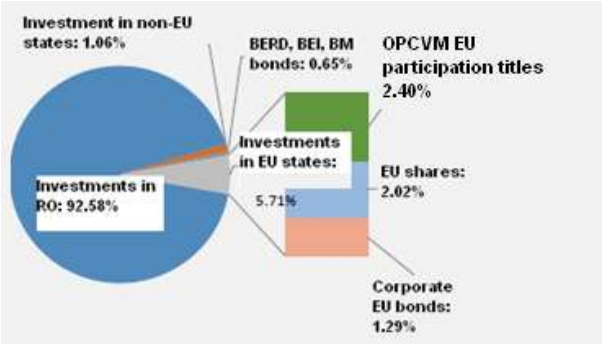
- Funds of precious merchandise and metals**: 0.14%;**
- Risk hedging instruments**: -0.04%;**
- Amounts under settlement for buying / selling assets or cash available in the current account**: -0.05%**

Table 101. Pillar II. Investment structure

Investments	Dec.15	Jun.16	Dec.16	Dec.2016/ Dec.2015	Dec.2016/ Jun.2016
RO investments	92.43%	92.91%	92.58%	↑	↓
EU state	6.53%	5.52%	5.71%	↓	↑
BERD, BEI, BM bonds	1.04%	0.76%	0.65%	↓	↓
Third states investments	0.00%	0.80%	1.06%	↑	↑

In December 2016, 92.58% of pension fund assets were placed in Romania, slightly increasing compared to December 2015 (92.43%) and decreasing compared to June 2016 (92.91%). 5.71% of assets accounted for investments in EU member states, 0.65% for non-governmental foreign bodies bonds such as EBRD, EIB, BM and 1.06% were investments in third countries (Table 101).

Figure 114. Pillar II. Structure of investments in financial placements as at 31 December 2016



2.7. The rates of return

The performance indicators of privately managed pension funds registered in December 2016 were:
- the annualized rate of return of high-risk pension funds: FPAP ARIPI: 3.7374%,
- the minimum rate of return of high-risk pension funds: -1.2801%,
- the annualized rate of return of average risk pension funds:

FPAP METROPOLITAN LIFE (ALICO)	**3.9088%**
FPAP AZT VIITORUL TAU	**2.8223%**
FPAP BCR	**4.2508%**
FPAP BRD	**3.2086%**
FPAP NN	**4.0992%**
FPAP VITAL	**4.0064%**

- the minimum rate of return of average risk pension funds: -0.2801%,
- the weighted average rate of return of all privately managed pension funds for the past 2 months: 3.7338%.

Figure 115. Pillar II. The weighted average rate of return between December 2015 and December 2016

Figure 116. Pillar II. Market share - net assets and annualized rates of return as at 31 December 2016

3. Facultative pensions (Pillar III)
3.1. The value of net assets and total participants

Table 102. Pillar III. Net assets (mil. lei)

Item no.	Facultative pension fund	Dec.15	Jun.16	Dec.16	Dec.16/ Dec.15	Dec.16/ Jun.16
1	NN OPTIM	477.03	525.55	587.15	23.09%	11.72%
2	BCR PLUS	214.00	232.79	262.79	22.80%	12.89%
3	AZT MODERATO	167.12	176.13	188.55	12.83%	7.06%
4	NN ACTIV	141.62	150.81	166.92	17.86%	10.68%
5	BRD MEDIO	64.86	70.41	80.54	24.17%	14.39%
6	AZT VIVACE	66.55	69.05	74.53	11.99%	7.94%
7	RAIFFEISEN ACUMULARE	57.30	60.26	65.20	13.78%	8.20%
8	PENSIA MEA	45.15	48.96	54.61	20.95%	11.54%
9	STABIL	12.89	13.75	15.07	16.86%	9.58%
10	AEGON ESENTIAL	5.70	5.93	6.31	10.63%	6.37%
	TOTAL	1.252.22	1.353.62	1.501.66	19.92%	10.94%

Table 3.2. Pillar III. Number of participants (pers.)

Item no.	Facultative pension fund	Dec.15	Jun.16	Dec.16	Dec.16/ Dec.15	Dec.16/ Jun.16
1	NN OPTIM	125.983	131.967	136.565	8,40%	3.48%
2	BCR PLUS	112.847	120.110	123.830	9,73%	3.10%
3	NN ACTIV	38.099	38.871	39.725	4,27%	2.20%
4	AZT MODERATO	36.822	37.146	37.834	2,75%	1.85%
5	BRD MEDIO	19.020	21.286	22.234	16,90%	4.45%
6	AZT VIVACE	20.470	20.453	20.392	-0,38%	-0.30%
7	RAIFFEISEN ACUMULARE	10.078	10.480	10.722	6,39%	2.31%
8	PENSIA MEA	10.095	10.044	9.994	-1,00%	-0.50%
9	STABIL	5.097	5.113	5.128	0,61%	0.29%
10	AEGON ESENTIAL	3.807	3.806	3.817	0,26%	0.29%
	TOTAL	382.318	399.276	410.241	7,30%	2.75%

In December 2016, the net assets of facultative pension funds reached 1.50 billion lei (0.33 billion Euros), recording an advance of 19.92%, as compared to December 2015 and of 10.94%, as compared to June 2016 (19.48% and 10.45% against the Euro). Compared to the previous month, the growth was of 2.30%.

Between December 2015 and December 2016, the monthly growth rate fluctuated, showing a difference of 3.53 percentage points between the maximum value of July 2016 (3.04%) and the minimum of January 2016 (-0.49%), the median ratio being 1.73 %.

410,241 participants were registered in the optional pension scheme as at 31 December 2016, amounting to an annual advance of 7.30% and, 2.75%, respectively, as compared to June 2016.

As compared with the previous month, the growth was only of 0.53%. The monthly decreasing rate fluctuated between December 2015 and December 2016, registering a difference of about one percentage point between the maximum value reached in December 2015 (1.04%) and the lowest value, reached in July, respectively in September and October 2016 (0.38%), the median the range being of only 0.56%.

Figure 117. Pillar III. Market share by participants and net assets as at 31 December 2016

The average amount of an account under Pillar III for the 410,241 participants was as at 31 December 2016 of 3,660 lei (806 Euros), an annual advance of 11.76%. The increase compared to June 2016 was of 7.97%.
The gender distribution was as follows: 49.49% of participants were men and 50.51% women (Figure 116). With regard to age distribution, the participant ratio was as follows: People under 35 years of age represented 18.47%, and those over 35 years represented 81.53% (Figure 117).
Under the maturity of the system, the ratio changed slightly between 2015 and December 2016 in favour of participants aged over 35 (an increase of about one percentage point) and decreased by less than one percentage point for the age group under 35 years of age (in December 2015 the ratio was of 19.69% to 80.31%, and in June 2016, it was of 19.08% to 80.92%).

Figure 118. Pillar III. Participants – The pyramid of participants by gender and age group (%) as at 31 December 2016

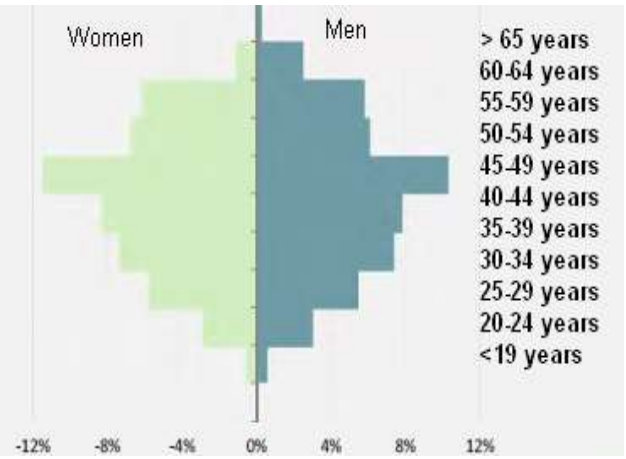
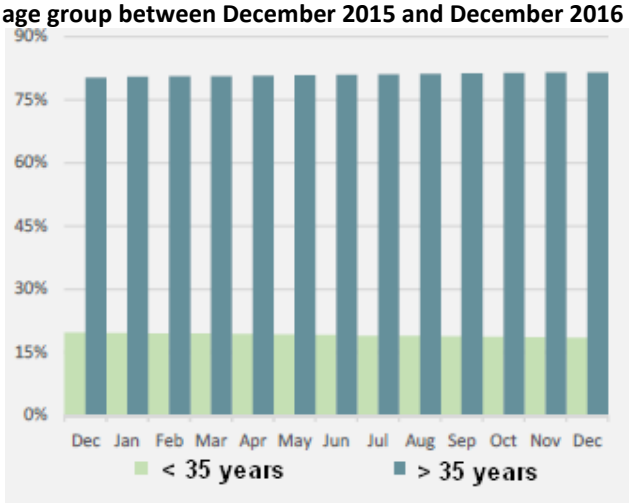
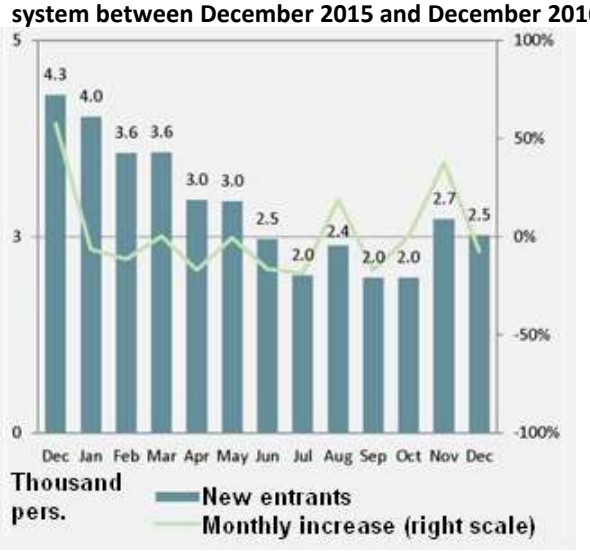


Figure 119. Pillar III. The evolution of the structure by age group between December 2015 and December 2016



3.2. New entrants

Figure 120. Pillar III. Number of new entrants to the system between December 2015 and December 2016



2,521 people joined in December 2016 one of the ten facultative pension funds.

Compared to December 2015, there was a decrease of 41.43% and as compared to June 2016 there was an increase of 2.19%. Compared to the previous month, there was a decrease of 7.42%.

Overall, in the year 2016 33,155 persons entered the system, by 17.21% less than in the similar period of 2015 (40,047 persons).

The number of new participants in the system between December 2015 and December 2016 registered a fluctuating trend, reaching a maximum value in December 2015 (4,304 persons), and a minimum value in September 2016 (1,979 persons), underlining the tendency of decreasing of the number of new participants in the system.

Figure 121. Pillar III. The structure of participants by development regions as at 31 December 2016

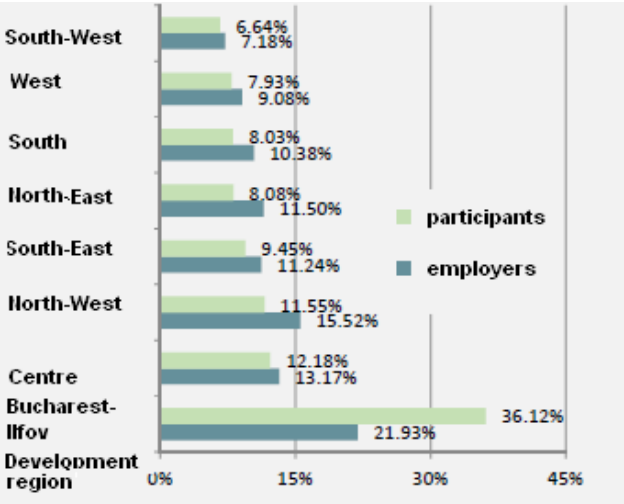
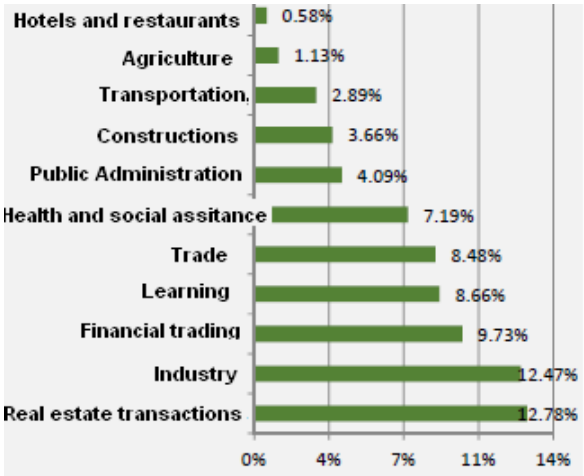


Figure 122. Pillar III. The structure of employees by Economic activities as at 31 Dec. 2016



In terms of Romania's development regions, on 31 December 2016, most participants worked in Bucharest (34.27%), and the best represented regions were: Bucharest - Ilfov, with 36.12%, Centre, with 12.18%, and North-West, with 11.55% (the three regions accounted for 59.85% of the participants), while the other regions, with 40.15% of the total, weighted between 6,64% and 9,45% of the total (Figure 119). The most represented economic activities in December 2016 were real estate transactions, with a share of 12.78%, industry, , with a share of 12.47%, and financial intermediation, , with a share of 9.73%. The least represented economic activities were agriculture, with a share of 1.13%, and hotel and restaurant services, with a share of 0.58%, and about 38% were other activities (Figure 120).

3.2 Contributions

In December 2016, 24.53 million lei (5.40 million Euros) were transferred to the voluntary pension funds, registering a decrease of 4.34%, as compared to December 2015. As compared to June 2016 there was an increase of 23.40%. Compared to the previous month, the registered growth was of 20.97% (Figure 121). During the year 2016, 246.30 million lei (54.24 million Euros) were paid to the voluntary pension funds.

Figure 123. Pillar III. Gross contributions paid and average contribution between December 2015 and December 2016

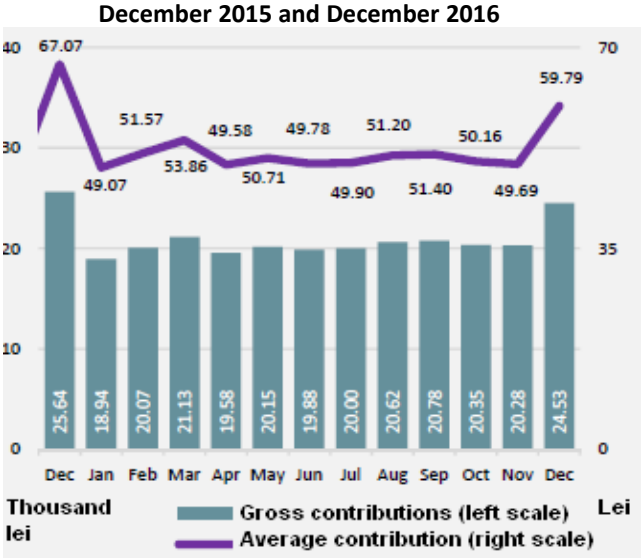
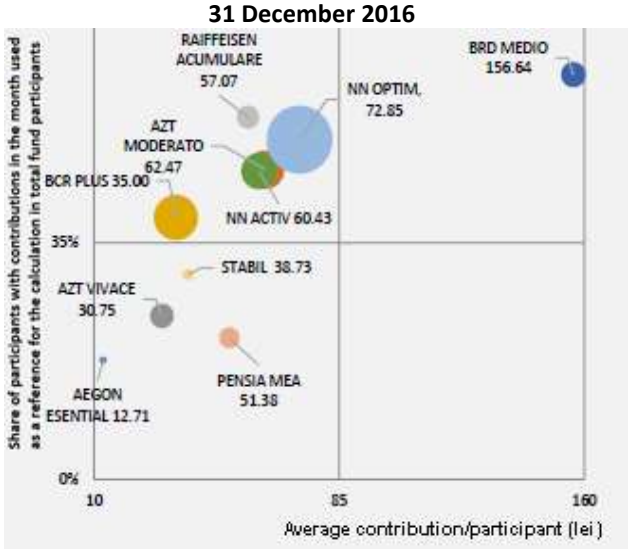
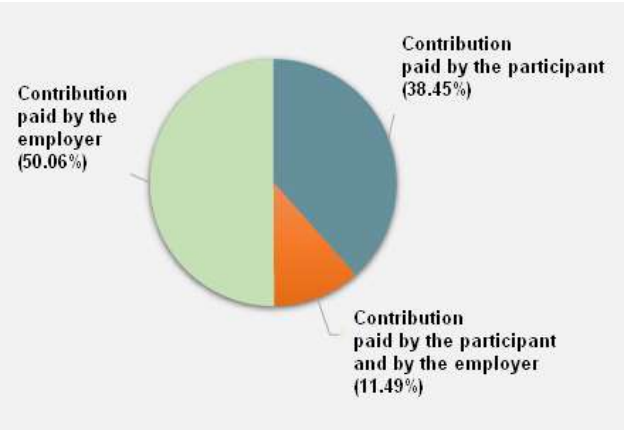


Figure 124. Pillar III. Average contributions (lei) and share of participants with contributions paid as at 31 December 2016



As at 31 December 2016, FPF BRD MEDIO recorded the highest average / participant, of 156.64 lei / participant, as well as the highest share of participants for which contributions were made in the reference calculation month of total fund participants (59.94%)[6]. The difference registered in December 2016 in the value of the contributions for the FPF BRD MEDIO is due to the fact that both BRD GSG SA and the group subsidiaries contributing as employers under Pillar III perform regularization payments in December up to the ceiling of 200 Euros / year / employee.
The following two positions are held by FPF NN OPTIM, with 72.85 lei / participant (50.31% - share of participants with contributions out of the total participants) and FPF AZT MODERATO, with 62.47 lei / participant (45.88% - share of participants with contributions out of the total participants).
It should be noted that FPF Raiffeisen Acumulare, which had a 57.07 lei average contribution / participant, had a large share of participants with contributions out of the total fund participants (53.65%) in December 2016, being situated from this point of view after FPF BRD MEDIO (Figure 122).
On the opposite side there were FPF PENSIA MEA, FPF STABIL, FPF AZT VIVACE and FEG AEGON ESENTIAL which registered lower values for the average contribution / participant (12.71 - 51.38 lei) and a lower share of the participants with contributions out of the total fund participants (17.66% - 30.34%).

Figure 125. Pillar III. Participation to contribution payment as at 31 Dec. 2016



1.55% of the contributions to the facultative funds were paid by employers (50.06%), or by the participants, together with their employers (11.49%), while 38.45% of the participants paid their own contributions between December 2016 (Figure123). Depending on the place where the employer is operating, the distribution of participants in December 2016 was similar to the previous months, with 81% of the participants coming from urban areas, and 19% originating in rural areas.

3.4. The payment of net assets in case of retirement, invalidity and death

During 2016, payments of the net personal assets to participants amounted to 25.75 million lei (Figure124), of which 23.84 million lei came as a result of the beginning of the pension entitlement, representing 92.55% of the total payments made (4.363 participants), 1.69 million lei, came as a result of the death of the participant, 6.56% of the total (675 beneficiaries) and 0.23 million lei, came as a result of invalidity of the beneficiary, in case of 0.89% of the total participants (41 participants). Total payments recorded an increase of 21.49% in between December 2015 and December 2016 (Figure 125), especially as a result of the increase in payments related to the beginning of the old-age pension entitlement.

[6] Participants for whom contributions (amounts other than zero) were paid in the month used for the calculation.

Figure 126. Pillar III. The structure of net personal asset payments in 2016

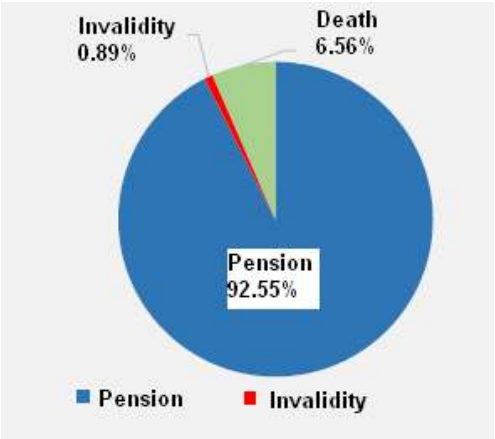
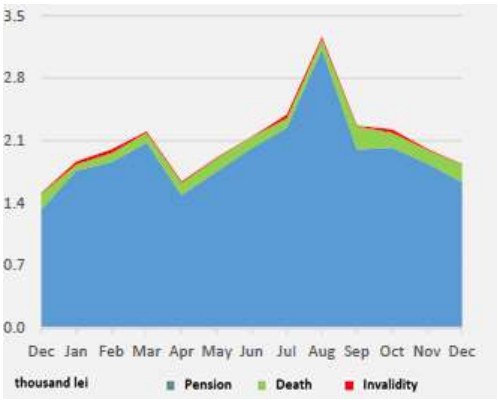


Figure 127. Pillar III. The evolution of the average value of net personal asset paid between December 2015 and December 2016



3.5. Transfers

Between December 2015 and December 2016, approximately 600 participants were transferred between facultative pension funds, the transferred assets amounting to 6.18 million lei. The pension fund which received the most transferred participants (264), but also the highest value of the transferred asset (4.73 million lei) was FPF NN OPTIM. In the case of the funds from which the participants were transferred, FPF NN ACTIV ranked first with 161 participants, but the fund from which the highest asset values were transferred was FPF AZT MODERATO, with 3.80 million lei. (Figures 126 and 127).

Figure 128. Pillar III. The value of net transferred asset in 2016 (mil. lei)

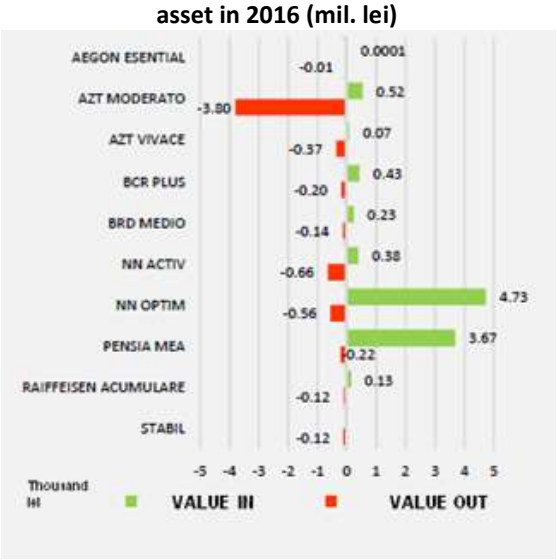
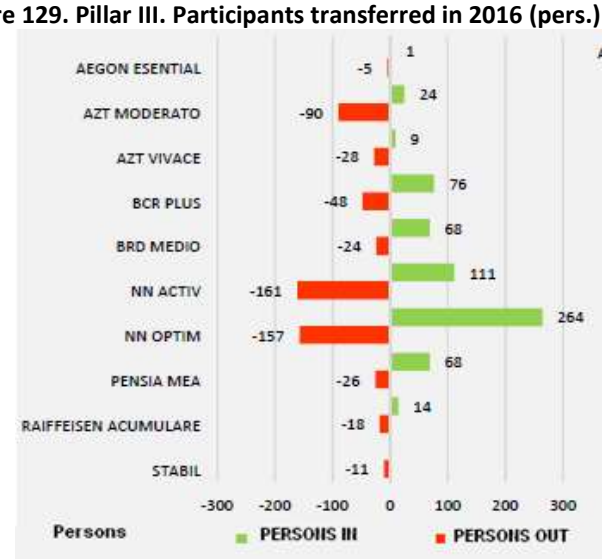


Figure 129. Pillar III. Participants transferred in 2016 (pers.)



3.6. The structure of investments

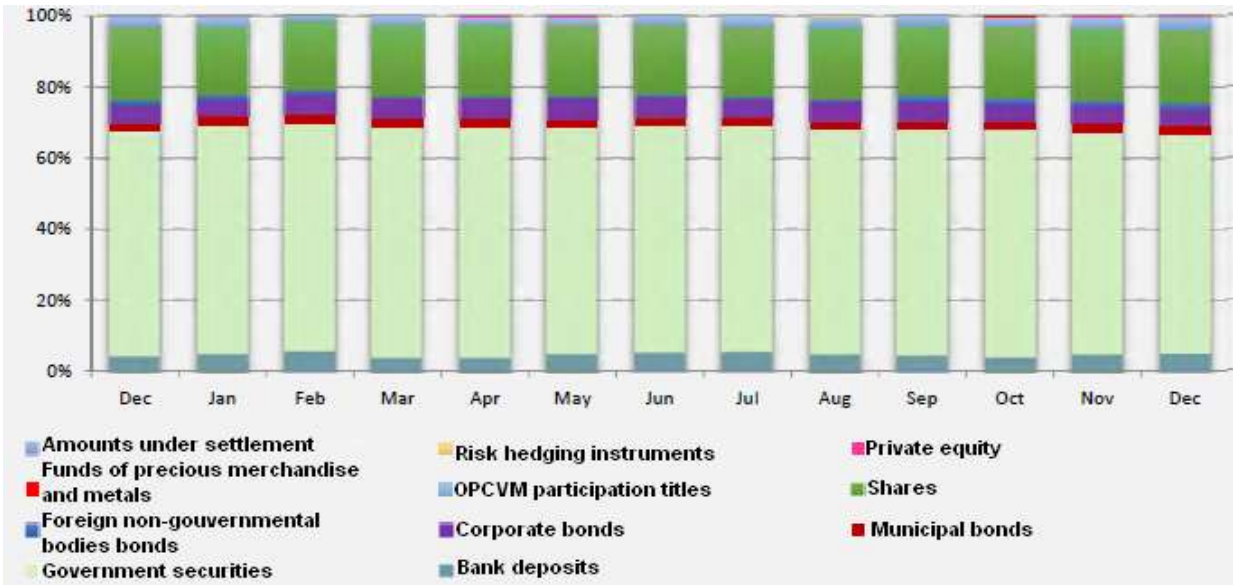
Table 103. Pillar III. structure of investments - total (mil. lei)

Item no.	Financial instruments	Dec.15	Jun.16	Dec.16	Dec.2016/ Dec.2015	Dec.2016/ Jun.2016
1	Bank deposits	46.57	70.81	70.37	51.13%	-0.61%
2	Government securities	801.67	867.51	936.54	16.82%	7.96%
3	Municipal bonds	31.64	34.04	35.00	10.63%	2.83%
4	Corporative bonds	56.41	68.89	66.26	17.47%	-3.82%
5	Foreign non-governmental body bonds	18.01	10.57	24.62	36.65%	132.86%
6	Shares	263.46	271.04	317.76	20.61%	17.24%
7	OPCVM participation titles	34.74	34.94	48.55	39.76%	38.96%
8	Funds of precious	0.57	0.77	1.00	77.18%	29.46%
9	Risk hedging instruments	-1.44	-0.59	-0.73	-49.62%	22.17%
10	Amounts under settlement	2.71	-4.62	0.00	-100.00%	-100.00%
	Total asset	1.254.32	1.355.82	1.504.19	19.92%	10.94%

In December 2016, compared with the same month last year, except for risk hedging instruments, assets rose between 10.63% and 77.18%. The annual increase in total assets was of 19.92%.

Reported to June 2016, declines were recorded only for bank deposits and corporate bonds. Amounts placed in the other asset classes recorded increases between 2.83% and 38.96% even twice for non-governmental foreign bodies bonds, with total assets rising by 10.94%.

Figure 130. Pillar III. The structure of investments between December 2015 and December 2016



From the point of view of the allocation of financial resources on different classes of assets, government securities, municipal bonds and corporate bonds decreased compared to December 2015. The other classes of assets registered increases.

Compared with June 2016, there were increases in the bonds of non-governmental foreign bodies, OPCVM participation titles, while the other financial instruments recorded decreases in the shares.
The evolution of the structure of investments over the past year and the structure of portfolios of facultative pension funds in December 2016 is depicted in Figures 128 and 129.

Figure 131. Pillar III. The structure of investments

December 2016 **...as compared to December 2015**

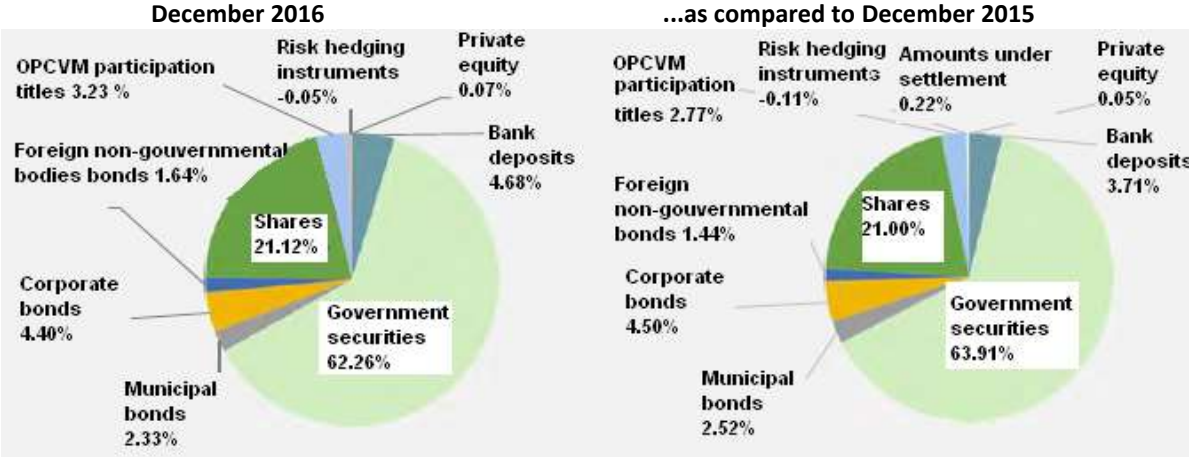
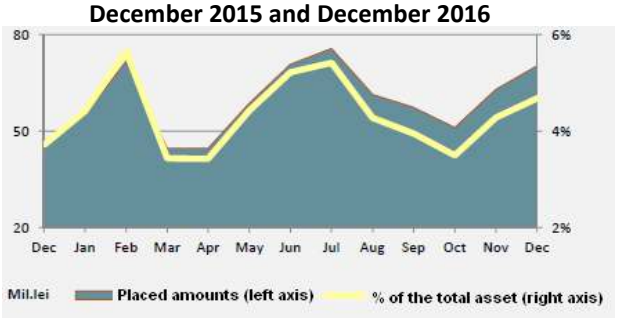


Table 104. Pillar III. Bank deposits

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Bank deposits	46.57	3.718%	70.81	5.22%	70.37	4.68%	↑	↑	↓	↓

Figure 132 Pillar III. Bank deposits between December 2015 and December 2016



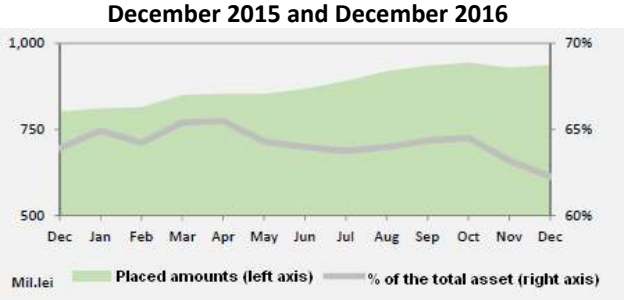
Bank deposits: 4.68% of total assets, up from December 2015 (3.71%), but down from June 2016 (5.22%).

The value of assets placed in bank deposits, 70.37 million lei, increased by 51.13%, as compared to December 2015, but decreased by 0.61%, as compared to June 2016 (Table 104).

Table 105. Pillar III. Government securities

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)
Government securities	801.67	63.91%	70.81	867.98%	936.54	62.26%	↑	↓	↑	↓

Figure 133 Pillar III. Government securities between December 2015 and December 2016

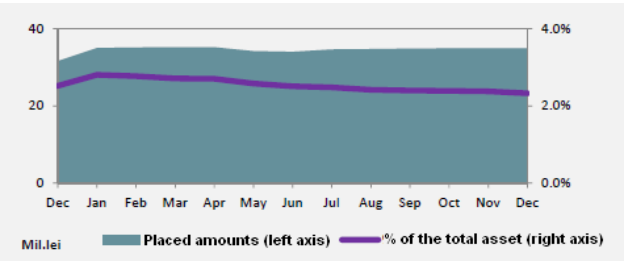


Government securities: 62.26% of total assets, decreasing as compared to December 2015 (63.91%) and June 2016 (63.98%). In terms of value, the assets invested in government securities, worth 936.54 million lei increased by 16.82%, as compared to December 2015 and by 7.96%. as compared to June 2016 (Table 105).

Table 106. Pillar III. Municipal bonds

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Municipal bonds	31.64	2.52%	34.04	2.51%	35.00	2.33%	↑	↓	↑	↓

Figure 134. Pillar III. Municipal bonds between December 2015 and December 2016

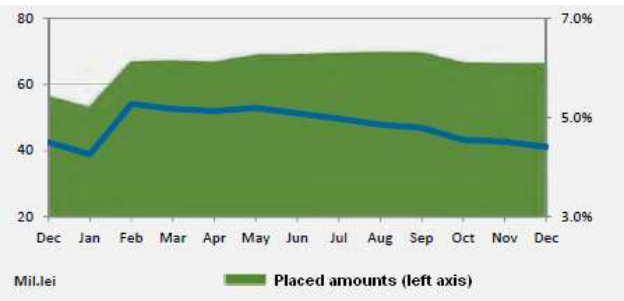


Municipal bonds: 2.33% of the total net assets decreased slightly compared to December 2015 (2.52%) and to December 2016 (2.51%). The value of assets invested in municipal bonds amounting to 35.00 million lei increased by 10.63% as compared to December 2015 and by 2.83% as compared to June 2016 (Table 106).

Table 107. Pillar III. Corporate bonds

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Corporative bonds	56.41	4.50%	68.89	5.08%	66.26	4.40%	↑	↓	↓	↓

Figure 135. Corporate bonds between December 2015 and December 2016



Corporate bonds: 4.40% of total assets, down from December 2015 (4.50%) and June 2016 (5.08%). The value of assets invested in corporate bonds, 66.26 million lei, registered an increase, as compared to December 2015 of 17.47% and as compared to June 2016 it registered a decrease of 3.82% (Table 107).

Table 108. Pillar III. Non-governmental foreign bodies bonds

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Non-governmental foreign bodies bonds	18.01	1.44%	10.57	0.78%	24. 26	1.64%	↑	↑	↑	↑

]

Fig. 136. Non-governmental foreign bodies between December 2015 and December 2016

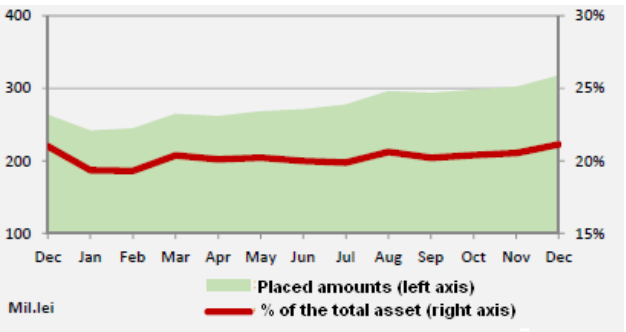
Non-governmental foreign bodies bonds: 1.64% of fund assets, increased as compared to December 2015 (1.44%) and June 2016 (0.78%). The value of the assets, 24.62 million lei, increased by 36.65% as compared to December 2015 and approximately two times as compared to the year 2016 (Table 108).

The decrease in the assets invested and their share in March 2016 is explained by the fact that this month matured an issue of EIB bonds (issued in 2009) worth about 7 million lei. The significant increase in the amount invested in this instrument in September 2016 and the share held was determined by the fact that on 27.09.2016, the International Investment Bank issued non-government foreign bodies investment grade bonds maturing on 27.09.2019, and, as a consequence, FPF Aegon Esenţial, FPF BCR Plus, FPF NN Activ, FPF NN Optim, FPF Pensia Mea and FPF Stabil invested 14.05 million lei.

Table 109. Pillar III. Shares

Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value (billion lei)	Share in total assets (%)	Value	Share in total assets	Value	Share in total assets
Shares	263.46	21.00%	271.04	19.99%	317.76	21.12%	↑	↑	↑	↑

Figure 137 Pillar III. Shares between December 2015 and December 2016



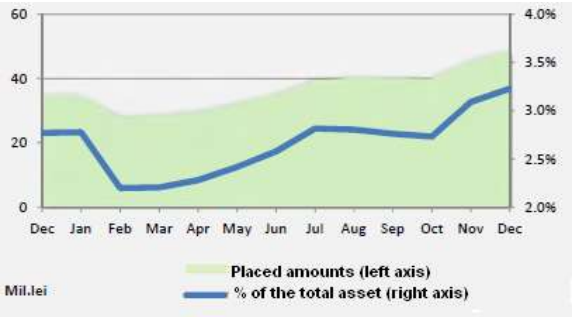
Shares: 21.12% of fund assets, slightly increasing compared to December 2015 (21.00%) and compared to June 2016 (19.99%).
The value of assets, 317.76 million lei, increased by 20.61% compared with December 2015 and by 17.24% as compared to June2016 (Table 109).
It should be noted that during December 2016, the public offering of shares of Med Life took place at the Bucharest Stock Exchange.

Except for Aegon Essential FPF, all other facultative pension funds purchased within the offer shares representing 1.82% of the total shares offered. The total value of the shares bought by the pension funds amounted to 4.17 million lei.

Table 110. Pillar III. OPCVM participation titles

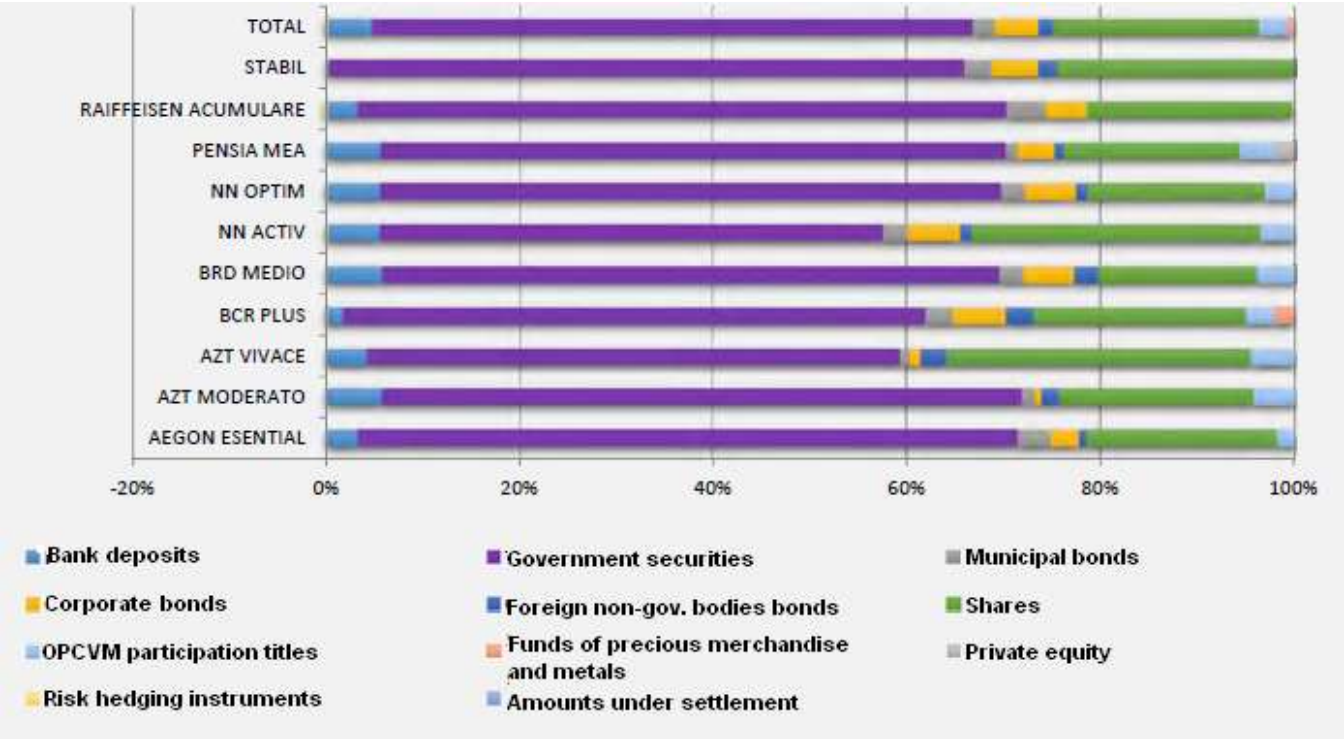
Financial instruments	Dec.-15		Jun.-16		Dec.-16		Dec.2016/Dec.2015		Dec.2016/Jun.2016	
	Value (billion lei)	Share in total assets	Value (billion lei)	Share in total assets	Value (billion lei)	Share in total assets	Value	Share in total assets	Value	Share in total assets
Participation titles	34.74	2.77%	34.94	2.58%	48.55	3.23%	↑	↑	↑	↑

Figure 138. Pillar III. OPCVM participation titles between December 2015 and December 2016



OPCVM participation titles: 3.23% of total fund assets, increasing both compared to December 2015 (2.77%) and June 2016 (2.58%). Assets invested in shares as of 31 December 2016 registered 48.55 million lei, representing an increase of 39.76% compared to December 2015 and 38.96% as compared to June 2016 (Table 110).

Figure 139. Pillar III. Structure of investment portfolios as at 31 December 2016



The other categories of financial instruments recorded the following shares in December 2016 out of the total privately managed pension funds assets:

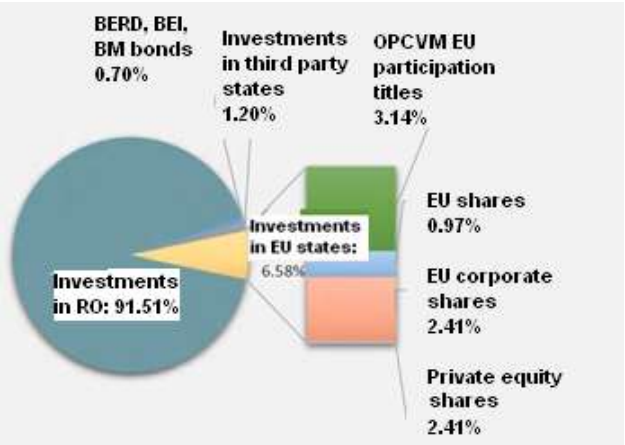
- Shares - Private equity: **0.07%;**
- Risk hedging instruments: **-0.05%;**
- Funds of precious merchandise and metals: **0.32%**

Table 111. Pillar III. Investment structure

Investments	Dec.-15	Jun.-16	Dec.-16	Dec.2016/ Dec.2015	Dec.2016/ Jun.2016
RO	92.96%	93.20%	91.51%	↓	↓
EU state investments	5.60%	5.66%	6.58%	↑	↑
BERD, BEI, BM bonds	1.44%	0.80%	0.70%	↓	↓
Third states investments	0.00%	0.34%	1.20%	↑	↑

91.51% of the assets of the voluntary pension funds were placed in Romania, decreasing as compared to December 2015 (92.96%) and June 2016 (93.20%). 6.58% of assets were placed in EU countries and 0.70% in bonds of non-governmental foreign bodies such as EBRD, BEI, BM and 1.20% in third countries (Table 111, Figure 138).

Figure 140. Pillar III. Structure of investments in financial placements as at 31 December 2016



3.7. **The rates of return**

The performance indicators of facultative pension funds registered in December 2016 were:

- the annualized rate of return of high-risk pension funds:

o AZT VIVACE: 3.0763%

o NN ACTIV: 3.4419%

-the weighted average rates of return of all high-risk pension funds: 3.3242%.

-the minimum rate of return on high-risk pension funds: -0.6757%;

-the annualized rates of return of average risk pension funds:

o AZT MODERATO: 2.8007%

o BCR PLUS: 2.9928%

o BRD MEDIO: 1.5014%

o NN OPTIM: 2.8326%

o PENSIA MEA: 1.6262%

o RAIFFEISEN ACUMULARE: 3.1265%

o STABIL: 2.2146%

-the weighted average rate of return on all medium-risk pension funds: 2.7308%;

-the minimum rate of return on medium-risk pension funds: -1.2691%.

Figure 141. Pillar III. Average rates of return between December 2015 and December 2016

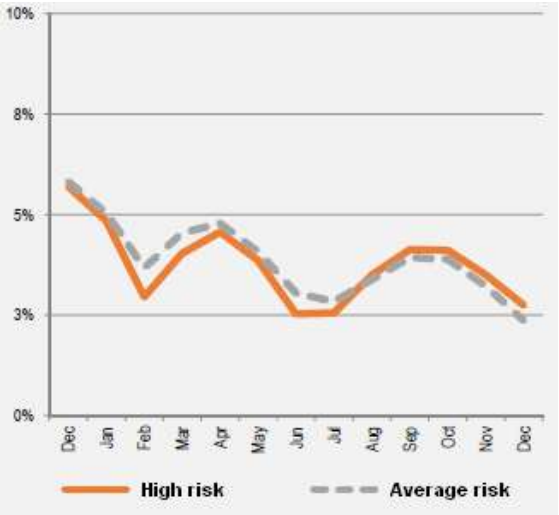


Figure 142. Pillar III. Market share - net assets and annualized rates of return as at 31 December 2016

APENDICES

1. The evolution of the main economic and financial indicators of BSE and SIBEX

The BSE Economic and Financial Indicators

Name of the indicator	Value as at 30.12.2015 (lei)	Value as at 30.12.2016 (lei)	Change% between 2016/2015
Total income	23,287,950	25,215,391	8.28%
Operating income	17,728,619	20,023,740	12.95%
Total expenses	15,224,282	16,453,350	8.07%
Total assets	98,389,815	99,071,442	0.69%
Equity	94,958,419	95,749,703	0.83%
Net result	7,004,148	7,500,525	7.09%

The SIBEX Economic and Financial Indicators

Name of the indicator	Value as at 30.12.2015 (lei)	Value as at 30.12.2016 (lei)	Change% between 2016/2015
Total income	4,777,099	445,467	-90.67%
Operating income	698,482	421,204	-39.70%
Total expenses	7,490,015	2,311,057	-69.14%
Total assets	18,894,280	17,132,755	-9.32%
Equity	18,526,602	16,661,012	-10.07%
Net result	-2,712,916	-1,865,590	31.23%

2. The evolution of the main economic and financial indicators of Central Depositary and of SIBEX Depositary

The Economic and Financial Indicators of the Central Depositary

Name of the indicator	Value* as at 30.12.2015 (lei)	Value as at 30.12.2016 (lei)	Change% between 2016/2015
Total income	14,797,565	13,056,554	-11.77%
Operating income	13,129,069	12,230,037	-6.85%
Total expenses	13,173,354	11,395,328	-13.50%
Total assets	80,684,931	75,444,371	-6.50%
Equity	30,615,672	30,973,389	1.17%
Net result	1,323,907	1,600,574	20.90%

**Non audited annual financial statements*

The Economic and Financial Indicators of the SIBEX Depositary

Name of the indicator	Value* as at 30.12.2015 (lei)	Value as at 30.12.2016 (lei)	Change% between 2016/2015
Total income	864,654	527,657	-38.97%
Operating income	64,925	70,253	8.21%
Total expenses	1,485,664	1,402,334	-5.61%
Total assets	22,643,195	21,778,076	-3.82%
Equity	22,033,349	21,091,513	-4.27%
Net result	-640,603	-885,423	-38.22%

**Non audited annual financial statements*

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