

According to the Spring 2022 Economic Forecast, Romania's gross domestic product will grow by 2.6% in 2022, a downward revision (compared to 4.2%: Winter 2022 Economic Forecast).

MONTHLY MARKET REPORT

- Credit Default Swaps quotations continued to increase significantly during April 2022. Romania CDS quotations reached a value of 219 bp at the end of April.
- The evolution of the exchange rate has been stable since the beginning of the year and has registered the slightest depreciation against the currencies of the neighboring economies.
- At the end of April 2022, the voluntary pension funds' investments were generally made locally, in a percentage of 92%, a large majority being denominated in lei.

World Macroeconomic Outlook

According to the Spring 2022 Economic Forecast, real GDP growth in the EU and the Euro Area is expected at 2.7% in 2022, a downward revision (-1.3 pp) from the previous forecast. According to the European Commission, Romania's gross domestic product will grow by 2.6% in 2022, a downward revision (compared to 4.2%: Winter 2022 Economic Forecast).

According to the flash estimate published by Eurostat, in the first quarter of 2022, **seasonally adjusted GDP** increased by 0.3% in the euro area and by 0.4% in the EU compared to the previous quarter. Compared to the same period of the previous year, seasonally adjusted GDP increased by 5.1% in the euro area and by 5.2% in the EU in the first quarter of 2022.

According to the flash estimate published by NIS, **the gross domestic product** increased by 5.2% in **Romania** in the first quarter of 2022 compared to the previous quarter. Compared to the similar period of the previous year, in the first quarter of 2022, Romania's gross domestic product increased by 6.5% on both the gross and seasonally adjusted series.

The National Commission for Strategy and Prognosis (NCSP) revised downward the economic forecast regarding Romania's GDP growth rate for 2022 at 2.9% (from 4.3% according to the NCSP winter 2022 forecast).

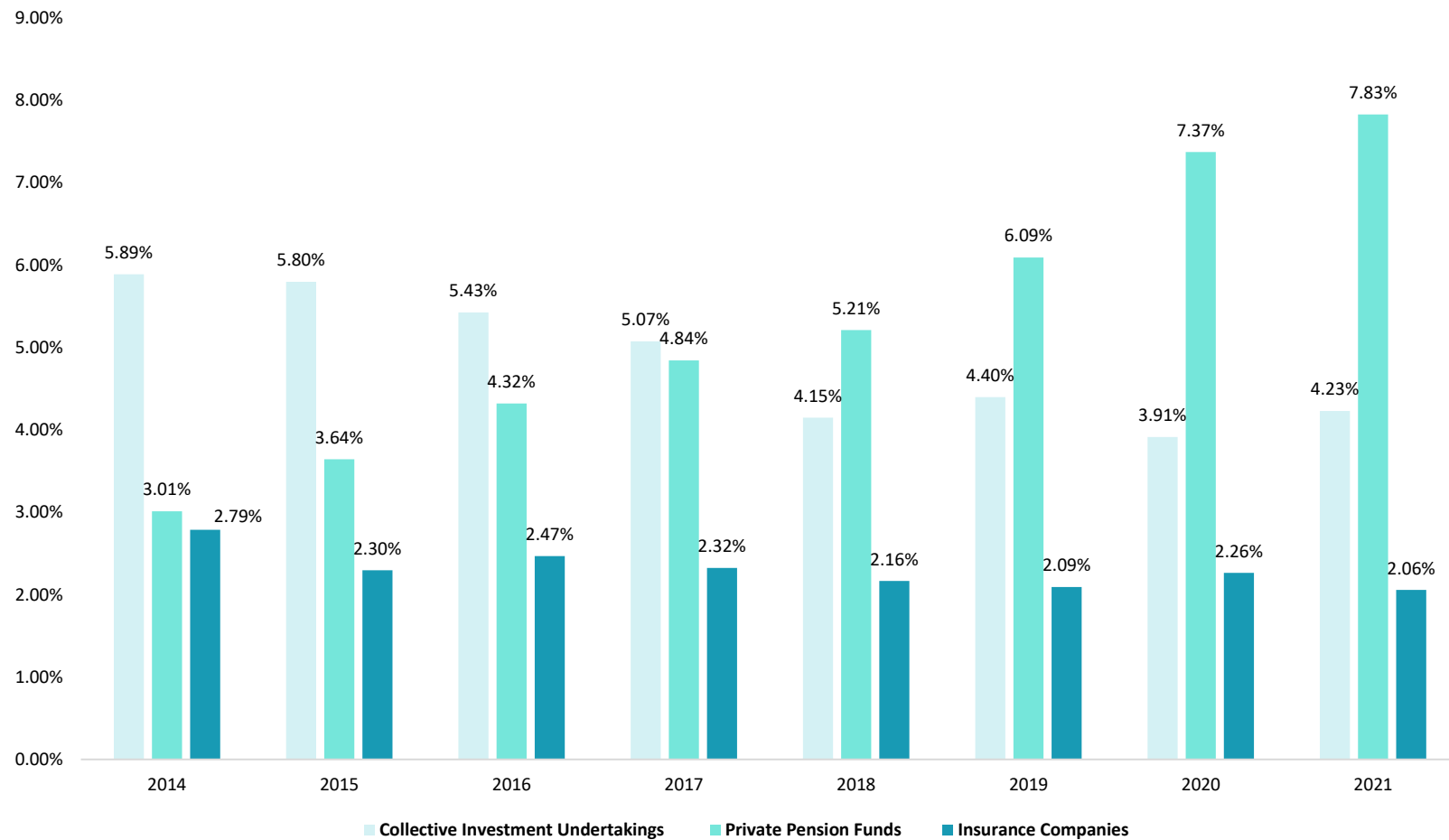
Evolution of GDP (%) and GDP forecast (%)

| Country | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | 2021 | Q1 2022 | European Commission | | IMF* | |
|------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|---------------------|------------|------------|------------|
| | | | | | | | | | | | | 2022f | 2023f | 2022f | 2023f |
| Euro area | -3.2 | -14.6 | -4.0 | -4.3 | -6.4 | -0.9 | 14.6 | 4.1 | 4.7 | 5.4 | 5.1 | 2.7 | 2.3 | 2.8 | 2.3 |
| Germany | -1.9 | -11.3 | -3.7 | -2.9 | -4.6 | -2.8 | 10.4 | 2.9 | 1.8 | 2.9 | 3.7 | 1.6 | 2.4 | 2.1 | 2.7 |
| Bulgaria | -0.8 | -7.9 | -4.4 | -3.3 | -4.4 | -1.4 | 7.4 | 5.0 | 4.7 | 4.2 | | 2.1 | 3.1 | 3.2 | 4.5 |
| Hungary | 1.8 | -13.0 | -4.2 | -3.3 | -4.5 | -1.3 | 17.6 | 6.5 | 7.0 | 7.1 | | 3.6 | 2.6 | 3.7 | 3.6 |
| Poland | 2.7 | -7.5 | -1.6 | -2.1 | -2.2 | -1.0 | 11.0 | 6.0 | 7.9 | 5.9 | | 3.7 | 3.0 | 3.7 | 2.9 |
| Romania | 2.6 | -9.8 | -5.4 | -1.5 | -3.7 | -0.1 | 15.4 | 6.9 | 2.4 | 5.9 | 6.5 | 2.6 | 3.6 | 2.2 | 3.4 |

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

World Macroeconomic Outlook

Evolution of nonbanking system's assets (% of GDP)



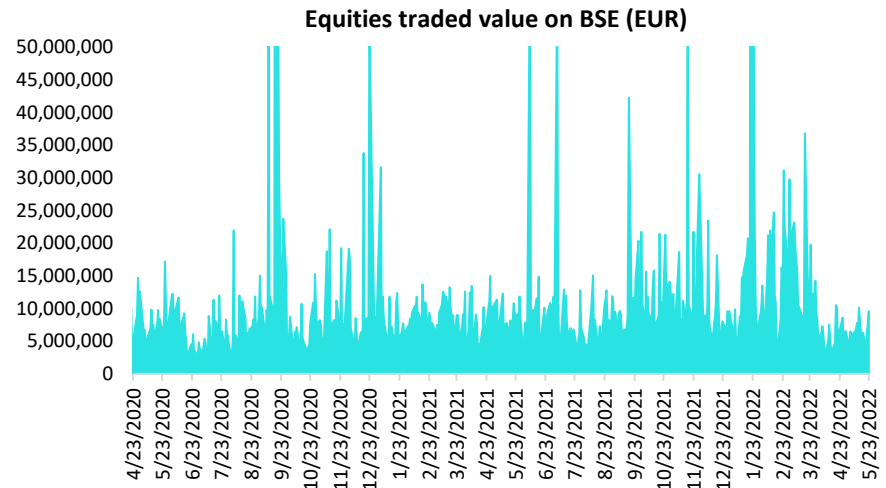
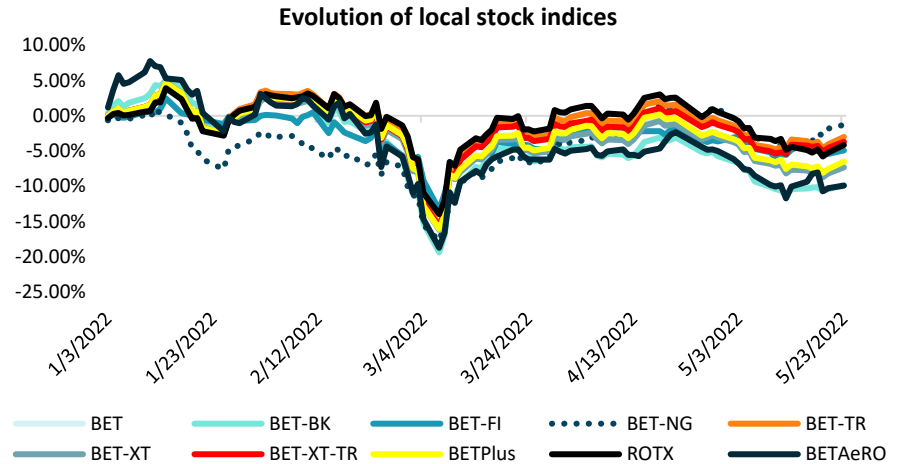
Source: NBR, NIS, ASF

Current trends and headlights on Romanian markets

Romanian stock indices evolution in 2022 (30.12.2021 = 100)

| Date | BET | BET-BK | BET-FI | BET-NG | BET-TR |
|------------|--------|--------|--------|--------|--------|
| 05/23/2022 | -6.73% | -9.84% | -4.90% | -1.26% | -2.99% |

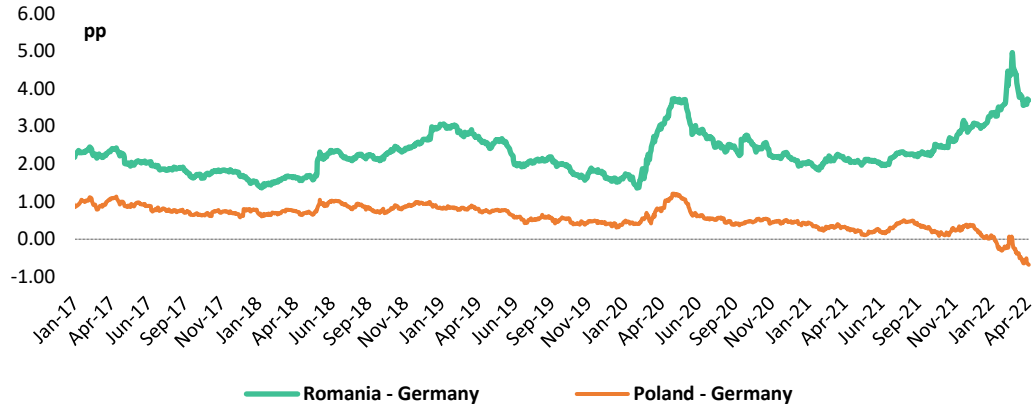
| Date | BET-XT | BET-XT-TR | BETPlus | ROTX | BETAeRO |
|------------|--------|-----------|---------|--------|---------|
| 05/23/2022 | -7.32% | -3.66% | -6.48% | -4.12% | -9.88% |



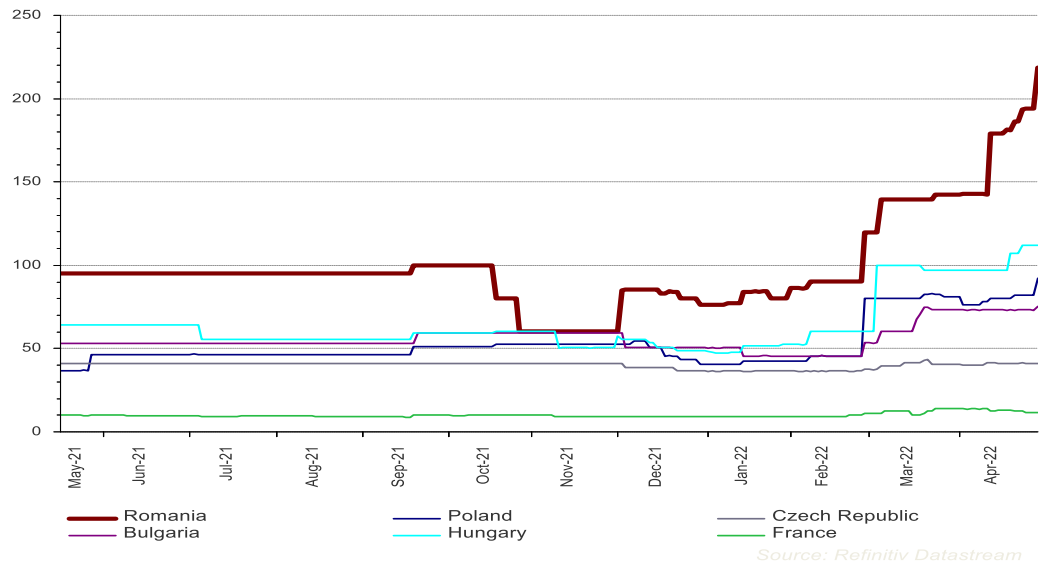
Source: BSE; ASF calculations

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

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



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



Source: Refinitiv

Source: Refinitiv Datastream

Romania 5 - year bond yields reached 6.82% at the end of April 2022, up by 15% compared to the end of March (5.93%), while Germany 5 – year bond yields remained in positive territory in April.

Credit Default Swaps quotations continued to increase significantly during April 2022. Romania CDS quotations reached a value of 219 bp at the end of April.

The spread between Romanian and German government bonds (10Y) decreased in March–April 2022, which can be interpreted as a improvement in investor confidence in Romania's country rating.

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

International and local stock indices yields

| International indices | 1 M | 3 M | 6 M |
|-----------------------|--------|---------|---------|
| EA (EUROSTOXX) | -2.15% | -7.61% | -9.86% |
| FR (CAC 40) | -1.89% | -6.65% | -4.34% |
| DE (DAX) | -2.20% | -8.88% | -10.14% |
| IT (FTSE MIB) | -3.07% | -9.55% | -9.76% |
| GR (ASE) | 4.89% | -1.53% | 2.71% |
| IE (ISEQ) | 1.98% | -10.87% | -14.31% |
| ES (IBEX) | 1.65% | -0.33% | -5.23% |
| UK (FTSE 100) | 0.38% | 1.07% | 4.24% |
| US (DJIA) | -4.91% | -6.13% | -7.94% |
| IN (NIFTY 50) | -2.07% | -1.37% | -3.22% |
| SHG (SSEA) | -6.32% | -9.34% | -14.11% |
| JPN (N225) | -3.50% | -0.57% | -7.08% |

| BSE indices | 1 M | 3 M | 6 M |
|-------------|--------|--------|--------|
| BET | 0.09% | -3.54% | 0.94% |
| BET-BK | -0.86% | -6.24% | -5.72% |
| BET-FI | -0.69% | -3.05% | -1.94% |
| BET-NG | 5.51% | 4.48% | 1.29% |
| BET-TR | 0.09% | -2.21% | 2.99% |
| BET-XT | 0.32% | -3.68% | -1.10% |
| BET-XT-TR | 0.32% | -2.37% | 0.76% |
| BETPlus | -0.07% | -3.50% | 0.91% |
| ROTX | 0.09% | -0.71% | 4.32% |
| BETAeRO | 0.38% | -5.15% | 0.22% |

The European indices have recorded mixed developments (1M). The most significant increase was recorded by ASE index (GR: +4.89%), while the most significant decrease was recorded by FTSE MIB index (IT: -3.07%).

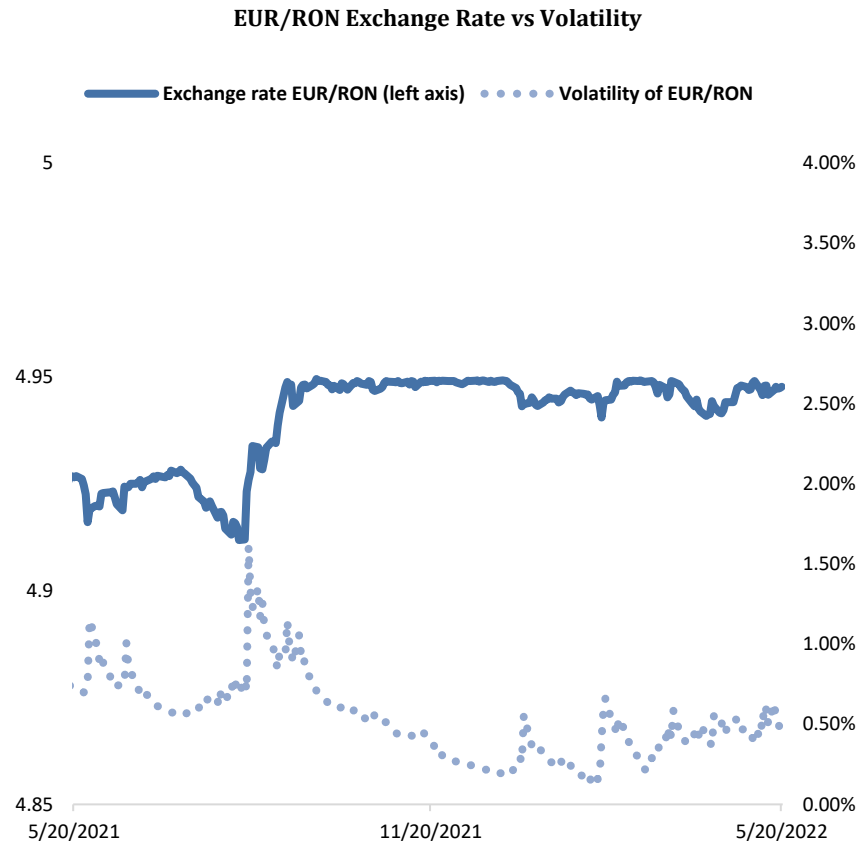
The main American and Asian indices showed negative developments. Therefore, the most significant decrease was registered by SSEA index (SHG: -6.32%), followed by DJIA index (US: -4.91%).

The BSE stock indices have recorded mixed developments (1M). Therefore, the most important increase was registered by the BET-NG index (+5.51%), while the most significant decrease was observed at BET-BK index (-0.86%).

Source: Refinitiv, ASF calculations

Note: 1M=04/29/2022 vs. 03/31/2022; 3M=04/29/2022 vs. 01/31/2022; 6M=04/29/2022 vs. 10/29/2021

Market Risk: exchange rate volatility



Source: Refinitiv, ASF model for volatility

Long memory in time series is defined at long-term autocorrelation. The analysis of exchange rate EUR/RON shows that the series is fractionary integrated. Therefore the volatility model fitted for exchange rate is FIAPARCH(1,0.4,1).

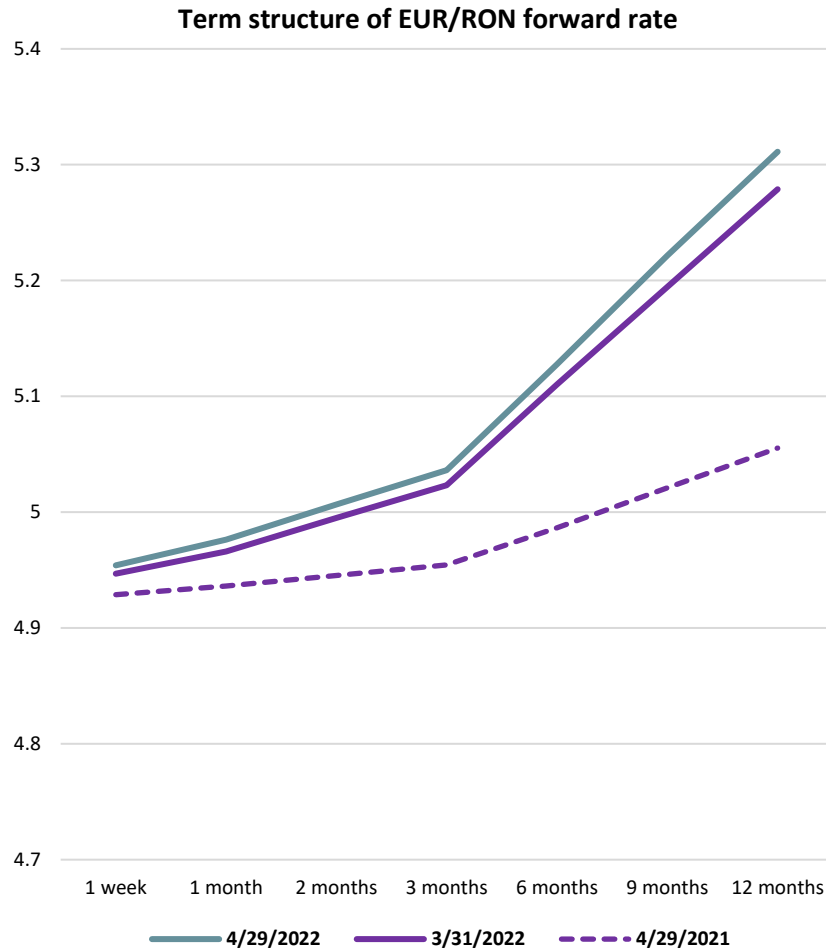
Against the background of the accelerated increase of inflation, the exchange rate stabilized in the 4.94-4.95 range.

The evolution of the exchange rate has been stable since the beginning of the year and has registered the slightest depreciation against the currencies of the neighboring economies.

For the moment, **the increase in the monetary policy rate, as well as the expectations for its increase**, have temporarily tempered the depreciation of Romanian leu.

Although the Romanian economy experienced an increase in the degree of financial stress, the rating agencies did not lower the country rating for Romania, which received from the European Union an anchor of financial stability in the form of the PNRR program.

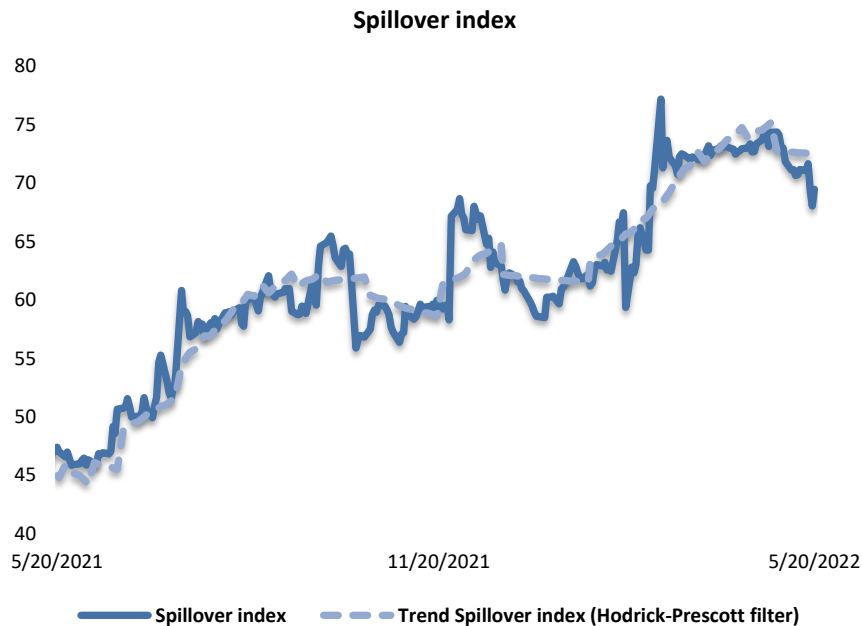
Market Risk: exchange rate volatility



Source: Refinitiv, ASF calculations

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

Market Risk: Spillover Index



Source: Refinitiv, ASF model

The model used is a Vector Autoregressive Model which follows similar specifications to "Measuring Financial Asset Return and Volatility Spillovers with Application to Global Equity Markets" (Diebold, F.X și Yilmaz, K.,2009). The data necessary for the calculation of the spillover index are 9 capital market indexes: United States of America, United Kingdom, Germany, Austria, Romania, Hungary, Czeck Republic, Poland and Bulgaria. The sample used contains daily market close data from January 2009-January 2022.

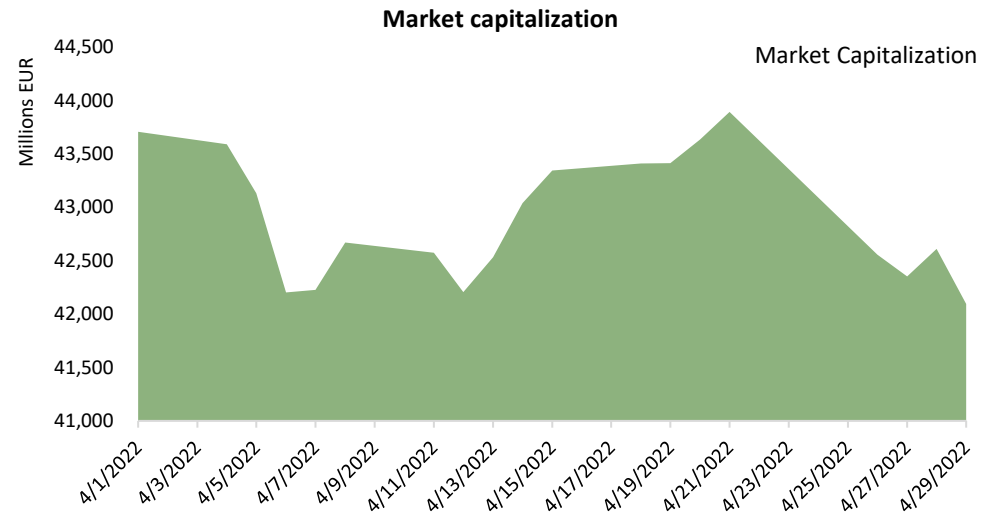
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link between the spillover effect and the companies' returns, since the increase in the spillover tends to diminish the returns of the companies listed on the Bucharest Stock Exchange.

The contagion began to grow rapidly in April and May amid the war in Ukraine and the turbulence accompanied by declines of most international stock markets.

Liquidity indicators on Romanian Stock Exchanges

The market capitalization registered a decrease of 9% at the end of April 2022 compared to the end of 2021 and an increase of 35% compared to the end of 2020.

In April 2022, the first 3 companies traded on BVB were Banca Transilvania SA with a share of 22.36% of the total value traded in that period, Fondul Proprietatea (FP: 10.90%) and OMV Petrom SA (SNP: 10.85%).



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

| Symbol | Value (EUR) | % | Value (EUR) | % | Value (EUR) | % |
|---------------------|-------------|--------|-------------|--------|-------------|---------------|
| TLV | 23,194,190 | 23.78% | 0 | 0.00% | 23,194,190 | 22.36% |
| FP | 11,304,265 | 11.59% | 0 | 0.00% | 11,304,265 | 10.90% |
| SNP | 11,258,077 | 11.54% | 0 | 0.00% | 11,258,077 | 10.85% |
| BRD | 10,520,106 | 10.79% | 0 | 0.00% | 10,520,106 | 10.14% |
| SNG | 7,889,112 | 8.09% | 0 | 0.00% | 7,889,112 | 7.60% |
| CRC | 230,913 | 0.24% | 0 | 0.00% | 4,454,470 | 4.29% |
| M | 3,421,616 | 3.51% | 0 | 0.00% | 3,421,616 | 3.30% |
| SNN | 2,487,390 | 2.55% | 0 | 0.00% | 2,487,390 | 2.40% |
| IMP | 705,172 | 0.72% | 1,725,833 | 87.01% | 2,431,005 | 2.34% |
| TRP | 2,413,690 | 2.47% | 0 | 0.00% | 2,413,690 | 2.33% |
| EBS | 2,352,572 | 2.41% | 0 | 0.00% | 2,352,572 | 2.27% |
| ONE | 2,308,101 | 2.37% | 0 | 0.00% | 2,308,101 | 2.22% |
| COTE | 2,180,566 | 2.24% | 0 | 0.00% | 2,180,566 | 2.10% |
| TGN | 2,126,379 | 2.18% | 0 | 0.00% | 2,126,379 | 2.05% |
| WINE | 1,577,219 | 1.62% | 0 | 0.00% | 1,577,219 | 1.52% |
| Top 15 Total | | | | | | 86.67% |

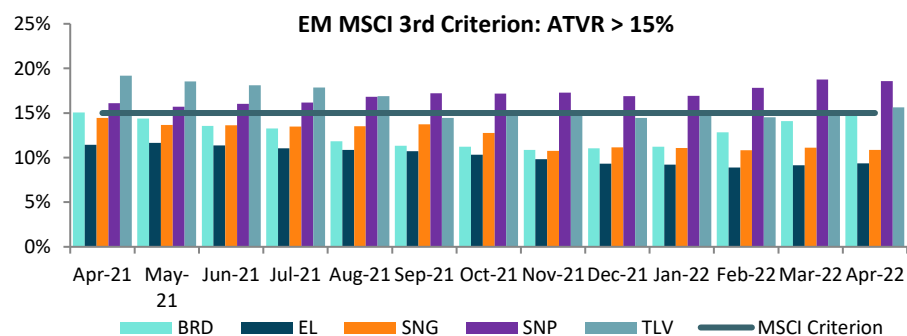
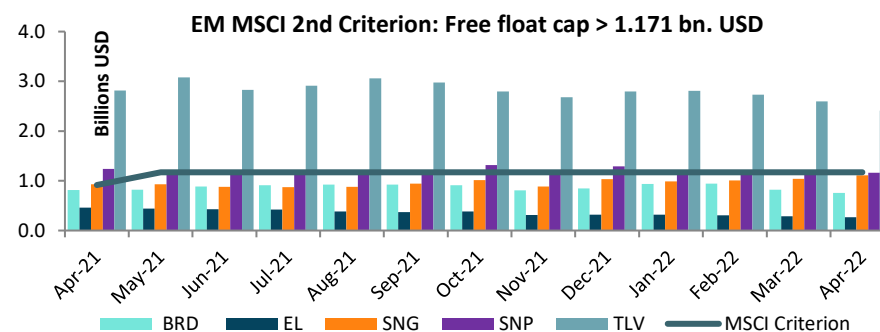
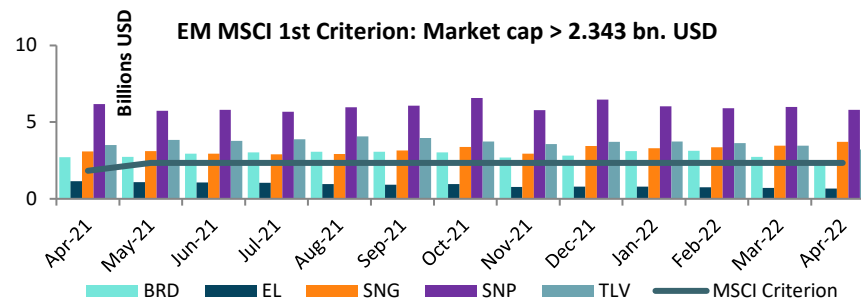
Source: NBR, BSE data, ASF calculations

MSCI: Quantitative Indicators for Emerging Market Status

Indicators' variation to MSCI criterion (April 2022)

| Company | Cap. bln. USD | Free float bln. USD | ATVR % |
|---------|---------------|---------------------|--------|
| BRD | 0.17 | (0.42) | -0.20% |
| EL | (1.68) | (0.90) | -5.63% |
| SNG | 1.37 | (0.06) | -4.14% |
| SNP | 3.47 | (0.01) | 3.58% |
| TLV | 0.87 | 1.24 | 0.64% |

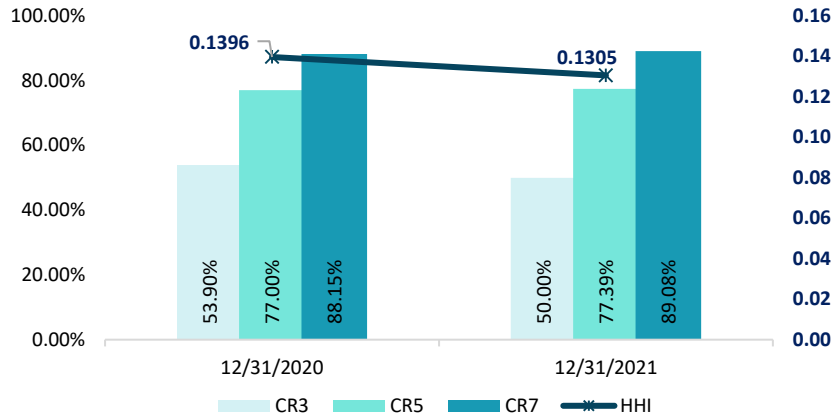
In April 2022, one company met the three quantitative criteria according to the MSCI methodology. Starting with May 2021, the MSCI criteria were modified according to the MSCI Market Classification Framework.



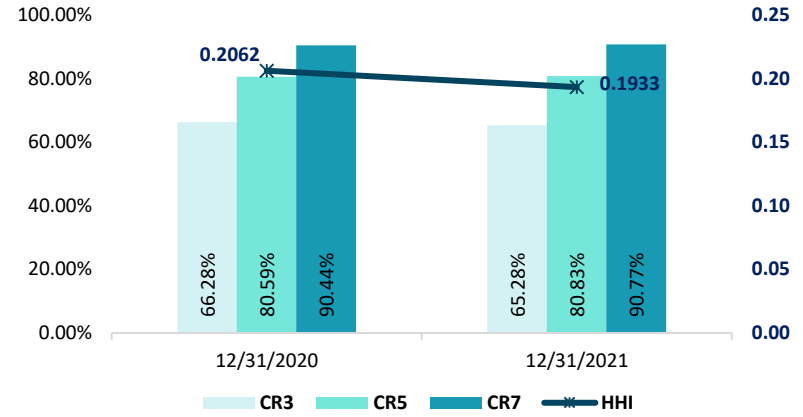
Source: ASF

Concentration risk

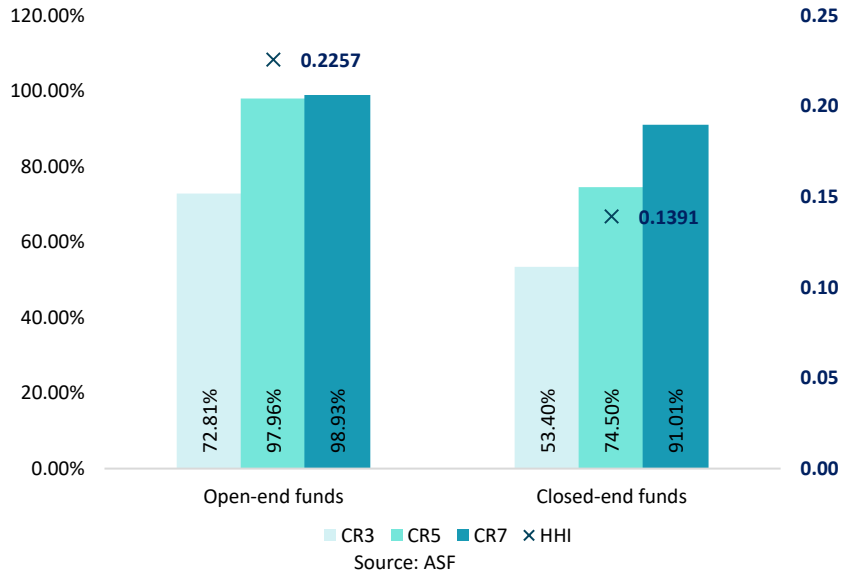
Concentration risk of non-life insurance undertakings
 (by value of GWP at 31 December 2021)



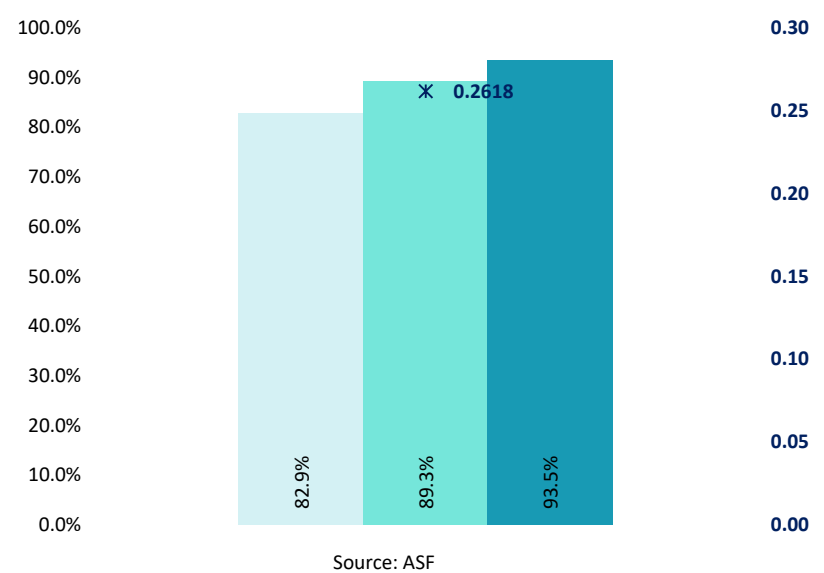
Concentration risk of life insurance undertakings
 (by value of GWP at 31 December 2021)



Concentration risk of investment funds in Romania
 (by net assets – 31 December 2021)

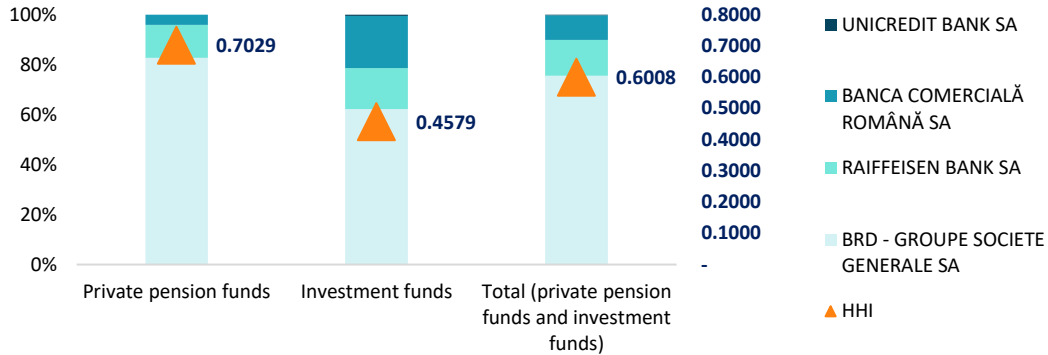


Concentration risk of intermediaries on the BSE (by value of transactions in April 2022 – Main segment & MTS, all spot instruments)

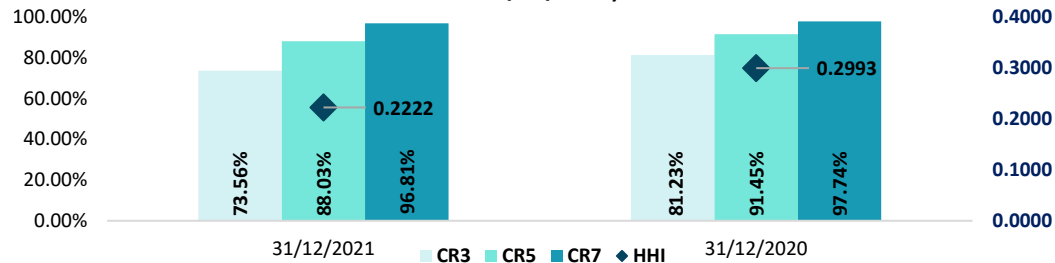


Concentration risk

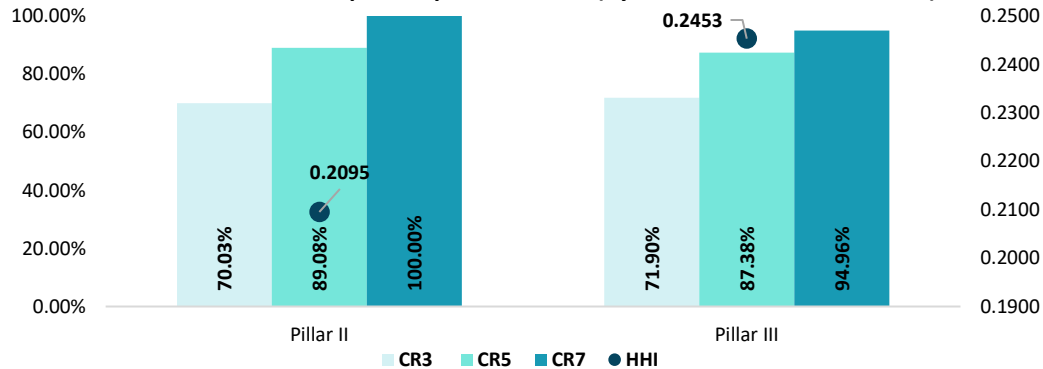
Concentration risk of depositaries of private pension funds and investment funds (by total assets at 12/31/2021)



The degree of concentration of insurance companies in the MTPL market (by gross written premiums at 12/31/2021)



Concentration risk of private pension funds (by total assets at 04/29/2022)

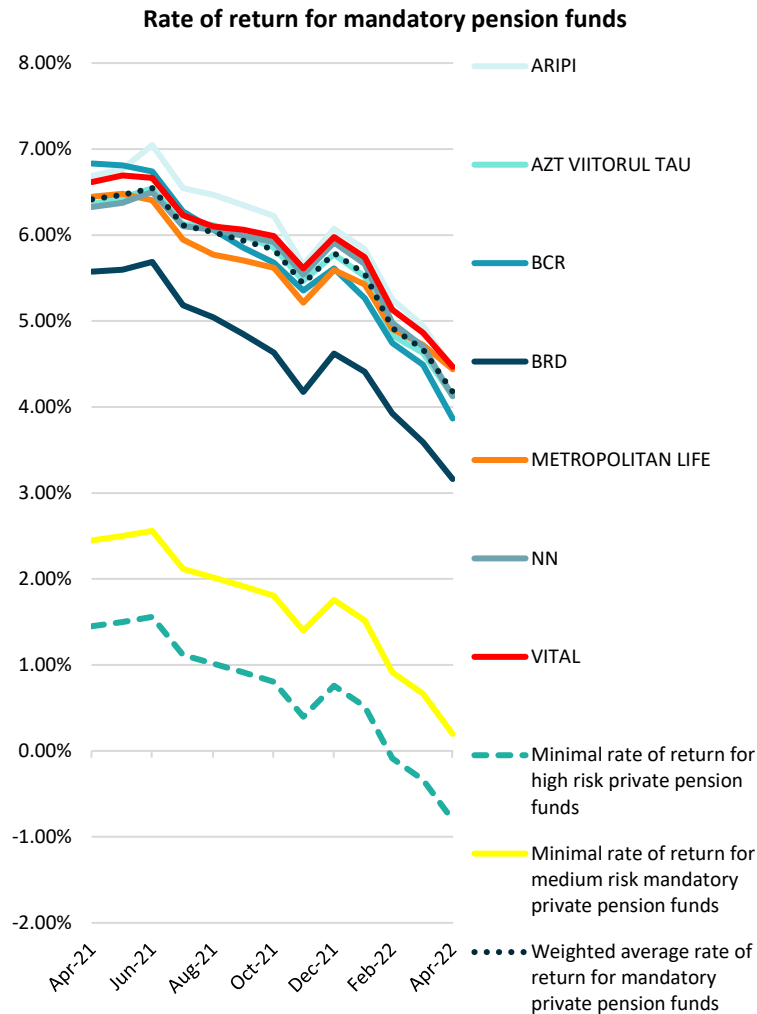


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

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

Also on the capital market, the concentration degree is medium to high for OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE due to the fact that top market participants sum up a significant share of the total assets.

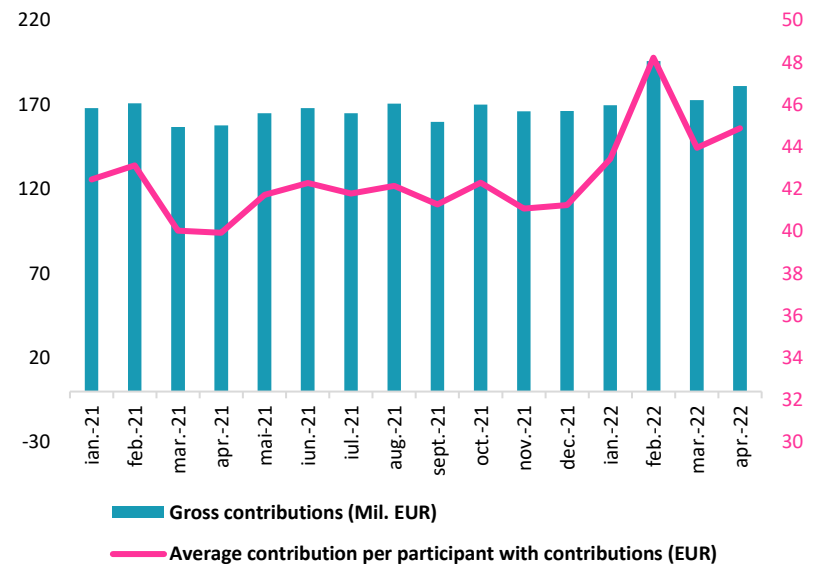
Specific developments in the private pension funds sector: Mandatory pension funds (2nd Pillar)



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

| Mandatory pension fund | Total Assets 29 April 2022 (EUR) | Participants (persons) April 2022 | Rate of return April 2022 |
|--------------------------|----------------------------------|-----------------------------------|---------------------------|
| ARIPI* | 1,600,298,235 | 822,875 | 4.43% |
| AZT VIITORUL TAU | 3,813,257,308 | 1,642,503 | 4.13% |
| BCR | 1,231,481,283 | 726,566 | 3.87% |
| BRD | 719,936,135 | 512,804 | 3.16% |
| METROPOLITAN LIFE | 2,524,861,183 | 1,098,315 | 4.44% |
| NN | 6,175,834,618 | 2,069,477 | 4.13% |
| VITAL | 1,804,138,941 | 988,483 | 4.47% |
| Total | 17,869,807,704 | 7,861,023 | n/a |

Evolution of gross contributions



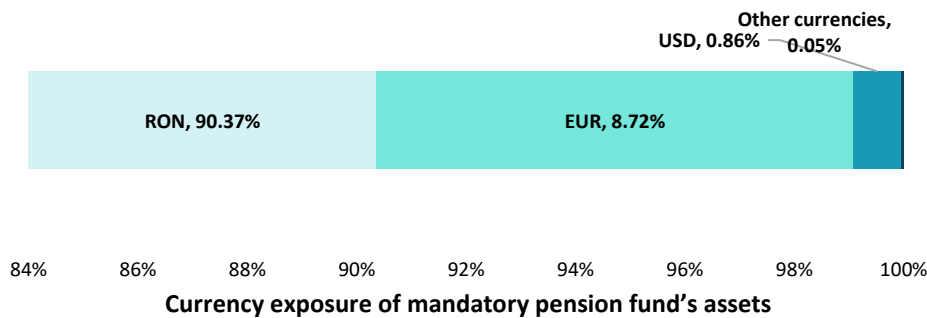
Source: ASF

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

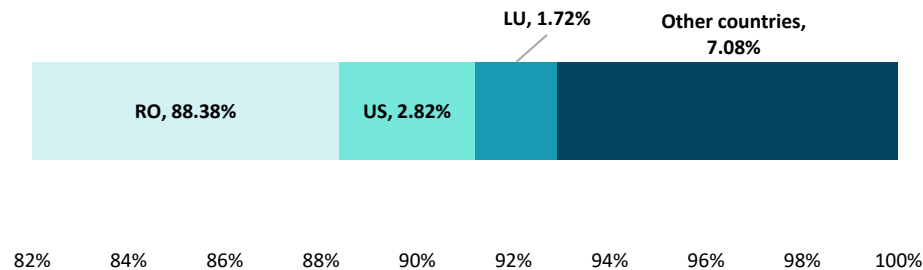
Mandatory pension fund's portfolio at 29 April 2022 (EUR)

| Assets category | Assets value (EUR) | % Total assets |
|---------------------------------------|--------------------|----------------|
| Government bonds | 10,672,500,737 | 59.72% |
| Equity | 4,524,234,270 | 25.32% |
| Corporate bonds | 1,330,209,047 | 7.44% |
| Investment funds | 547,347,979 | 3.06% |
| Bank deposits | 444,618,281 | 2.49% |
| Supranational bonds | 331,700,956 | 1.86% |
| Municipal bonds | 59,880,531 | 0.34% |
| Commodities and precious metals funds | 3,700,777 | 0.02% |
| Derivatives | 997,491 | 0.01% |
| Other assets | (45,382,365) | -0.25% |

Country exposure of mandatory pension fund's assets



Currency exposure of mandatory pension fund's assets



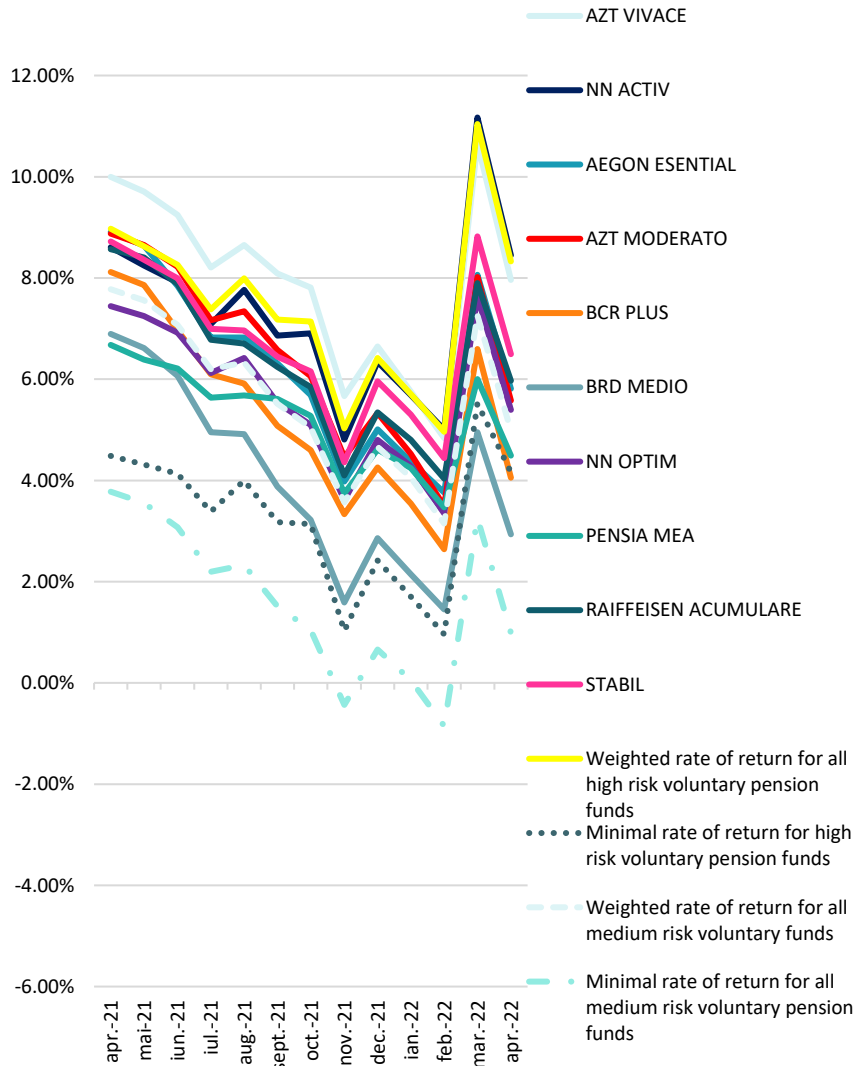
Source: ASF

The value of the total assets of the privately managed pension funds reached EUR 17.87 billion at the end of April 2022, registering an annual rate of growth of 8%, in terms of EUR.

At the end of April 2022, the privately managed pension funds' investments were generally made locally, in a percentage of 90%, a large majority being denominated in lei. Most Romanian instruments are represented by government securities and shares listed on the Bucharest Stock Exchange.

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

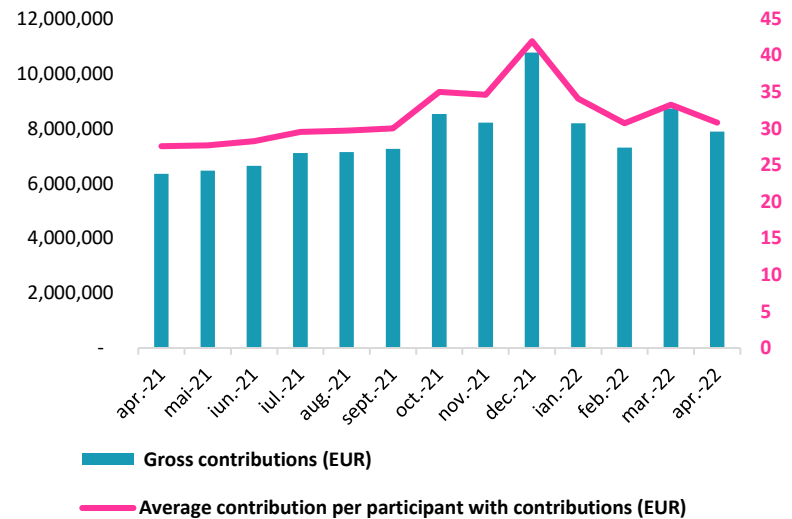
Rate of return for optional pension funds



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

| Voluntary pension fund | Total assets (EUR), 29 April 2022 | Participants (persons) April 2022 | Rate of return April 2022 |
|------------------------|-----------------------------------|-----------------------------------|---------------------------|
| AEGON ESENTIAL | 2,221,067 | 3,993 | 5.8088% |
| AZT MODERATO | 69,614,180 | 46,626 | 5.5764% |
| AZT VIVACE | 25,348,303 | 21,225 | 7.9641% |
| BCR PLUS | 115,072,535 | 142,831 | 4.0551% |
| BRD MEDIO | 35,383,195 | 37,178 | 2.9340% |
| GENERALI STABIL | 6,637,783 | 5,554 | 6.4924% |
| NN ACTIV | 81,270,775 | 62,240 | 8.4502% |
| NN OPTIM | 291,473,034 | 218,301 | 5.3917% |
| PENSIA MEA | 26,018,846 | 25,129 | 4.4933% |
| RAIFFEISEN ACUMULARE | 25,395,274 | 17,841 | 5.9693% |
| Total | 678,434,993 | 580,918 | n/a |

Evolution of gross contributions



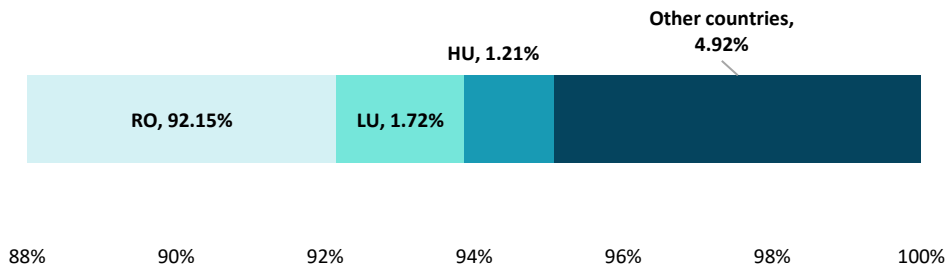
Source: ASF

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

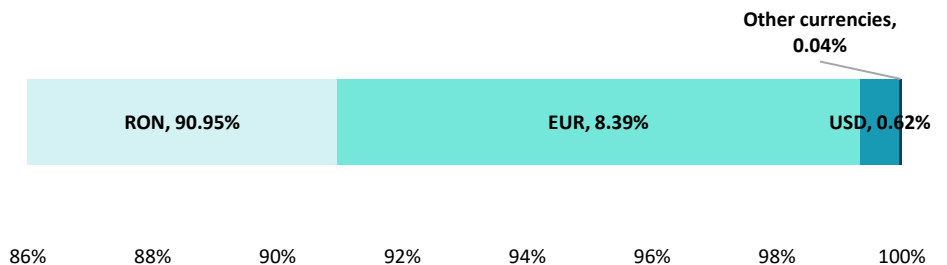
Optional pension fund's portfolio at 29 April 2022 (EUR)

| Assets category | Assets value (EUR) | % Total assets |
|----------------------------|--------------------|----------------|
| Government Bonds | 411,129,982 | 60.60% |
| Equity | 189,695,116 | 27.96% |
| Corporate Bonds | 28,695,731 | 4.23% |
| Investment Funds | 16,712,569 | 2.46% |
| Bank Deposits | 15,481,561 | 2.28% |
| Supranational Bonds | 11,129,522 | 1.64% |
| Municipal Bonds | 5,898,941 | 0.87% |
| Metal funds | 248,859 | 0.04% |
| Derivatives | 42,474 | 0.01% |
| Oher assets | (599,762) | -0.09% |

Country exposure of optional pension fund's assets



Currency exposure of optional pension fund's assets

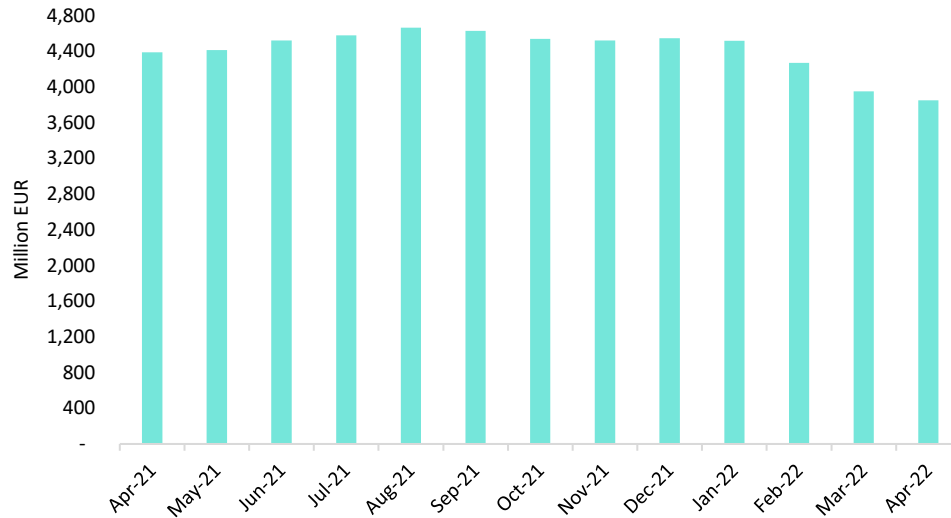


The value of the total assets of the voluntary pension funds, at the end of April 2022, was EUR 678 million, registering an annual rate of growth of 7%, in terms of RON.

At the end of April 2022, the voluntary pension funds' investments were generally made locally, in a percentage of 92%, a large majority being denominated in lei.

Specific developments in the investment funds sector

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

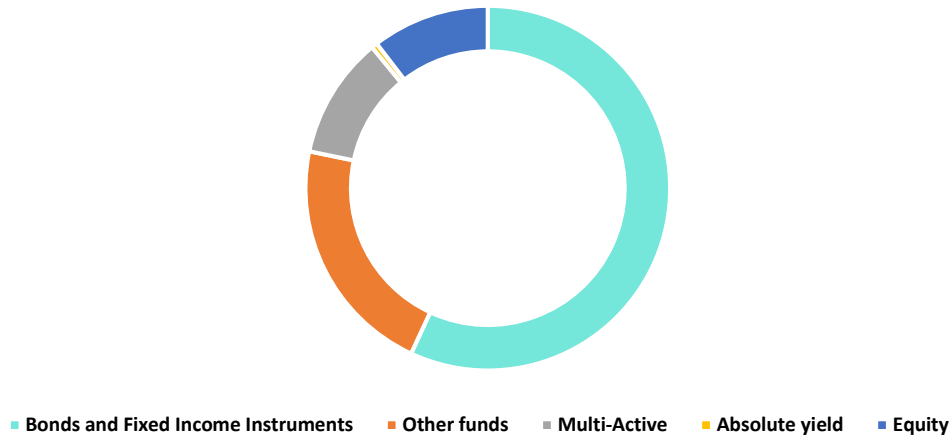


According to data published by AAF, net assets of open-end investment funds (OeIF) reached a value of EUR 3.85 billion in April 2022, down by aprox. 3% compared to the previous month (EUR 3.95 billion).

At the end of April 2022, net assets of local open-end investment funds decreased compared to the previous month, except for equity investment funds.

In April 2022, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 57%), while the "other funds" category has a market share of approximately 21%.

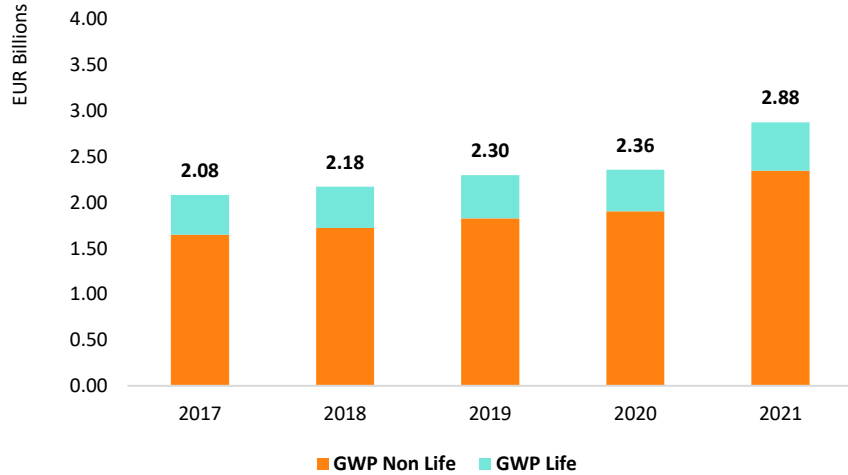
Open-end investment funds' market share by Fund Type and Net Asset (April 2022)



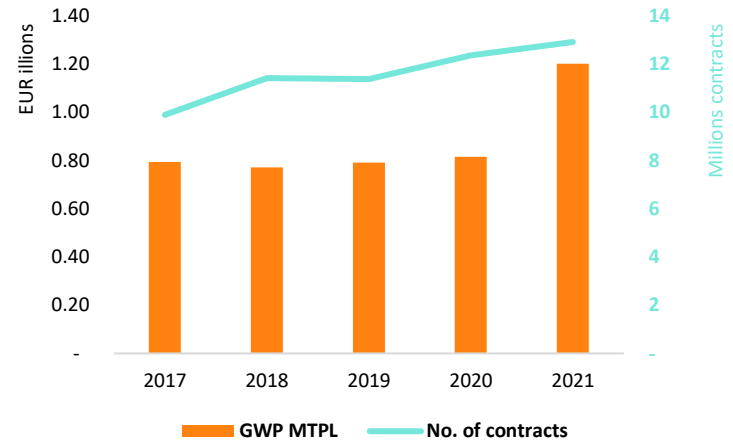
Source: AAF

Specific developments in the insurance market in Romania

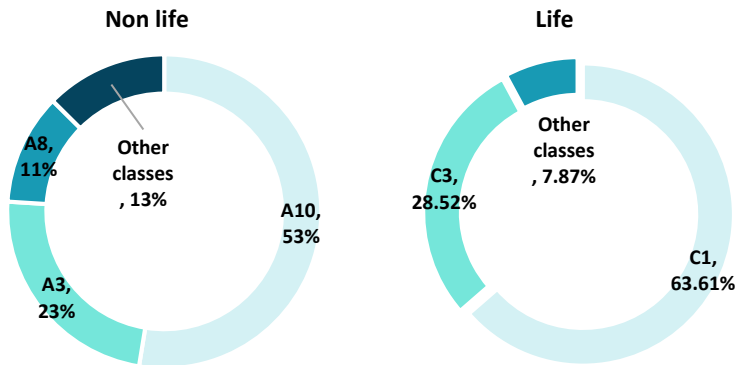
Gross written premiums (total)



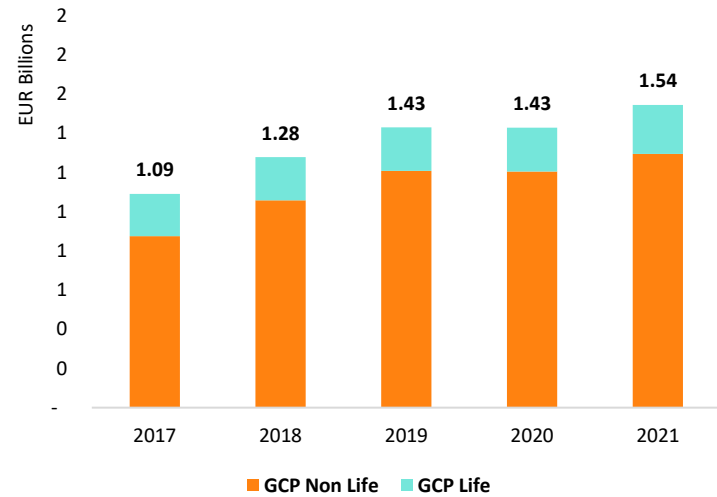
MTPL gross written premiums



Share of main insurance classes by GWP



Gross claims paid



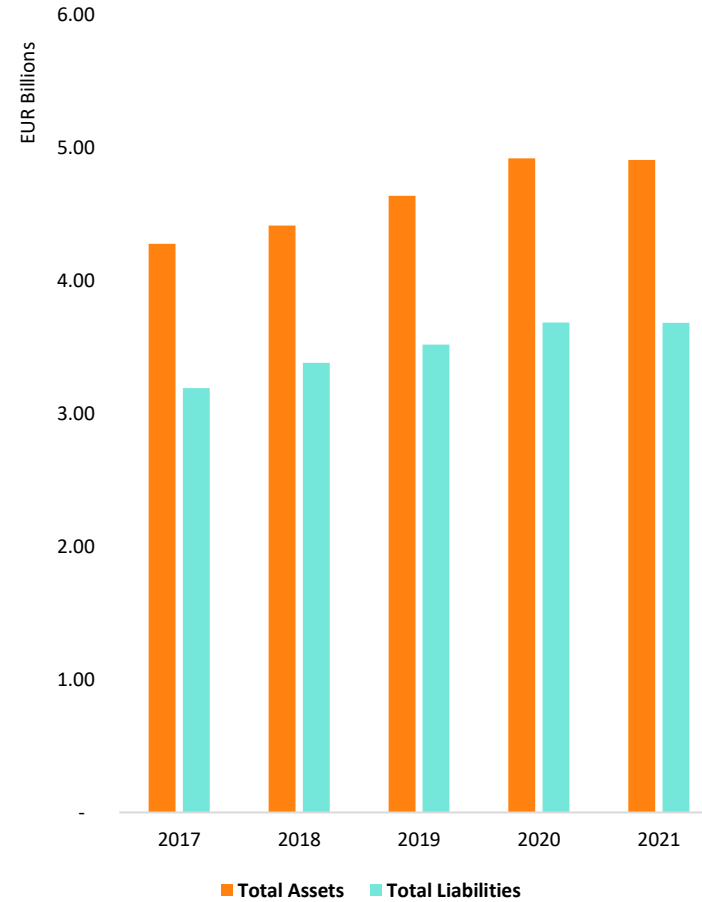
Source: ASF

Specific developments in the insurance market in Romania

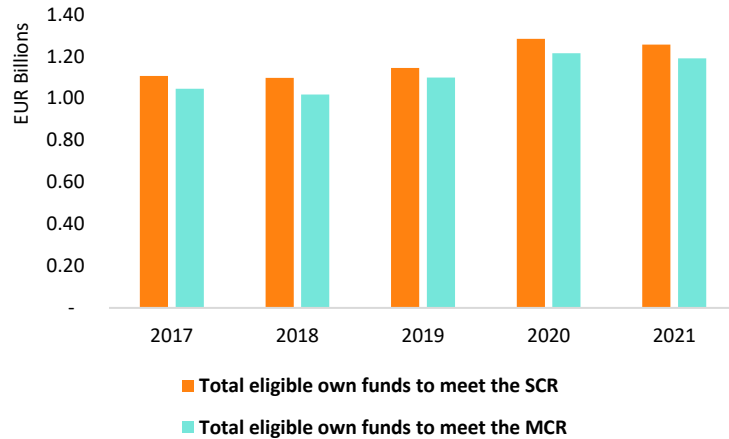
Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|------|------|------|------|------|
| Ratio of eligible own funds to SCR | 1.73 | 1.71 | 1.77 | 1.89 | 1.83 |
| Ratio of eligible own funds to MCR | 3.99 | 3.88 | 4.18 | 4.66 | 4.22 |

Total assets and total liabilities



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



Source: ASF

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

| | |
|------------------------------|--|
| <p>EUROPEAN UNION</p> | <ul style="list-style-type: none"> • 1 April: Commission awards over €1 billion to innovative projects for the EU climate transition. • 4 April: Financial services: European Commission adopts additional equivalence decisions for US exchanges. • 8 April: Ukraine: EU agrees fifth package of restrictive measures against Russia. • 23 April: Digital Services Act: Commission welcomes political agreement on rules ensuring a safe and accountable online environment. • 27 April: EU takes steps to suspend all duties on imports from Ukraine. • 27 April: Statement by Commission President von der Leyen following the announcement by Gazprom on the disruption of gas deliveries to certain EU Member States. |
| <p>ESMA</p> | <ul style="list-style-type: none"> • 29 April: ESMA makes recommendations to improve investor protection. |
| <p>EIOPA</p> | <ul style="list-style-type: none"> • 4 April: EIOPA launches climate stress test for the European occupational pension sector. • 5 April: EIOPA looks into costs and past performance of insurance and pension products. • 5 April: EIOPA publishes the Ultimate forward rate (UFR) for 2023. • 5 April: EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures – end-March 2022. • 7 April: EIOPA issues supervisory statement on supervision of run-off undertakings. • 12 April: EIOPA calls for changes to stress test disclosure regime. • 13 April: EIOPA consults on draft Guidelines on integrating the customer’s sustainability preferences in the suitability assessment under the IDD. • 21 April: EIOPA finalises the revision of EIOPA’s Guidelines on Contract Boundaries and Guidelines on the Valuation of Technical Provisions. • 25 April: EIOPA consults on IORPs reporting rules. • 29 April: EIOPA publishes advice on Retail Investor Protection. |
| <p>ESA</p> | <ul style="list-style-type: none"> • 13 April: ESAs see recovery stalling amid existing and new risks. • 19 April: ESAs publish joint Annual Report for 2021. |
| <p>IOSCO</p> | <ul style="list-style-type: none"> • 6 April: IOSCO seeks feedback on market liquidity issues affecting corporate bond markets under stress and good practices concerning ETFs. • 8 April: Monitoring Group Publishes “The Value of High Quality Audits and the Importance of Funding an Independent Multi-stakeholder International Standard-setting Structure”. • 28 April: IOSCO releases report on issues and considerations of market data in secondary equity markets. |
| <p>ECB</p> | <ul style="list-style-type: none"> • 14 April: Monetary policy decisions. |