



REPORT ON THE **STABILITY OF NON-BANKING FINANCIAL MARKETS** **1/2026**



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Introduction

The year 2025 was characterised by a high level of uncertainty and volatility, driven mainly by the realignment of political priorities in the United States and the adjustment of other countries' economic policies to the new global conditions. Escalating regional tensions or additional protectionist measures may lead to increased volatility in financial markets, portfolio repositioning or rising risk premiums in 2026.

Globally, financial markets have evolved against a backdrop of gradual monetary policy recalibration, amid easing inflationary pressures and moderate economic momentum in developed economies.

Capital market

In the local market, the Bucharest Stock Exchange continued its process of institutional consolidation and increased liquidity, supported by its continued status as an emerging market and investor interest in share and bond issues.

Romania's capital market indices recorded positive trends at the end of December 2025, compared to the end of the previous year. The main BET index, which tracks the performance of the most liquid companies listed on the BSE's regulated market, rose by 46% on 31 December 2025 compared to 31 December 2024.

The total value traded on the regulated market and the MTF reached 43.8 billion lei at the end of December 2025, up by 18.33% compared to the same period in 2024. At the same time, the total number of transactions carried out during 2025 on the BVB fell by 8.76% compared to the previous year. 98.49% of the total value of transactions took place on the BVB's regulated market, with the remainder taking place on the MTF.

As at 31 December 2025, the value of government bond transactions increased compared to the same period in 2024, reaching approximately 10.73 billion lei. Share transactions totalled 17.27 billion lei, representing the predominant class of financial assets, accounting for 39.42% of the total value traded on the BVB in 2025. At the same time, the market capitalisation of the regulated market stood at 579.46 billion lei, marking an increase of approximately 65.42% compared to the end of December 2024.

The insurance market

In terms of interconnections and credit risk, insurance companies authorised and supervised by ASF invest primarily in fixed-income financial instruments, with significant exposure to government bonds. Insurance companies in Romania generally adopt a prudent approach, investing predominantly in government securities issued by the Ministry of Finance and avoiding large direct exposures to complex financial instruments or alternative assets. The investments of Romanian insurance companies in government bonds indicate that portfolios are exposed to interest rate risk, whilst the risk of falling share prices would have a lesser impact on the local insurance market, given the limited holdings in this asset class.

The analysis of the exposure of companies authorised and supervised by ASF to alternative assets shows a relatively prudent level. Although the value of investments in alternative assets has increased compared to previous years, from 873 million lei at the end of 2024 to 2.5 billion lei at the end of 2025, this represents 6.6% of total investments. By company category, composite companies had the highest exposure to alternative assets as a proportion of total investments in their respective segments (7.4%), followed by general insurance companies (6.8%). The value of life insurance companies' investments in alternative assets accounted for 4.7% of total investments for these categories of companies.

Insurance companies' exposures to the real estate sector are closely monitored from the perspective of liquidity and credit risk, particularly in volatile market conditions. The accurate valuation of real estate investments is a major challenge, given the increasingly volatile macroeconomic context, as these are often considered illiquid, which can hinder the rapid sale of assets. In this context, ASF regularly conducts analyses of locally authorised insurers' exposure to the real estate sector. At the local level, insurers' investments in the real estate sector account for 1.8% of the total value of investments at the end of 2025. General and composite insurance companies have invested more in the real estate sector, accounting for 3.8% and 2% respectively of the total value of their investments, whilst life insurance companies have an extremely low exposure (0.3%) to real estate.

The solvency of insurance companies, measured by market-level solvency ratios, remains above 100%, according to company reports. However, compared with other countries in the region (Bulgaria, Hungary, Poland, the Czech Republic), solvency ratios are at a lower level.

The liquidity ratio for both insurance segments (non-life and life insurance) remained at the end of 2025 at a level relatively similar to that recorded at the end of June 2025. Compared to the end of 2024, the liquidity ratio fell slightly for both non-life and life insurance activities.

At the end of 2025, the value of technical provisions under the Solvency II regime stood at approximately 27 billion lei, an increase of 22% compared with the previous year. Of the total value of technical provisions, 60% are set aside for general insurance business and 40% for life insurance business.

The private pension market

The assets of private pension funds in Romania continued to grow in 2025, with the system in an accumulation phase and no pressure to sell, as the level of payments remains low but is rising sharply year on year. During 2025, payments totalling 2.73 billion lei were made in Pillar II (1.35% of total assets at the end of December), and 242 million lei in Pillar III (3.26% of total assets). Liquidity risk remains low, with 1.03% of the system's total assets held in current accounts and short-term deposits (approx. 2.15 billion lei). The investment policy of private pension funds continues to focus on the local financial market (approximately 94% of assets are in Romanian issuers), with a particular emphasis on fixed-income instruments (69%) and shares (26%).

Market risk is managed by fund administrators through diversification, aiming to reduce the systemic risk component, and is continuously monitored through short-term asset management and risk indicators. The uncertainty surrounding external events and geopolitical relations, coupled with local political instability

and the implementation of austerity measures to reduce the budget deficit, continues to have a significant impact on the volatility of global and local financial markets, heightening risks in capital markets, where the possibility of adverse movements remains. As such, private pension funds are exposed to short-term shocks, with the majority of assets in their portfolios being valued at market prices.

Taking into account the investment-grade rating requirements applicable to issuers of fixed-income instruments eligible for inclusion in private pension fund portfolios, credit risk remains low, with an upward trend, against a backdrop of heightened vulnerabilities and uncertainties resulting from escalating global geopolitical and trade tensions, which may affect the solvency of bond issuers.

Due to structural factors in Romania's private pension fund market, a high degree of concentration persists, with the top three privately managed pension funds accounting for 68% of Pillar II assets, whilst the top three voluntary funds accounted for 71% of Pillar III assets. The custody services market also exhibits a high degree of concentration, with BRD GSG holding 82% of private pension fund assets in custody.

Operational risk is at a low level, but is closely monitored in the context of the intensification of large-scale cyber attacks. Pension fund administrators have continuously monitored and assessed operational processes to mitigate this risk. To date, no cyber attacks on the pension fund industry have been reported.

The structure of the private pension system in Romania provides for several mechanisms to protect participants' interests, including: segregation of assets between administrators and funds, additional checks and validations by depositaries, technical provisions set aside by administrators, enhanced reporting and transparency requirements, to which is added the Private Pension System Rights Guarantee Fund (FGDSPP). This market structure, together with all the mechanisms for protecting the rights of individuals enrolled in the system, is designed to mitigate risks to the stability of the private pension market in Romania.

Given the uncertainty surrounding the macro-financial outlook, as well as the likelihood of market risks—including systemic risks—materialising, the performance of private pension fund assets could be subject to temporary corrections in the coming period, although, by their very nature, private pension funds are long-term investors. To date, private pension funds have demonstrated the ability to successfully navigate periods of financial market vulnerability, maintaining an upward trend in total assets.

1. Analysis of the local and international macroeconomic and financial context

According to IMF projections, global GDP will grow by approximately 3.3% in 2026 and 3.2% in 2027. The global economy continues to show a moderate pace of growth. For advanced economies, growth of around 1.8% is forecast for 2026 and 1.7% for 2027, a slight improvement on the previous forecast. In the United States, growth is estimated at around 2.4% in 2026, supported by fiscal policy and a lower monetary policy interest rate, as well as the gradual easing of the impact of trade barriers. In the euro area, the pace remains modest, at 1.3% for 2026 and 1.4% for 2027. The impact of increased defence spending is expected to materialise only in the coming years, given the commitments to gradually reach target levels by 2035. Compared with other regions, the euro area is benefiting to a relatively limited extent from the recent investment boost driven by technological advances.

In emerging and developing Europe, a marked slowdown in economic growth is anticipated, down to 2% by 2025. This trend is expected to reverse, with the region's economies returning to a moderate growth trajectory, averaging 2.3% in 2026 and 2.4% in 2027.

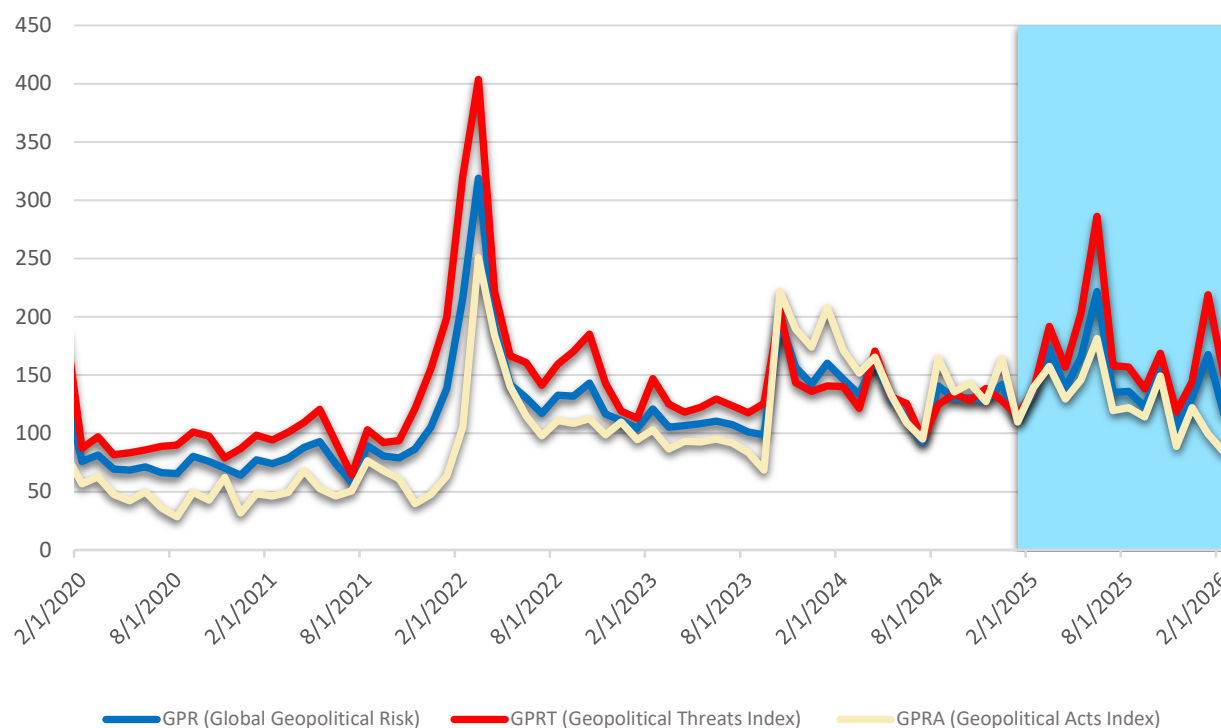
Global inflation is forecast to fall from an estimated 4.1% in 2025 to 3.8% in 2026 and, subsequently, to 3.4% in 2027. Inflation projections remain largely unchanged from those of October 2025. Inflation in the United States is expected to return to the monetary policy target more slowly than in other major economies.

Global trade volume is forecast to moderate in its growth rate, from 4.1% in 2025 to 2.6% in 2026, before recovering moderately to 3.1% in 2027. This trend is driven by front-loading effects on trade flows, as well as by shifts in trade flows resulting from the introduction of new policies. In the medium term, expansionary fiscal measures implemented in economies with current account surpluses are likely to help reduce global imbalances.

1.1. International macroeconomic and financial developments

Recent global trends indicate that geopolitical uncertainty remains high, with an upward trend in the long term. Furthermore, the significant cumulative increase in the three indices in 2025 and early 2026 suggests persistent geopolitical instability.

Figure 1 Evolution of geopolitical risk indices



Source: <https://www.matteoiacoviello.com/gpr.htm>, ASF processing

Analysis of the dynamics of the three indices shows that:

- The GPR (Global Geopolitical Risk Index) shows major peaks between December 2019 and February 2026, and recorded sustained increases in 2025 compared to 2024, indicating periods of heightened geopolitical tensions.
- The GPRT (Geopolitical Threat Index) measures media perception and public discourse and follows a similar trend, reaching higher values when tensions escalate.
- The GPRA (Geopolitical Events Index) remains below the GPRT (Geopolitical Threats Index), standing at 84.0 at the end of the period under review (February 2026), suggesting that many threats do not materialise into concrete geopolitical events.

The significant gap between the indices highlights increased risk aversion in financial markets. The Russia-Ukraine conflict remains the main driver of volatility in global financial markets. The conflict in Iran was not captured by the data available in the datasets. The sharp declines in the indices in February 2026 reflect

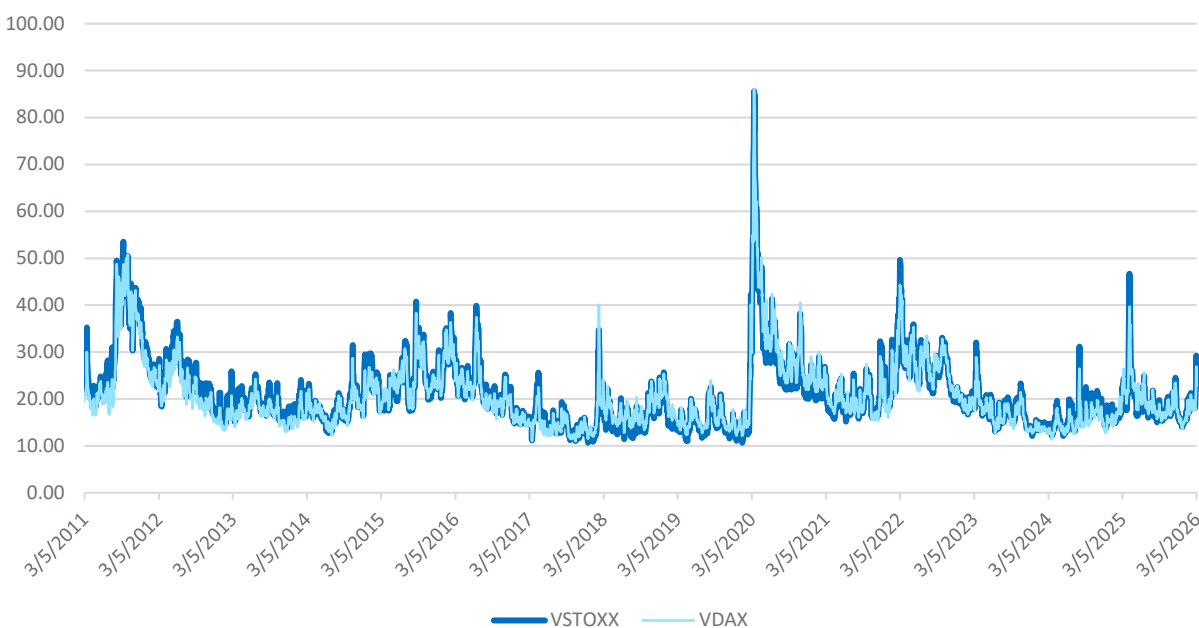
possible progress in peace negotiations or a reduction in escalation, although major geopolitical volatility persists compared to pre-pandemic levels in 2019.

The resurgence in 2025 reflects new factors of instability: escalation in the Gaza Strip, growing tensions between North and South Korea, and the continuing conflict in Ukraine, combined with uncertainties regarding changes in trade policy and international alliances. The synchronisation of the three indices highlights an unstable geopolitical climate, in which risk is not merely perceived but is intensifying globally. The year 2025 saw increases in all three indices, though the scale of these rises did not reach the peak seen during Russia's invasion of Ukraine.

Geopolitical tensions and global trade disputes have become a major factor of instability, heightening the risk of economic fragmentation and causing sharp fluctuations in financial markets.

The VDAX and VSTOXX (*EURO STOXX 50 Volatility Index*) are standard indicators of market volatility. Their stabilisation signals a reduction in risk aversion across global markets. Periods of sharp increases in these indices in 2025 indicate periods of heightened uncertainty for international financial markets.

Figure 2 : Evolution of the VDAX and VSTOXX indices



Source: LSEG, ASF processing

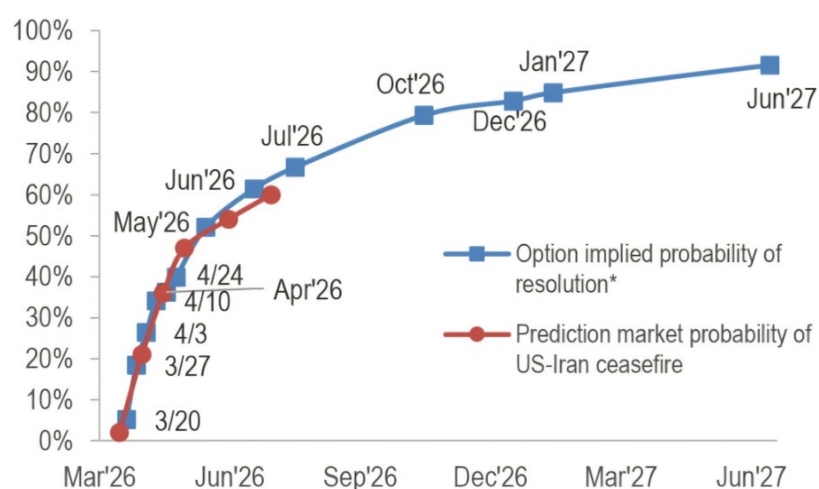
Even though, towards the end of April 2025, indices such as the VDAX and VSTOXX began to signal a stabilising trend, the risk of further episodes of systemic stress remained high, as reflected in the level of geopolitical risk indices.

Trade barriers are driving up input costs, pushing up consumer inflation. At the same time, geopolitical risk and economic uncertainty are weighing on asset valuations (shares, bonds). The effects are more pronounced for export-oriented economies and sectors dependent on global supply chains.

Figure 3 presents two series of cumulative probabilities for the resolution of the US–Iran conflict, over the period March 2026 – July 2027, derived from distinct methodological sources: (i) the implied probability from oil options (JP Morgan Equity Derivatives Strategy) and (ii) the market prediction probability for a US–Iran ceasefire agreement (Polymarket).

The two curves converge towards the same conclusion: the probability of a ceasefire agreement would exceed 50% in May 2026 and rise to 90% between January and July 2027. The convergence between the two methodologies—one indirect, derived from the implied volatility structure of oil options, the other direct, derived from prediction contracts (Polymarket)—lends robustness to the analysis.

Figure 3 The implied timeline for a ceasefire agreement in Iran



Source: J.P.Morgan Equity Derivatives Strategy, Polymarket

The probabilities derived from oil options (blue curve) represent a risk-neutral probability distribution, not real-world probabilities. By contrast, Polymarket offers a more direct measure, as contracts settle on the occurrence of the event itself, which makes for a more transparent interpretation in terms of subjective market probabilities.

Options and prediction markets point in the same direction: a ceasefire agreement could be reached within a few weeks, but there is a tail risk that it will only materialise after several months. A similar conclusion emerges from the extreme levels of *backwardation*¹ recorded in oil markets.

Structurally, financial markets are pricing in the Iran/US conflict primarily as an energy supply shock, not as a broad and prolonged systemic crisis. This interpretation is supported by the pattern of volatility across asset classes:

- Oil volatility (OVX) has surged to 120, reflecting uncertainty regarding energy supply.
- Equity volatility (VIX) has risen to around 27, which is a high level but well below the 40 threshold typically associated with episodes of systemic crisis, suggesting that equity investors view the

¹ Backwardation: the spot price exceeds the futures price for distant maturities. Against the backdrop of the Iran–US conflict, extreme backwardation signals that the market perceives the supply shortage as an acute, rather than a chronic, phenomenon.

event as a geopolitical shock with inflationary consequences, rather than as a structural threat to the markets.

- Government bond volatility (MOVE Index, 91) and gold volatility (GVZ, 32) reflect competing forces: safe-haven demand versus inflationary concerns driven by energy prices.

Aggregate market signals are consistent with a baseline scenario in which the conflict remains geographically and temporally contained, with a primary impact on energy prices and, through secondary channels, on inflation and the cost of funding. Tail risks arising from a prolonged escalation or a widening of the conflict are not ignored by the markets, but do not constitute the central scenario priced in. This co-dependence of risks justifies close monitoring of the correlation between the OVX and sovereign credit spreads in energy-dependent emerging economies.

The GSCPI (*Global Supply Chain Pressure Index*) measures supply chain disruptions and is calculated based on a series of indicators, such as: *the Baltic Dry Index* (BDI), *the Harpex index*, BLS air freight cost indices for cargo flights between Asia, Europe and the United States, and components from Purchasing Managers' Index (*PMI*) surveys, focusing on manufacturing firms in seven interconnected economies: China, the Eurozone, Japan, South Korea, Taiwan, the United Kingdom and the United States.

The index recorded a significant rise in 2021, peaking around mid-2021 and early 2022. This corresponds to global supply chain disruptions caused by COVID-19, logistical bottlenecks, port congestion and high transport costs.

The semiconductor shortage, lack of raw materials and production disruptions in China contributed to these increases. A sharp decline followed in the second half of 2022, indicating a rapid easing of supply chain constraints. The index has stabilised in 2023–2024, suggest that pressures on the supply chain have normalised. Minor fluctuations indicate geopolitical risks, raw material supply issues and global trade uncertainties, but without major disruptions.

The level recorded in 2025 suggests a more stable environment, with a tendency to return to the long-term average, as a result of easing tensions in supply chain structures, although certain risks persist. The decline in the index is associated with a reduction in global inflation for goods and producer prices. This development is consistent with global economic trends, changes in trade dynamics and the easing of logistical constraints.

Figure 4 Evolution of the GSCPI (Global Supply Chain Pressure Index)



Source: US Federal Reserve (FED), ASF processing

The dynamics of the main international indices are presented in the following figure for January 2023 – January 2026. The indices have been normalised to 100 to facilitate comparison between them.

All six international indices continued the upward trend that began in 2023, but the pace and nature of developments differed significantly between 2024 and 2025.

In 2025, all indices underwent a significant correction in April 2025, when geopolitical tensions and concerns over a slowdown in global growth triggered a synchronised decline. This was followed by a strong recovery in the second half of the year, which brought most indices back to robust growth for 2025 as a whole.

The rise in the STOXX Europe 600 index lagged behind global indices, reflecting a more cautious outlook for the European economy, which has been affected by stagnant consumption. The figure highlights how different regional markets have reacted to major economic shocks, monetary policies and geopolitical risks over the past three years.

Figure 5 Main international indices (1 January 2023=100)



Source: LSEG, ASF processing

The *Citi Macro Risk* indicators measure global financial stress, economic instability and geopolitical risks.

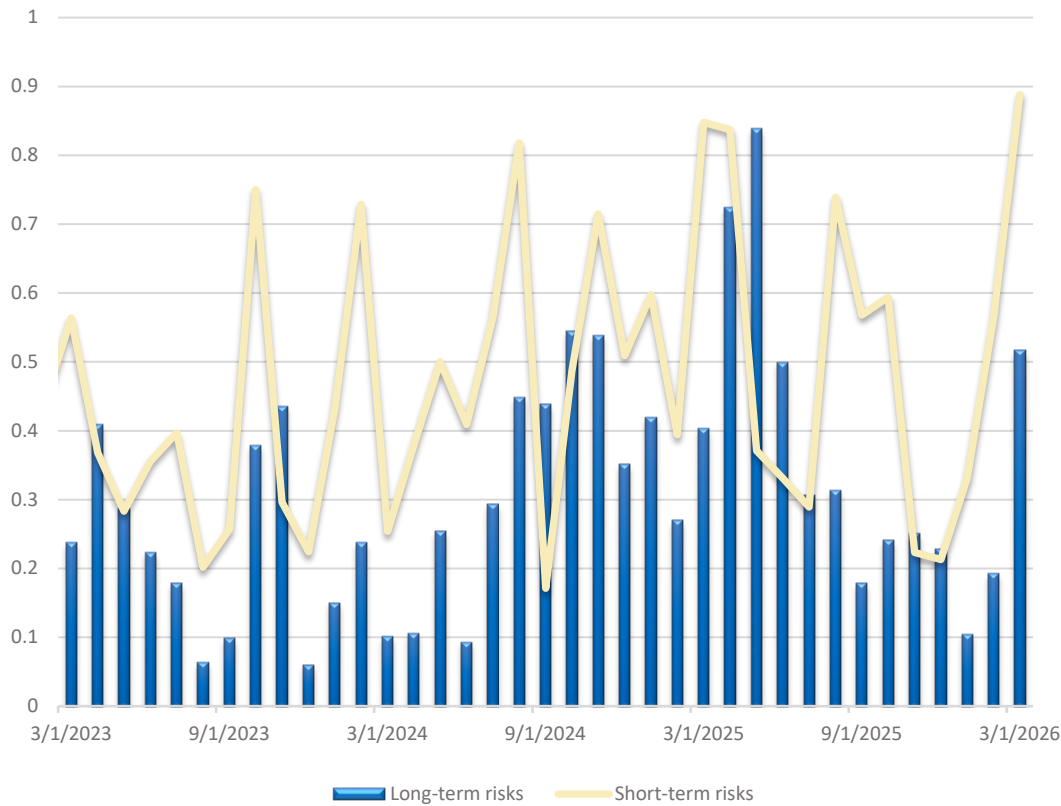
Long-term risks trended upwards at the start of 2025, reaching local peaks in the first half of 2025. This trend reflects the persistence of global economic imbalances, alternating between periods of risk accumulation and risk reduction, against a backdrop of difficulties in adjusting monetary policies and uncertainties regarding the dynamics of economic growth.

Short-term macroeconomic risks (red line) react rapidly to immediate macroeconomic or financial events, exhibiting frequent peaks. Short-term risks are much more volatile, reacting immediately to economic and financial shocks. Short-term risks have remained at a very high and volatile level, but there have been a number of episodes with a greater amplitude than in 2024 (particularly in the first quarter of 2026). This indicates an even greater sensitivity of markets to geopolitical shocks.

Although it fluctuates sharply, the short-term risk index appears to remain at a relatively high level, suggesting that economic and financial uncertainties have not diminished significantly. At the same time,

the slow rise in long-term risks confirms that the structural fundamentals of the global economy remain fragile.

Figure 6 Global indicators for macroeconomic risk



Source: LSEG, ASF processing

1.2. Local macroeconomic and financial developments

Economic growth

Gross Domestic Product (GDP) grew by 0.6% in 2025 compared with the previous year. In the fourth quarter of 2025, GDP was, in real terms, 1.9% lower than in the third quarter of 2025. In the final quarter of 2025, compared with the same quarter of 2024, GDP recorded a 0.1% increase on a gross basis and a 1.6% decrease on a seasonally adjusted basis.

In the fourth quarter of 2025, GDP trends indicate moderate heterogeneity across the economies analysed. Quarterly economic growth at European Union level fell from +0.4% in the previous quarter to +0.3% in the fourth quarter of 2025, signalling a modest decline but without any major structural change in the pace of growth.

Whilst both Bulgaria and Poland are recording growth above the EU average, Romania recorded a decline of -1.9% in the fourth quarter, representing the weakest performance in the sample.

Table 1 Quarterly growth of gross domestic product ²

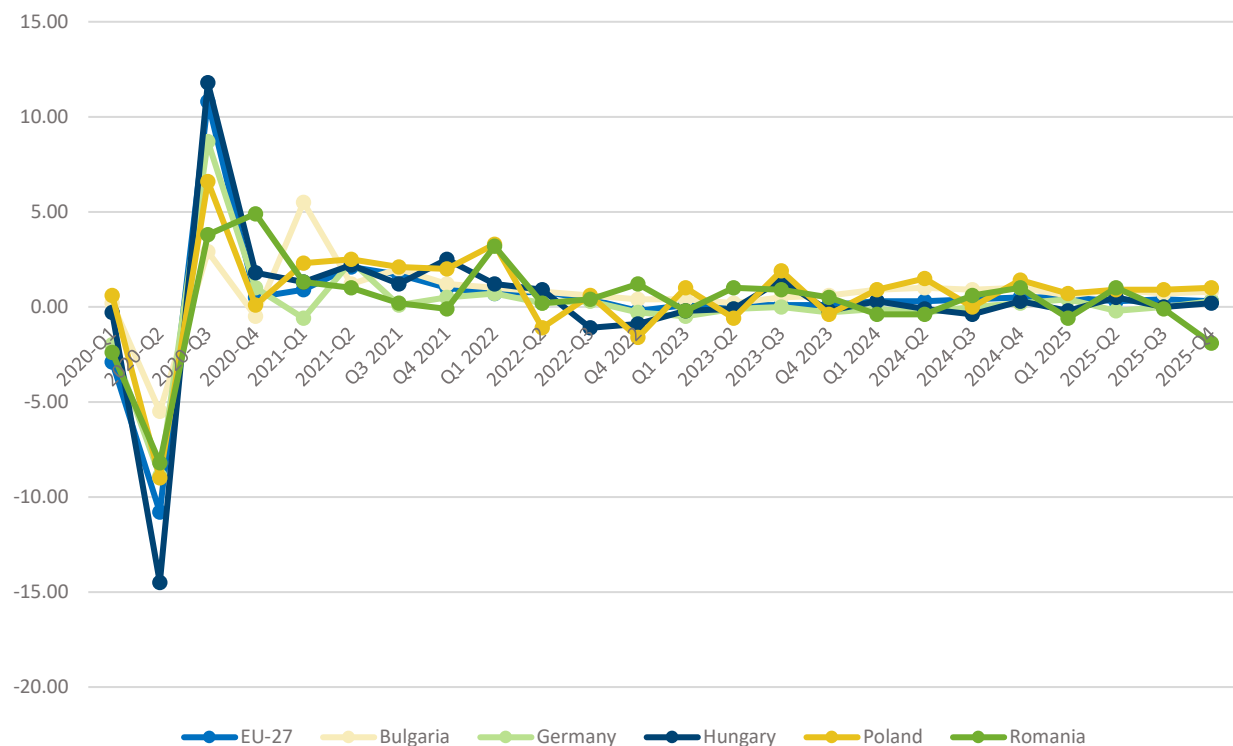
		Q1	Q2	Q3	Q4	Year
- as a percentage of the corresponding period of the previous year -						
Gross series	2023	102.7	101.0	102.0	103.2	102.3
	2024	100.6	100.9	101.7	100.5	100.9
	2025	100.3	100.3	101.7	100.1	100.6
Gross series using the volumes linked to reference year 2020^{*)}	2023	101.6	102.8	102.6	102.0	102.3
	2024	102.3	100.8	100.2	100.8	100.9
	2025	100.6	102.5	101.3	98.6	100.6
Seasonally adjusted series^{**)}	2023	101.6	102.4	102.9	102.2	-
	2024	102.0	100.5	100.3	100.8	-
	2025	100.6	102.1	101.4	98.4	-
- as a percentage of the previous quarter -						
Seasonally adjusted series^{**)}	2023	99.8	101.0	100.9	100.5	-
	2024	99.6	99.6	100.6	101.0	-
	2025	99.4	101.0	99.9	98.1	-

*Source: NIS; *) see methodological notes on page 4, point IV; **) seasonal adjustment based on the gross chained volume series with 2020 as the reference year*

The contraction in the last quarter sets Romania apart from the region's positive growth and reflects the particularities of the domestic economic cycle.

² According to the NSI press release dated 13.02.2026

Figure 7 Quarterly economic growth (% change compared to the previous quarter)



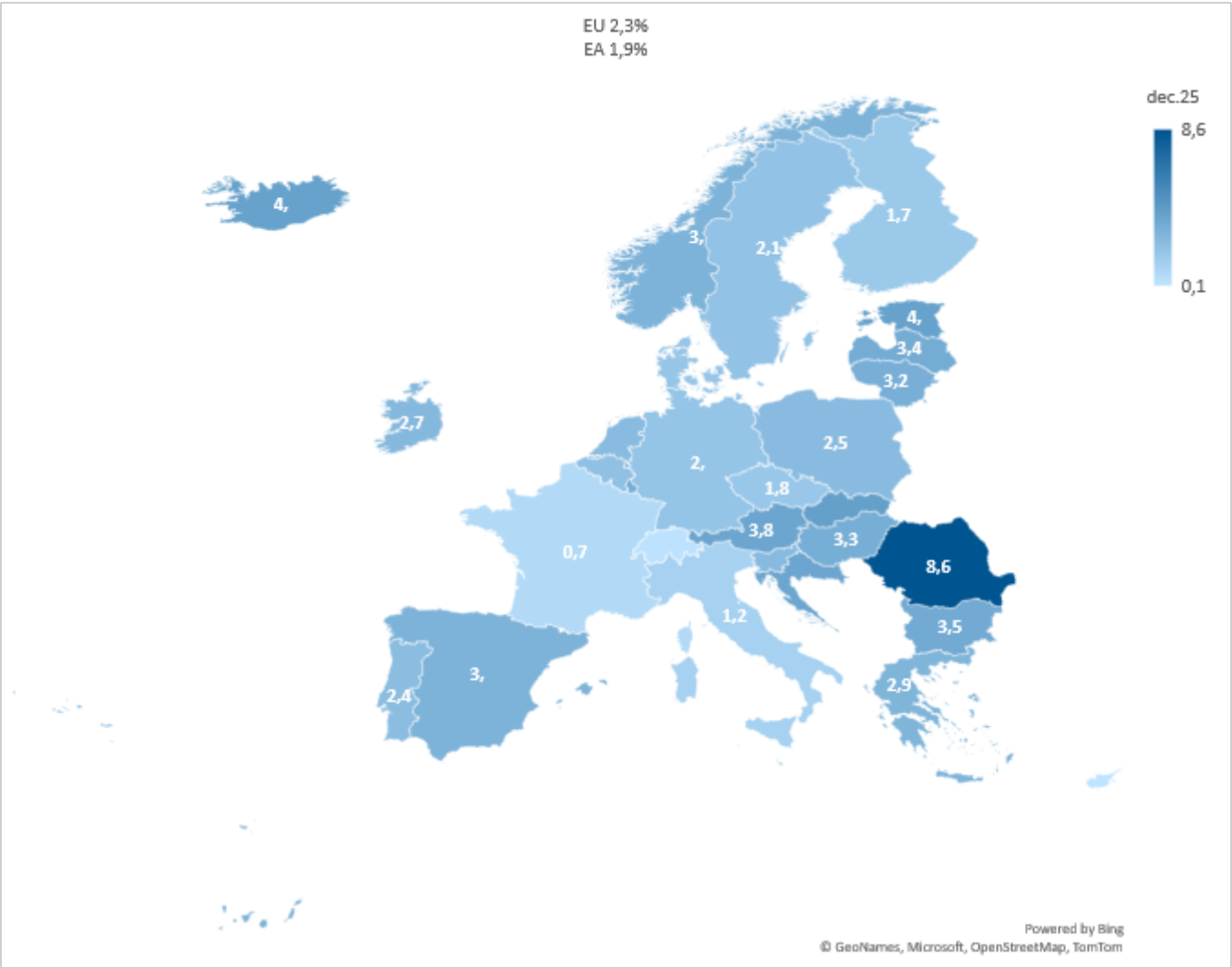
Source: Eurostat, seasonally and calendar-adjusted data, ASF processing

Inflation trends

Romania ended 2025 with an annual inflation rate of 8.6%, the highest level in the European Union. The figure remained unchanged from November 2025 and recorded an increase of 0.2 percentage points compared with October 2025. Since March 2025, Romania has remained in first place in Eurostat's ranking of annual inflation rates. This trend was driven by persistently high inflationary expectations, the expiry of the electricity price cap scheme, and the increase, from 1 August, in VAT rates and excise duties, in line with the fiscal and budgetary package adopted in July 2025.

The chart shows a sharp divergence in Romania's inflation rate compared with other European countries for December 2025. Annual inflation in the EU stood at 2.3%, and in the euro area at 1.9%.

Figure 8 : Annual inflation rate (Harmonised Index of Consumer Prices – HICP)

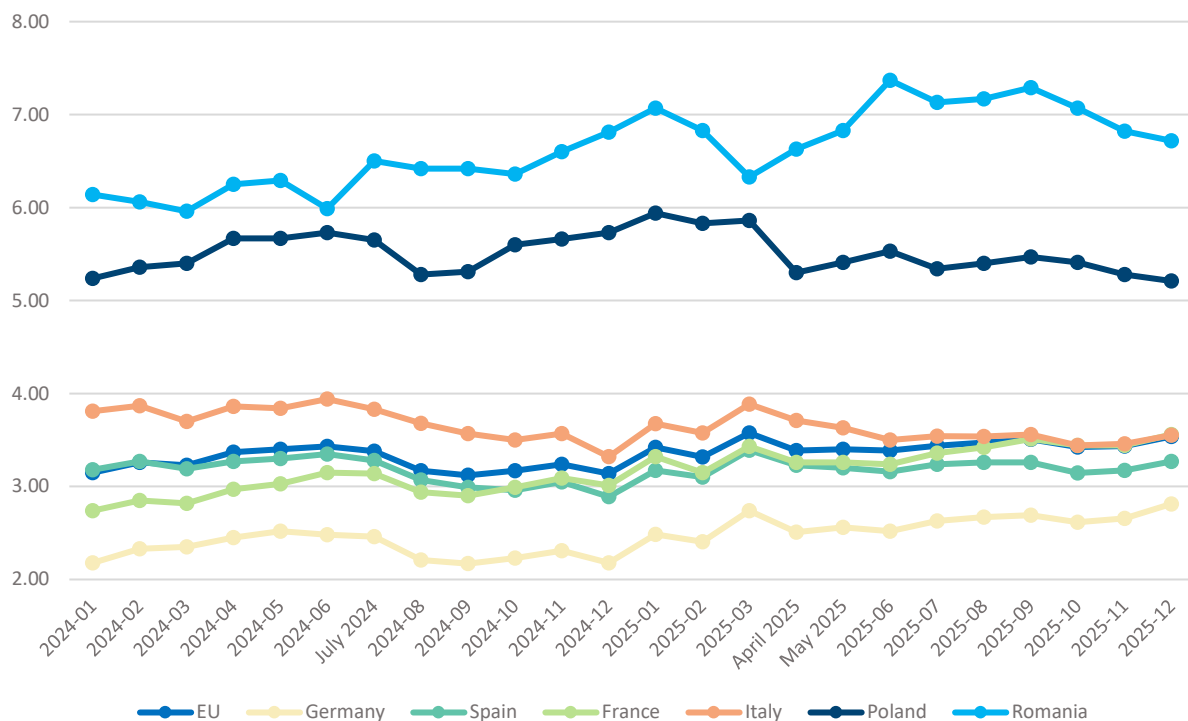


Source: Eurostat, ASF processing

Sovereign bond yields (10-year)

The chart shows the trend in yields on 10-year sovereign bonds for a group of European economies over the period 2024–2025, highlighting significant structural differences in terms of financing conditions and perceptions of sovereign risk. Romania consistently ranks at the upper end of the yield spectrum, with values ranging from approximately 6% to over 7%. This trajectory reflects domestic macroeconomic vulnerabilities, particularly in the area of fiscal policy, as well as the persistent effects of inflationary pressures on the government's financing costs.

Figure 9 Sovereign bond yields (10-year)



Source: Eurostat, ASF processing

In contrast, the core euro area countries – Germany and France – remain in the low-yield range, between 2.2–2.8% for Germany and approximately 2.7–3.6% for France. The trend in these yields is relatively stable, with moderate fluctuations, suggesting a low sovereign risk profile and favourable financing conditions.

Overall, the chart outlines a clear hierarchy of sovereign risk at European level. The economies of the core eurozone (Germany, France) benefit from the most favourable financing conditions, reflecting a low risk profile and a high degree of fiscal credibility. The southern eurozone countries (Spain, Italy) are positioned in the middle of the yield distribution, with moderate levels indicating a relatively stable perceived risk. In contrast, economies outside the eurozone (Poland, Romania) have the highest risk premiums, with Romania standing out due to yields that are significantly higher than those of the other jurisdictions analysed.

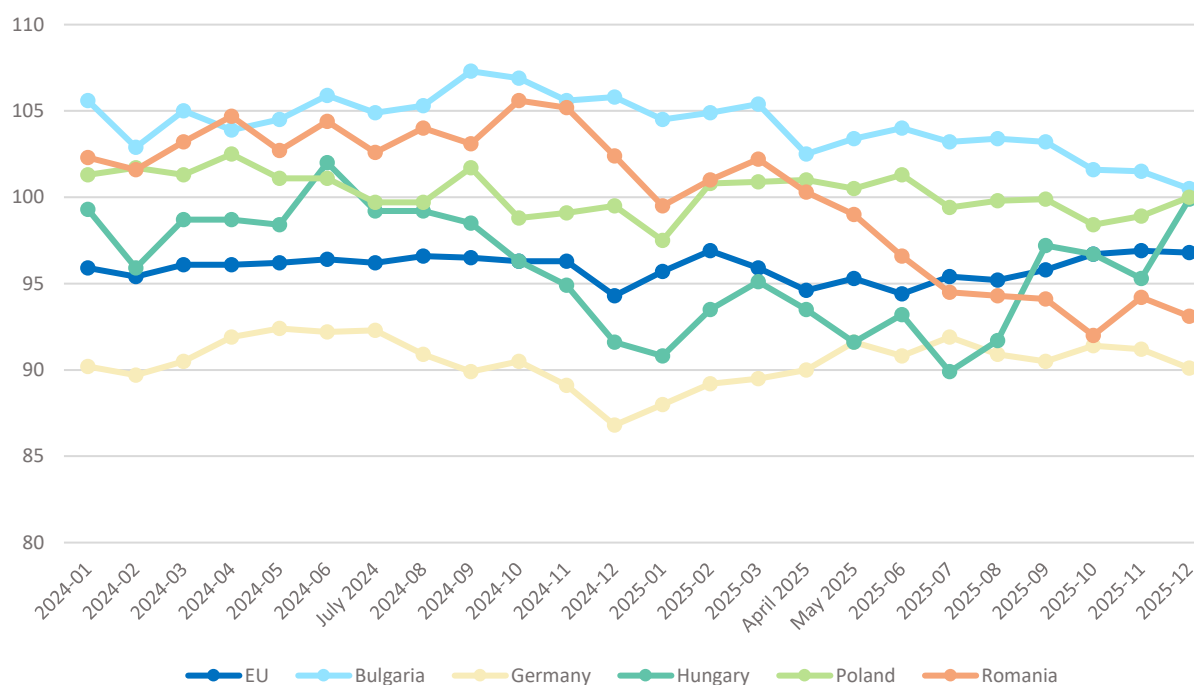
Economic Sentiment

The Economic Sentiment Indicator (ESI) is a composite indicator designed to capture developments in economic activity, providing a summary assessment of business and consumer confidence in the economic outlook. Compiled by Eurostat for European economies, the ESI is an essential tool for anticipating macroeconomic trends. A high level of economic sentiment is typically associated with favourable expectations regarding economic growth, whilst a decline may signal the risk of a slowdown or contraction in activity. The following figure compares the evolution of economic sentiment in Romania with that of other economies – Germany, Bulgaria, Poland and Hungary – for the period January 2024 to December 2025.

In 2025, the trend in economic sentiment remained below the 100 threshold for the European Union. The dispersion across economies remains high: the difference between the maximum (Bulgaria) and the minimum (Germany) is 16.5 points in January 2025 (104.5 vs. 88.0) and a further 10.4 points at the end of 2025 (100.5 vs. 90.1), indicating persistent heterogeneity in perceptions.

Romania shifts from a slightly positive sentiment at the start of the year to a gradual deterioration: from 102.2 in March 2025 to 93.1 in December, falling below 100 from April onwards and remaining in this range. This suggests an erosion of confidence against a backdrop of intensifying domestic uncertainties (taxation, inflation, financing costs).

Figure 10 The Economic Sentiment Indicator



Source: Eurostat, ASF processing

The systemic risk for European markets is measured using the CISS indicator³, which is a composite indicator for systemic risks calculated by the European Central Bank. The CISS indicator is designed to show the extent to which systemic financial stress contributes to financial instability in European markets.

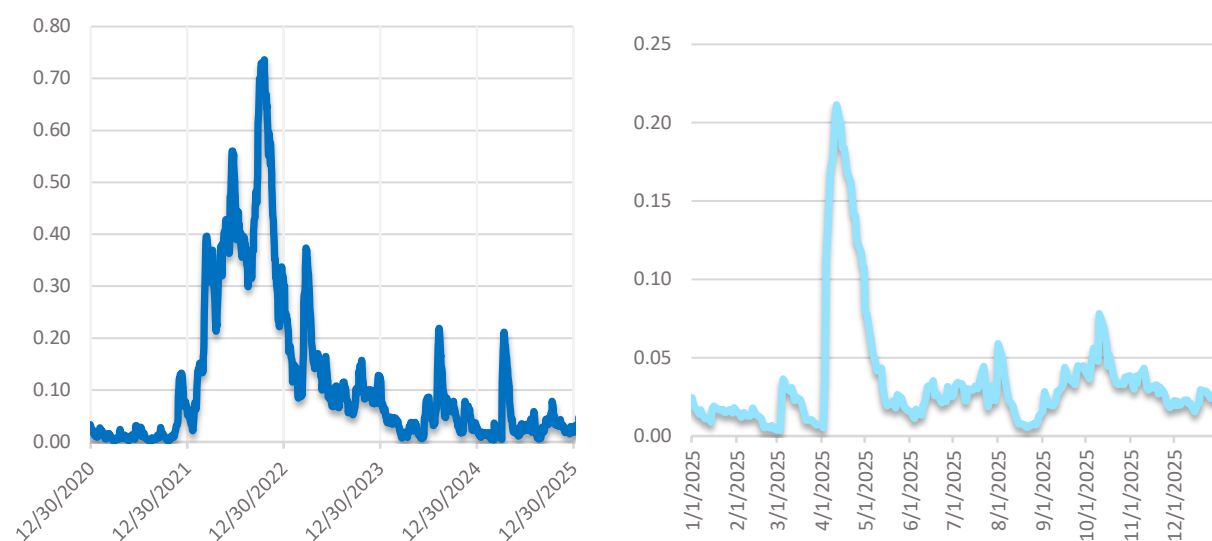
The indicator takes into account various sectors of the European financial system: equity and bond markets, foreign exchange and money markets, etc. The value of the indicator is constrained to the range (0, 1), such that higher values indicate periods of financial stress for European markets.

The sharp rise in the CISS indicator in March–April 2025 (0.21) occurred against a backdrop of low systemic risk, and its relative magnitude compared to developments in 2025 is comparable to major episodes during the 2020–2025 period. The rise in systemic risk was driven by a major surge in uncertainty regarding the imposition of trade tariffs, the globally synchronised stock market correction, and the abrupt repositioning in sovereign bond markets. The rapid return to 0.02–0.03 suggests that markets absorbed the shock as temporary, with no persistent systemic transmission due to the credible anchoring of ECB policy and the absence of bank liquidity stress at the European level. The rapid return to the baseline level (0.02–0.03) in May–June indicates the structural resilience of the European financial system and the absence of an endogenous amplification channel, suggesting that systemic stress remained exogenous and transitory.

The second episode of increased systemic risk in October–November 2025 (0.07–0.08) signals an accumulation of residual vulnerabilities, without systemic significance.

However, the index's evolution in 2025 confirms the high sensitivity of European markets to external trade policy shocks, a risk factor that must be explicitly incorporated into stress scenarios for investment funds and the Romanian capital market.

Figure 11 The CISS indicator for long-term (2020–2025) and short-term (2025) systemic risk



Source: European Central Bank, ASF calculations

³ CISS - Composite Indicator of Systemic Stress

2. Overview of risks in non-bank financial markets

In the second half of 2025 and early 2026, European capital markets, the insurance sector and the occupational pensions sector continued to share a common set of structural risks, shaping an interconnected risk landscape in which geopolitical and macroeconomic shocks, valuation fragility and technological transformations act simultaneously, against a backdrop of persistent uncertainty.

Geopolitical instability remained the dominant risk factor for all three segments. Ongoing regional conflicts in Venezuela, Iran and Greenland fuelled macroeconomic volatility, whilst the anticipated increase in public spending on defence and infrastructure may exert upward pressure on sovereign and corporate bond spreads, with direct implications for the portfolios of insurers, pension funds and capital market participants. Although positive signals from GDP growth and falling inflation have partially eased tensions, the macroeconomic environment remains fragile.

Digitalisation and cyber threats represent increasingly significant structural cross-cutting risks, with an impact on all three markets. The European financial sector continues to be targeted with increasing frequency by cyber and hybrid threats, with critical infrastructure and service providers exposed to operational dependencies with the potential for systemic contagion. The adoption of artificial intelligence, the expansion of tokenisation and the proliferation of digital platforms bring operational efficiency benefits, but also amplify complexity and exposure to cyber risks. The constantly evolving geopolitical environment and dependence on third-party technology providers increase the vulnerability and operational complexity of all segments of the European non-bank financial markets.

2.1. European capital markets

The European Capital Markets Risk Map, published by ESMA⁴, shows that risks in this sector remain high.

In the second half of 2025 and early 2026, equity valuations reached record levels, highlighting the growing risks of unsustainable prices and disorderly corrections that could affect all markets, even following a subsequent modest pullback. The flash crash in the cryptocurrency market in October tempered the boom, but valuations nevertheless remain at high levels. Private credit has become a systemic vulnerability following defaults in the US, which highlighted opacity and systemic interconnections. Concerns about debt sustainability have grown in both the EU and the US, against a backdrop of rising public deficits. Cyber and hybrid threats have remained high, increasing the risk of serious disruptions to market infrastructure and amplifying systemic vulnerabilities.

These market developments have collectively contributed to keeping market and systemic risks at a high level, particularly against a backdrop of shifting geopolitics and persistent uncertainty. Asset price correlations have also increased since April, indicating an increased risk of contagion across different asset classes.

⁴ ESMA Report on Trends, Risks and Vulnerabilities, Issue No. 1/2026

ESMA continues to assess market, contagion and operational risks as very high, credit and liquidity risks as high, and environmental risk as moderate.

Persistent uncertainty continues to weigh on the outlook, with high global equity valuations posing significant risks of sharp corrections and systemic contagion, and credit quality could deteriorate. Tariff-driven inflation may complicate central banks' policy decisions, with the potential for volatility in bond and currency markets. The rapid expansion of private credit adds leverage and liquidity vulnerabilities, and any defaults could trigger financial difficulties. The increasingly strong interconnections between *cryptocurrency* and traditional markets (including via *stablecoins*) warrant particular attention, as they heighten the risk of negative spillovers. Furthermore, cyber and hybrid threats are a growing concern. Retail and institutional investors should remain vigilant and maintain solid liquidity buffers to cope with sudden market corrections.

Table 2 EU Capital Markets Risk Landscape, ESMA March 2026 ⁵

Risk category	Current risk level	Outlook
Liquidity risk		→
Market risk		→
Credit risk		→
Contagion risk		→
Operational risk		→
Environmental risk		→
Market segments	Current risk level	Outlook
Securities markets and crypto assets		→
Infrastructure and services		↗
Asset management		→
Retail investors		→

Source: ESMA, EU Capital Markets Risk Map (March 2026)

⁵ Assessment of the main risks by risk category and source for markets falling within ESMA's remit since the last assessment and the outlook for the coming quarter. The risk assessment was carried out based on the classification of the Joint Committee of European Supervisory Authorities. Colour coding: green = potential risk; yellow = significant risk; orange = high risk; red = very high risk. Upward arrows = increase in risk intensity; downward arrows = decrease in risk intensity; horizontal arrows = no change. The change is measured relative to the previous period; the outlook refers to the coming period.

Risk factors

Financial stability and orderly markets

Geopolitical and macroeconomic uncertainties: Persistent geopolitical uncertainties, including regional conflicts and global trade tensions, increase the risk of fragmentation and may trigger events with a sudden, widespread and lasting impact on prices. The EU's economic performance also provides an uncertain backdrop for European financial markets, particularly given the expected impact of higher tariffs. Rising public and private debt will increase debt servicing costs, which will continue to weigh on issuers. Persistently high valuations in equity markets – linked to technology and artificial intelligence in the US, and to the financial sector in the EU – heighten the risk of unexpected corrections against a backdrop of heightened market reactivity and volatility.

Operational and technological disruptions: Recent incident data show that the financial sector is increasingly targeted by cyber and hybrid threats, whilst critical infrastructure and service providers remain vulnerable to operational dependencies that can propagate shocks to participants and markets across the system. Strengthening the operational resilience framework, improving third-party oversight and refining incident reporting and testing are essential measures to mitigate the potential impact on financial stability and market order.

Outlook



Investor protection

Speculative products: Although most retail investments focus on traditional asset classes (shares or fund units), some investors trade complex leveraged products or hold exposures to crypto assets. Risks and costs rise significantly if investors frequently enter and exit positions, as is the case with certain leveraged products (e.g. turbos). These products generate expected losses for investors.

Behavioural trends in investment: New clients are flocking to digital platforms. Although increased participation brings significant benefits, inexperienced clients are at risk of making inappropriate investment decisions or having unrealistic expectations. Investors risk being exposed to false or misleading information via social media. Some digital platforms integrate news feeds from social media, amplifying their influence on investment decisions.

Portfolio concentration risk: Retail clients have accumulated significant exposure to US shares in the artificial intelligence sector. This phenomenon is particularly pronounced among young investors, and exposure can be both direct (through share ownership) and indirect (through investment funds and ETFs). Investments in AI and technology companies have continued to drive up valuations in the US equity market, raising concerns about the risk of a disorderly correction that could affect retail investors in the EU.

Outlook



Financial market developments

Equity and crypto markets

- Equities: Persistently high valuations heighten the risk of sharp market corrections against a backdrop of heightened reactivity and volatility
- Bonds: Sovereign bond spreads are narrowing, but liquidity is deteriorating slightly amid uncertain macro risks; credit quality signals are mixed in the EU, whilst concerns are mounting over US private credit
- Crypto assets: The decline is accelerating following October's flash crash, but stablecoins continue to rise
- *In-depth analysis:* The sensitivity of the EU sovereign bond market to unexpected events
- *In-depth analysis:* The 10 October crash exposed structural vulnerabilities in the crypto market

Infrastructure and services

- Cyber risks are becoming increasingly relevant to financial markets
- Trading volumes on regulated equity markets fell in the second half of 2025
- Sharp rise in CSD settlement failures for ETFs in April
- The number of credit ratings in force rose slightly for the EEA

Asset management

- The performance of equity funds is increasingly dependent on the US, raising the risk of a massive revaluation
- Risks remain stable for fixed-income funds, but credit risk is becoming more prominent
- Liquidity and valuation risks remain major concerns for real estate investment funds
- The expanding private finance sector raises concerns due to opacity and interconnectedness
- *In-depth analysis:* Investment funds' exposure to private finance

Retail investors

- Record capital inflows into ETFs as investors shift from active to passive management
- Accessible digital platforms are attracting more and more young investors
- Social media influences investor behaviour, increasing the risk of bubbles
- *In-depth analysis:* Retail investment in barrier and leveraged products
- *In-depth analysis:* Total costs of investing in UCITS and AIFs

Structural developments

Market-based financing

- Equity issuance remained weak, with IPOs declining and secondary offerings providing limited support
- Corporate bonds continued to perform strongly, despite short-term debt tightening and increased refinancing risks
- Private equity funds slowed as fundraising and investment declined, and EU fund assets contracted
- *In-depth analysis*: Concerns over rising delistings in the EU

Sustainable finance

- The shift in global climate policy creates a negative backdrop for ESG investments
- ESG funds have seen mixed performance; the ESG bond market has proved more resilient, but issuance has slowed
- ESMA guidelines on fund naming have improved alignment between fund names and portfolios
- *In-depth analysis*: Physical risk and catastrophe bonds

Financial innovation

- Adoption of tokenisation remains low but is gaining ground
- The use of artificial intelligence in EU securities markets remains uneven, with 40% of firms surveyed (65% of small firms) reporting that they do not use or plan to use AI
- Although still far from commercial viability, quantum computing applications are attracting growing interest from financial institutions and investors

2.2. The insurance market in the EU

The EU insurance market risk dashboard for January 2026, published by EIOPA, shows that risks in the European insurance sector are stable at a moderate level.

Table 3 EU insurance market risk overview, EIOPA, January 2026⁶

Risks	Level	Trend (last 3 months)	Outlook (next 12 months)
Macroeconomic risks			
Credit risks			
Market risks			
Liquidity and funding risks			
Profitability and solvency risks			
Interconnections and imbalances			
Insurance (underwriting) risks			
Market perceptions			
Risks related to ESG factors			
Cyber and digitalisation risks			

Source: EIOPA, EU Insurance Market Risk Overview (January 2026)

Macroeconomic risks remain stable at a moderate level, with positive signals from GDP growth and falling inflation. Persistent geopolitical instability, with emerging tensions in Venezuela, Iran and Greenland, further increases uncertainty and volatility. Taken together, these developments suggest an upward revision of the macroeconomic risk outlook.

Credit risks: General credit conditions remain largely stable, with minor changes in market indicators and portfolio exposures, although an increase in public spending on defence and infrastructure is expected. Fundamental credit risks in the corporate sector and household balance sheets are largely unchanged, reflecting ongoing structural vulnerabilities, but with no significant signs of deterioration.

Market risks remain high, with a stable outlook. Financial market volatility has increased slightly, and valuation indicators suggest a divergence from fundamentals, with annual indicators remaining at levels that still require attention. Insurers' portfolio allocations and real estate exposures show little change, and

⁶ The reference date for company data is Q2 2025 for quarterly indicators and 2024-YE for annual indicators. The cut-off date for most market indicators is the end of September 2025. The level (colour) corresponds to the risk level at the reference date; the Trend is shown for the 3 months prior to the reference date, and the Outlook is shown for the 12 months following the reference date. The latter is based on responses received from 23 national competent authorities (NCAs) and is classified according to the expected change in the significance of each risk (substantial decrease, decrease, unchanged, increase and substantial increase).

asset concentration remains stable. Overall, market conditions appear stable but continue to reflect heightened vulnerabilities. The risk associated with a potential AI bubble could spur volatility without significantly increasing concerns about defaults.

Liquidity and funding conditions remain at a medium risk level, with an upward trend. Insurers' cash positions and liquid asset ratios show only minor changes, whilst bond issuance has increased and activity in the catastrophe bond market has intensified slightly. Other key indicators are largely unchanged.

Profitability and solvency conditions remain stable at a moderate level. Insurers' capital positions have strengthened slightly, supported by robust solvency ratios. Profitability indicators show little change, with underwriting and investment performance generally stable. Overall, the sector continues to demonstrate resilience, albeit without a significant improvement in underlying trends.

Interconnection and imbalance risks remain generally stable at a moderate level. Insurers' exposures to the financial sector have remained unchanged. Holdings of domestic sovereign debt and derivatives, and risk ceded through reinsurance, have fluctuated around the same level. Overall, interconnection within the sector remains constant, with no significant accumulation of new vulnerabilities.

Insurance risks are at a moderate level, with a downward trend against a backdrop of positive premium growth. In the third quarter of 2025, premium growth for life and non-life insurance was strong, which reduced the overall level of risk. Underwriting performance remained stable, but overall conditions suggest a more balanced and sustainable risk environment. Uncertainty stems from potential claims against war and trade-related cover.

Market sentiment remains at a moderate level. Insurance company shares have underperformed relative to broader market trends, whilst valuation metrics show some correction. Credit market indicators and rating outlooks are generally stable.

ESG-related risks remain stable at a moderate level, with a downward trend. Investment patterns indicate a slightly higher allocation to green bonds and a gradual decline in climate-related assets. Exposures to physical climate risk remain unchanged, highlighting persistent environmental vulnerabilities.

Digitalisation and cyber risks remain at a medium level. Supervisory assessments continue to highlight their high relevance to the insurance sector. The constantly evolving geopolitical environment and increasing exposure through underwriting of cyber risks continue to heighten the sector's vulnerability and operational complexity.

2.3. The occupational pensions market in the EU

The risk overview published by the European Insurance and Occupational Pensions Authority (EIOPA), January 2026 edition, concerning institutions for occupational retirement provision (IORPs), shows that risks in the European IORP sector are at moderate levels, against a backdrop of geopolitical uncertainty.

The macroeconomic environment is showing signs of stability, underpinned by positive signals from GDP growth and falling inflation. However, persistent geopolitical instability, with emerging tensions in Venezuela, Iran and, increasingly, Greenland, is further heightening global uncertainty.

Sovereign and corporate bonds have seen a modest tightening, whilst high geopolitical uncertainty, coupled with the expected rise in public spending on defence and infrastructure, could exert upward pressure on spreads in the future.

Financial markets remain vulnerable to valuation pressures. Although recent spikes in volatility have been kept in check, the potential unwinding of an asset price bubble linked to artificial intelligence, even in the absence of defaults, could amplify market corrections.

Table 4 Overview of risks in the EU occupational pensions market, EIOPA, January 2026⁷

Risks	Level	Trend (last 3 months)	Outlook (next 12 months)
Macro risks			
Credit risks			
Market and asset return risks			
Liquidity risks			
Risks related to reserves and funding (DB schemes)			
Concentration risks			
ESG risks			
Cyber and digitalisation risks			

Source: EIOPA, Risk Landscape of the EU Occupational Pensions Market (January 2026)

⁷ The reference date for IORP data is Q3 2025 for quarterly indicators and 2024-YE for annual indicators. The deadline for indicators based on data from external sources is the end of December 2025. The level (colour) corresponds to the risk level at the reference date; the Trend is shown for the 3 months prior to the reference date, and the Outlook is shown for the 12 months following the reference date. The latter is based on responses received from 17 national competent authorities (NCAs) and is classified according to the expected change in the significance of each risk (substantial decrease, decrease, unchanged, increase and substantial increase).

Macroeconomic risks remain stable at a moderate level, with positive signals from GDP growth and moderating inflation. Persistent geopolitical instability, with tensions arising in Venezuela, Iran and, increasingly, Greenland, is amplifying global uncertainty and volatility. Taken together, these developments suggest an upward revision of the outlook for macroeconomic risks.

Credit risks remain at a moderate level, with sovereign and corporate bond spreads narrowing through to the end of December. High geopolitical uncertainty, combined with the expected increase in public spending on defence and infrastructure, could put pressure on spreads in the coming period.

Market and asset return risks remain at a moderate level: equity market volatility has eased, although it remains high, whilst bond market volatility was more subdued at the end of December compared with the end of September. Valuations remain at high levels, with potential vulnerabilities arising from their decoupling from economic fundamentals, vulnerabilities that could be amplified in the event of adverse geopolitical developments.

Liquidity risks are at a medium level: the median net market value of IORPs' derivatives has become slightly more negative, mainly as a result of rising interest rates.

Reserve and funding risks are at a lower level, down from the previous average, supported by the strengthening of the financial position of defined benefit (DB) IORPs in the third quarter of 2025. This improvement reflects the combined effect of solid investment returns, driven by rising share prices, and the impact of rising long-term interest rates, which have reduced the value of pension liabilities.

Concentration risks remain at a moderate level. The overall picture continues to be dominated by the stability of exposure concentrations across the identified sectors/asset classes.

ESG-related risks remain stable at a medium level. The median share of IORPs' investments in green bonds out of total corporate bonds has increased slightly, confirming the upward trend observed since 2022.

Risks related to digitalisation and cyber risks are at a medium level. The materiality of these risks for IORPs, as assessed by supervisors, remained high in the final quarter of 2025, against a backdrop of persistent concerns arising from geopolitical tensions and the associated uncertainty.

2.4. National risks and vulnerabilities from a financial stability perspective

The international economic environment remains markedly fragile, exposed to structural vulnerabilities and exogenous shocks. Persistent geopolitical tensions, combined with downward revisions to economic growth forecasts and high levels of public debt, are amplifying global uncertainty. Furthermore, the intensification of trade protectionism has triggered a reconfiguration of value chains, placing additional pressure on European economic stability.

In this context, the escalation of tensions in the Middle East through the outbreak of an armed conflict with Iran represents a major systemic risk, with direct implications for global and local transmission channels:

- **Energy security and energy price volatility:** Instability in the region is keeping a high-risk premium on the price of oil and natural gas. Any disruption to supply routes or production quickly translates into higher production costs for European industry, and consequently for Romanian industry, putting pressure on profit margins and fuelling inflation.
- **Disruption to trade and logistics routes:** Tensions are affecting the safety of maritime transport on vital trade routes, causing delays and increases in transport costs, which amplifies the profitability risks for companies engaged in import-export activities. At the same time, the rerouting of commercial vessels to alternative routes entails longer transit times and higher insurance costs, whilst delays in the delivery of components and raw materials can cause disruptions in industrial production, fuelling a new wave of inflation through rising costs.
- **Risk aversion and capital flows:** During periods of acute geopolitical conflict, capital flows tend to migrate towards safe-haven assets, penalising emerging markets through capital outflows and depreciation pressures on the national currency.

The persistence of conflict in the Middle East acts as a risk multiplier for Romania's economy, limiting the benefits of a potential easing of global monetary policy and maintaining uncertainty at a level that discourages long-term foreign direct investment.

Fiscal consolidation efforts in Romania, aimed at reducing the budget deficit below critical thresholds, have generated a series of pro-cyclical effects that accentuate the vulnerability of the local market, in particular through:

- **Inflationary and tax pressures:** The implementation of new fiscal packages (increases in indirect taxes and the removal of certain tax breaks) has led to a resurgence in inflation, limiting the scope for manoeuvre of monetary policy. This dynamic puts pressure on financing costs for both the public and private sectors. The increase in the tax burden has a direct impact on companies, particularly by reducing their self-financing capacity, increasing their reliance on bank credit in a high-interest-rate environment, and by reducing predictability in the medium and long term, which can significantly hamper business planning.
- **Reaction of financial markets:** Uncertainty regarding fiscal predictability has led to a cautious stance on the part of institutional investors. The revision of the sovereign rating outlook to ' ' reflects market scepticism regarding the ability to meet deficit targets without compromising medium-term economic growth.

- Absorption of European funds under the PNRR: The complexity of administrative reforms and the risk of poor implementation of projects funded through European mechanisms (PNRR) remain critical issues that could exacerbate existing macroeconomic imbalances. The success of the reforms is intrinsically linked to the achievement of the PNRR milestones. Any delay in implementing structural reforms (in administration, pensions or the judiciary) risks the suspension of funds, which would deprive the economy of a key driver of growth and force further fiscal adjustments.
- Social and labour market impact: The reforms envisage massive redundancies in the public sector, with the aim of making it more efficient, generating shockwaves in the labour market. The reduction of the bureaucratic apparatus and the consolidation of state-owned enterprises, whilst necessary for efficiency, increase the unemployment rate in the short term and put pressure on social protection systems. At the same time, the pass-through of new taxes into final consumer prices keeps inflation above the European average, affecting private consumption, which has been the main driver of economic growth in recent years.

Thus, the combination of domestic fiscal adjustments against a volatile external geopolitical backdrop (the Middle East and US protectionism) creates an austere operating environment, in which the likelihood of credit and liquidity risks materialising is increasing, necessitating a defensive approach to asset management and financial exposures. The combination of a restrictive fiscal policy (necessary to reduce the deficit) and an uncertain global economic environment places Romania in a zone of high vulnerability, where the success of reforms depends on striking the right balance between fiscal consolidation and the development of incentives for economic competitiveness.

In this context, market risk is increasingly present, reflected in the possible decoupling of the real value of assets from market prices, with the potential for corrections to occur, against a backdrop of spreading contagion and the deterioration of macroeconomic prospects and global financing conditions. In an unstable climate marked by uncertainty, the likelihood of these risks materialising in the coming period is growing.

The rise in trade protectionism has led to a reconfiguration of international economic relations and structural changes in several European countries. At the same time, the global trend of rising redundancies in the financial and industrial sectors is exacerbating pressures on the labour market, contributing to an increase in macroeconomic risk and intensifying credit, liquidity, solvency and profitability risks. Furthermore, against the backdrop of existing tensions and rapid technological development, the increasingly widespread use of digitalisation and artificial intelligence is leading to heightened cyber risks, with the emergence of high-impact security incidents that can exploit various vulnerabilities.

The factors analysed lead to the macroeconomic risk assessment remaining at a high level, with an upward trend, against a backdrop of intensifying domestic vulnerabilities and a climate of external uncertainty, driven by geopolitical and trade tensions and the accumulation of imbalances.

Market risk remains at a high level, with an upward trend, against a backdrop of contagion and interconnections, with financial markets reacting promptly to the materialisation of any tensions and risk factors, in an environment where tightening financial conditions, together with the external geopolitical situation, have a significant influence on them.

All other risks (credit, liquidity, solvency, profitability and operational) are assessed as being at a medium to high level, with an upward trend.

Table 5 Overview of risks at national level⁸

	Risk categories		Determining factors
	Level	Outlook	
Macroeconomic risk			The acceleration of macroeconomic risks, against a backdrop of rising uncertainty, intensifying geopolitical tensions, global trade policies, continuing mass redundancies, as well as the challenges and economic costs associated with the implementation of fiscal recovery measures at the local level
Market risk			Financial market volatility, contagion and interconnectivity; existing geopolitical uncertainties in the context of the potential materialisation of macroeconomic risks
Credit risk			Increased credit risk, against a backdrop of growing vulnerabilities that may affect certain industrial sectors, with effects that could spill over into the wider economy
Liquidity risk			The materialisation of market risk in the context of persistent macro-financial vulnerabilities and the amplification of shocks or tensions in financial markets
Solvency risk			Economic interconnections that may trigger knock-on effects regarding the honouring of payment obligations
Profitability risk			Cost inflation trends in the context of tariff policies and persistent economic vulnerabilities
Operational risk			The widespread increase in digitalisation and, consequently, cyber incidents, including against a backdrop of external geopolitical tensions

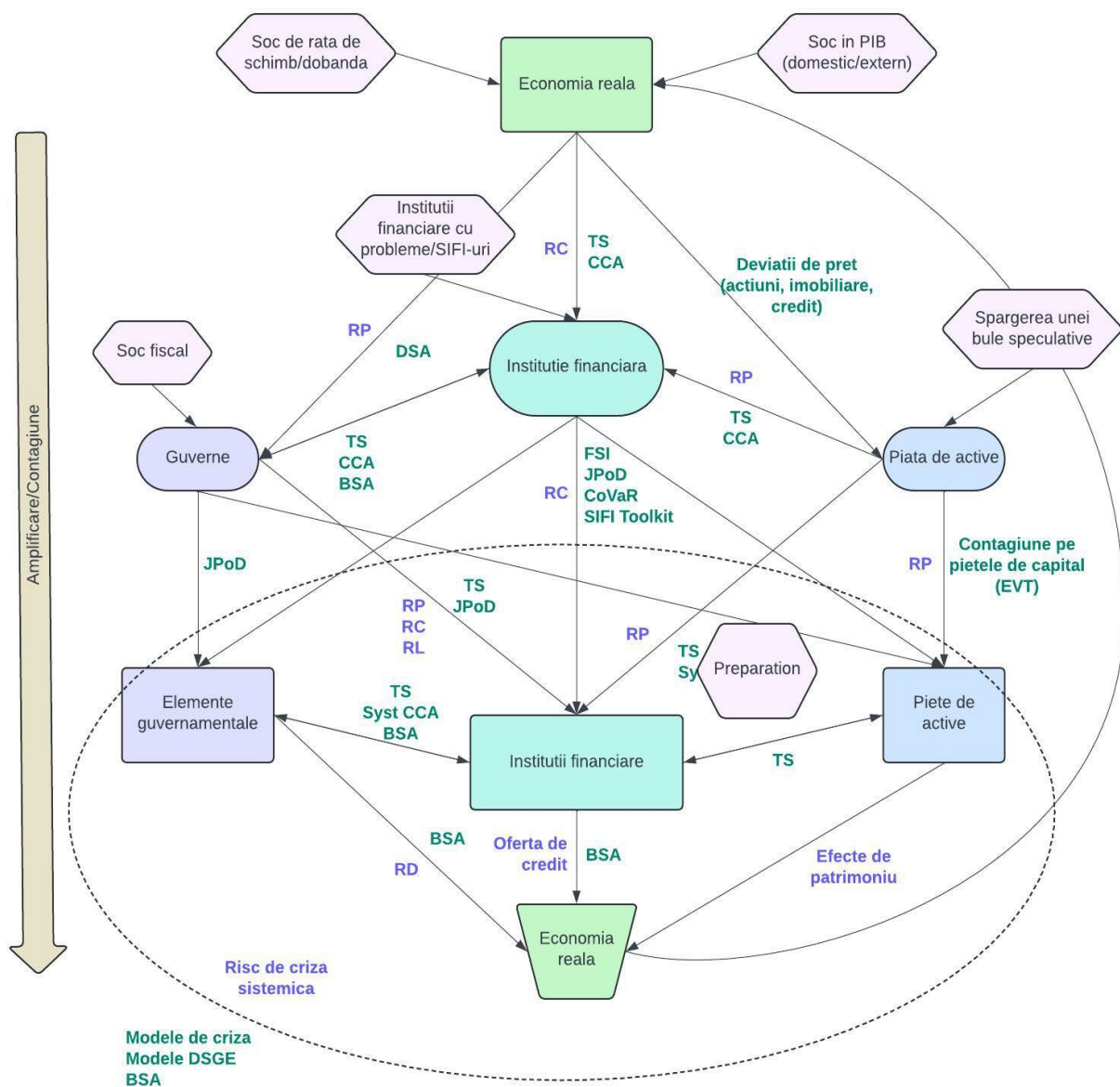
Source: ASF

⁸ For the purposes of this report, the same risk coding as that used by ESMA has been applied.

3. Stability of the financial instruments and investments market

Systemic risk is a central concept in current macro-financial analysis, being linked to significant disruption of the financial system with multiple negative consequences for the real economy (Freixas, Laeven and Peydró, 2015). The transmission and accumulation of systemic risk is one of the consequences of financial globalisation and new information technologies, which have intensified the interconnection between financial markets and institutions (Evanoff, Hoelscher and Kaufman, 2009).

Figure 12 Systemic risk dynamics. Sources and transmission channels



Source: ASF compilation based on IMF (2023)

Systemic risk is a phenomenon that impacts all dimensions of the financial system, with academic research covering a wide range of forms: banking institutions (Lehar, 2005; Bostandzic and Weiß, 2018; Wang et al., 2024), financial markets (Caporin et al., 2021, Umar et al., 2022), foreign exchange markets (Borri, 2018, Chen and Lin, 2024) or crypto-assets (Akhtaruzzaman et al., 2022, Shahzad et al., 2022, Rahman et al., 2024).

Systemically important non-bank financial entities are those institutions or infrastructures whose temporary or long-term inability to meet their obligations or carry out critical activities could cause disruptions in the financial system with negative effects on financial stability and, indirectly, on the real economy.

Although the trend in recent years for the non-bank financial sectors supervised by ASF has been towards an increase in their size (measured by the value of assets or financial flows), both in absolute terms and as a share of GDP (which highlights a faster growth rate than that of the economy on average), however, these remain at a significantly lower level compared to the banking sector.

Systemic risk is often analysed from two perspectives: as an effect on the economy (most often measured as an effect on GDP), and as an effect on financial intermediation.

Assessing systemic risk requires a number of distinct perspectives depending on:

- 1) the type of financial institution
- 2) the impact on asset prices
- 3) the impact on market perceptions of sovereign risk
- 4) the cyclical evolution of the economy
- 5) potential cross-border spillover effects
- 6) the possibility of a financial crisis

Most of the elements mentioned above, as well as the approaches presented below, are summarised in the figure below, which illustrates the dynamics of systemic risk and the main transmission channels. Some models and approaches for quantifying systemic risk for the markets supervised by ASF will be presented below.

3.1. The equilibrium level in European capital markets

The equilibrium level of the capital market is the normal market level, an unobservable (latent) variable that can be estimated statistically. Estimating the equilibrium level is important for analysing capital market stability, as it provides a benchmark.

The equilibrium level is crucial for analysing financial market stability, as it provides:

- A benchmark for assessing asset values;
- An indicator of the sustainability of market growth;
- A basis for anticipating systemic risks, such as financial crises.

The graphical representation of the equilibrium level and the confidence bands (90%) indicates the equilibrium level, the confidence intervals for it, and the daily closing values for the indices represented. The confidence bands define *the expected variability*. When stock market indices move outside these bands, it suggests either a period of excessive optimism (above the upper band) or a period of financial stress (below the lower band).

A market that is significantly above the equilibrium level may indicate a possible speculative bubble, whilst a market well below equilibrium may reflect an undervaluation of assets or an economic recession.

Exceeding the equilibrium level may indicate a period of unsustainable growth in the financial market or a shift in the equilibrium level due to changes in the fundamental factors affecting the economy (e.g. technological progress).

A fall in the market below the equilibrium level may indicate a temporary period of financial stress, contagion effects, or a shift in the equilibrium level following a period of economic recession. A fall in the market below the equilibrium level may indicate:

- A crisis of confidence or a period of financial stress.
- Contagion effects, where problems in one sector or country affect broader markets.
- A rebalancing of the equilibrium against the backdrop of economic recessions, where asset values are recalibrated in line with new macroeconomic conditions.

In this context, monitoring the equilibrium level can help authorities and investors understand whether market fluctuations are part of a normal cycle or signal systemic risks.

The evolution of the index can be represented as the sum of the mean process and the economic shocks process. Thus, the equilibrium level of the Romanian capital market index can be estimated using a *Local Level model* ⁽⁹⁾ estimated with the Kalman filter.

$$Index_t = average_t + shocks_t, shocks_t \sim NID(0, \sigma_{shocks}^2)$$

$$Average_{t+1} = average_t + errors_t, errors_t \sim NID(0, \sigma_{errors}^2)$$

⁹ Durbin, J. and Koopman, S.J., 2012. *Time series analysis by state space methods*. Oxford University Press.

The dynamics of the mean are given by the previous day's value plus measurement errors and are modelled as a stochastic process. The shocks in the observation equation are due to changes in the composition of the index and the weights of existing companies, whilst the disturbances in the transition equation represent permanent innovations in the level. The equilibrium level of the capital market index is determined by the mean, whose dynamics are latent (unobservable).

The Kalman filter model is suitable for this estimation because:

- It filters out market noise to identify fundamental trends.
- It updates estimates in real time based on new data.
- It provides confidence intervals for the equilibrium level, helping to identify significant deviations.

A key aspect of the model is the inclusion of measurement errors, which may be caused by:

- Changes in the composition of the stock index (inclusion/exclusion of certain shares);
- Changes in share weightings (index rebalancing);
- Exogenous macroeconomic factors (regulatory changes, monetary policies, external shocks).

Stock market fluctuations around the equilibrium level can be interpreted as temporary deviations due to external shocks, investor sentiment or structural changes in the economy.

The Romanian capital market index and the STOXX 600 index are on a general upward trajectory from 2020 to 2025, but their volatility and recovery patterns differ due to market structure, investor sentiment and macroeconomic factors.

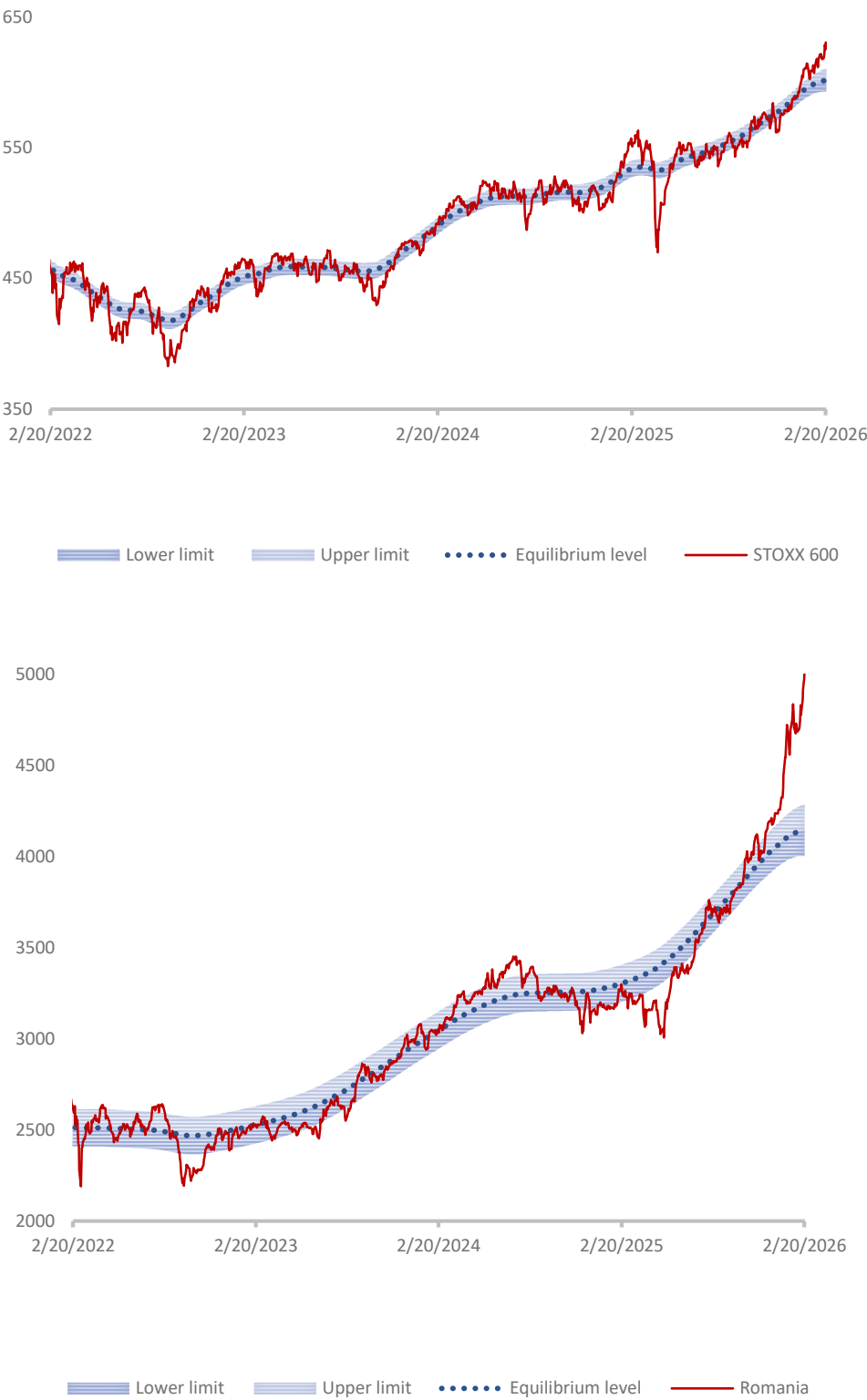
In the first half of 2025, the Romanian capital market became highly volatile again, with sharp declines but also rapid recoveries. From May 2025 to August 2025, the capital market rose sharply, significantly exceeding the upper band, a trend that continued into the second half of the year. This trend suggests excessive optimism or a possible market overvaluation.

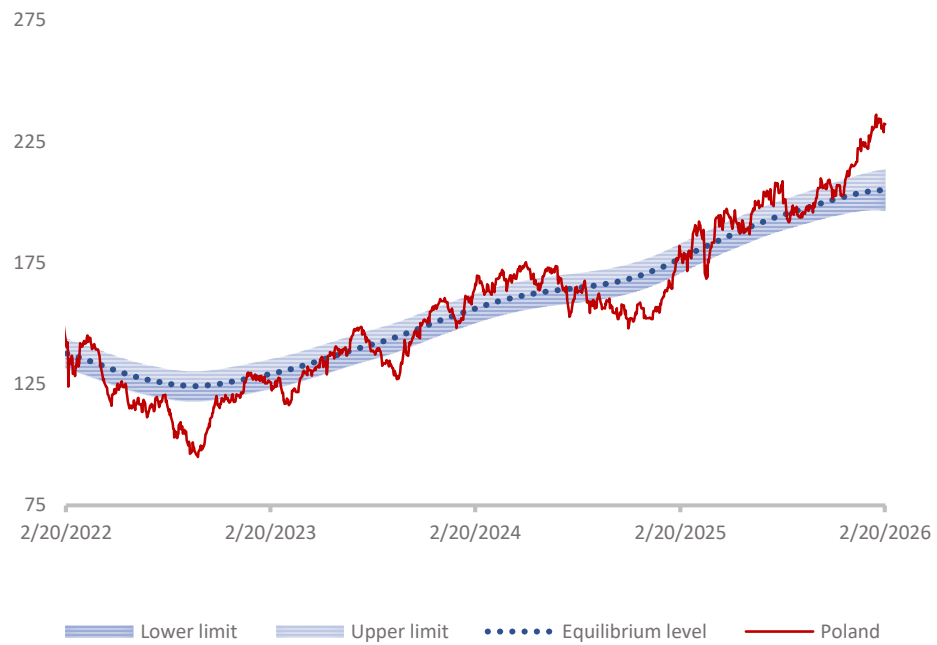
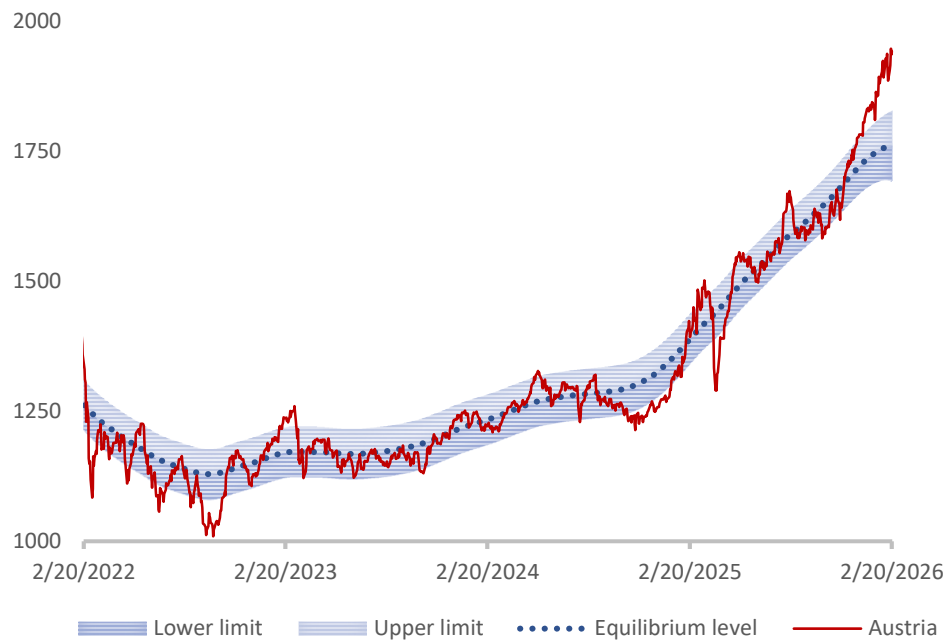
This dynamic signals risks of instability: if optimism is not supported by fundamental factors (profits, macroeconomic stability, liquidity), then the likelihood of a correction increases significantly.

The STOXX 600 index remained relatively stable, close to its equilibrium level throughout 2024. There was a moderate upward trend in the first half of the year, followed by a consolidation phase in the second half. Fluctuations remained largely within the confidence bands, suggesting a balanced market.

The following figure shows developments in the capital markets of Austria, Romania and Poland, alongside the performance of the STOXX 600 index.

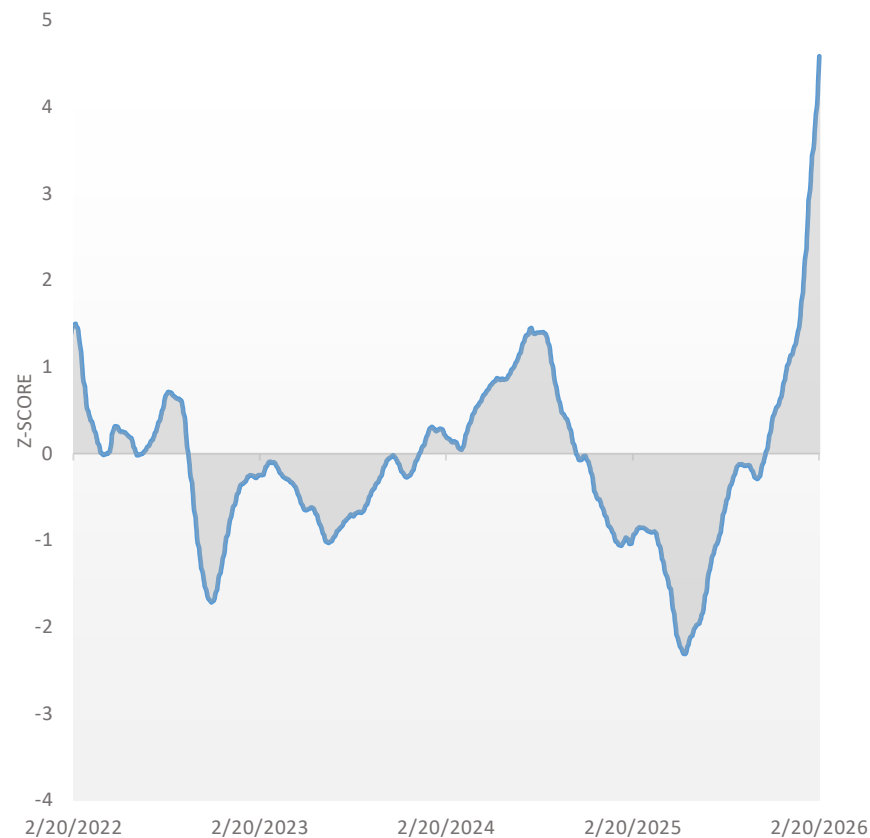
Figure 13 Performance of the STOXX 600, Romanian, Austrian and Polish stock indices relative to the equilibrium level





Source: LSEG, ASF calculations

Figure 14 Cyclical patterns of financial developments. The evolution of the financial cycle for the Romanian capital market



Source: LSEG, ASF calculations

Based on the model estimated above, the financial cycle for assets traded on the Romanian capital market was extracted. The extracted cyclical component was calculated as the difference between the level of the index for the Romanian capital market and the equilibrium level estimated by the model. The following chart shows the Z-score of the deviation between the real market index and the estimated equilibrium level for the Romanian stock market. Normalising the Z-score allows us to interpret the deviations in terms of standard deviations from the mean, facilitating the identification of periods of overvaluation and undervaluation.

Z-score values are interpreted based on the estimated distance from equilibrium. Thus, if the Z-score is > 0 , the market is above equilibrium, suggesting an overvaluation or optimistic sentiment. If the Z-score is < 0 , the market is below equilibrium, indicating undervaluation or financial stress. When the Z-score is around 0, it indicates a market close to its equilibrium level, reflecting that asset prices are in line with fundamental factors. Based on the estimated model, the financial cycle for assets traded on the Romanian capital market highlights a phase of heightened volatility in 2025, ranging from a sharp decline to a strong expansion in the second half of the year, when the Z-score exceeded the +4 threshold, suggesting an overvaluation and a very optimistic market sentiment.

3.2. The temporal structure of the BET index's variability

The BET Index, the main barometer of the Bucharest Stock Exchange, encompasses movements of very different natures: some occur from one day to the next, others reflect cycles lasting several weeks, and others are driven by macroeconomic trends unfolding over months or years. A conventional analysis of volatility treats all these movements together, losing valuable information about their origins.

¹⁰The analysis uses the daily closing prices of the BET index for the period from 4 January 2024 to 31 December 2025. The data was obtained from the Bucharest Stock Exchange and checked for consistency. The analysis applies a MODWT (*Maximal Overlap Discrete Wavelet Transform*) multi-resolution method¹¹ to decompose the BET index into six independent components, each corresponding to a distinct time horizon.

Table 6 MODWT decomposition levels and temporal interpretation

Level	Component	Time interval	Economic horizon
$j = 1$	$\mathcal{D}_1(t)$	2–4 days	Daily fluctuations
$j = 2$	$\mathcal{D}_2(t)$	4–8 days	Weekly cycles
$j = 3$	$\mathcal{D}_3(t)$	8–16 days	Fortnightly fluctuations
$j = 4$	$\mathcal{D}_4(t)$	16–32 days	Monthly cycle
$j = 5$	$\mathcal{D}_5(t)$	32–64 days	Bi-monthly cycle
$J = 5$	$\mathcal{S}_5(t)$	≥ 64 days	Macroeconomic trend

Source: adapted from Percival and Walden (2000)

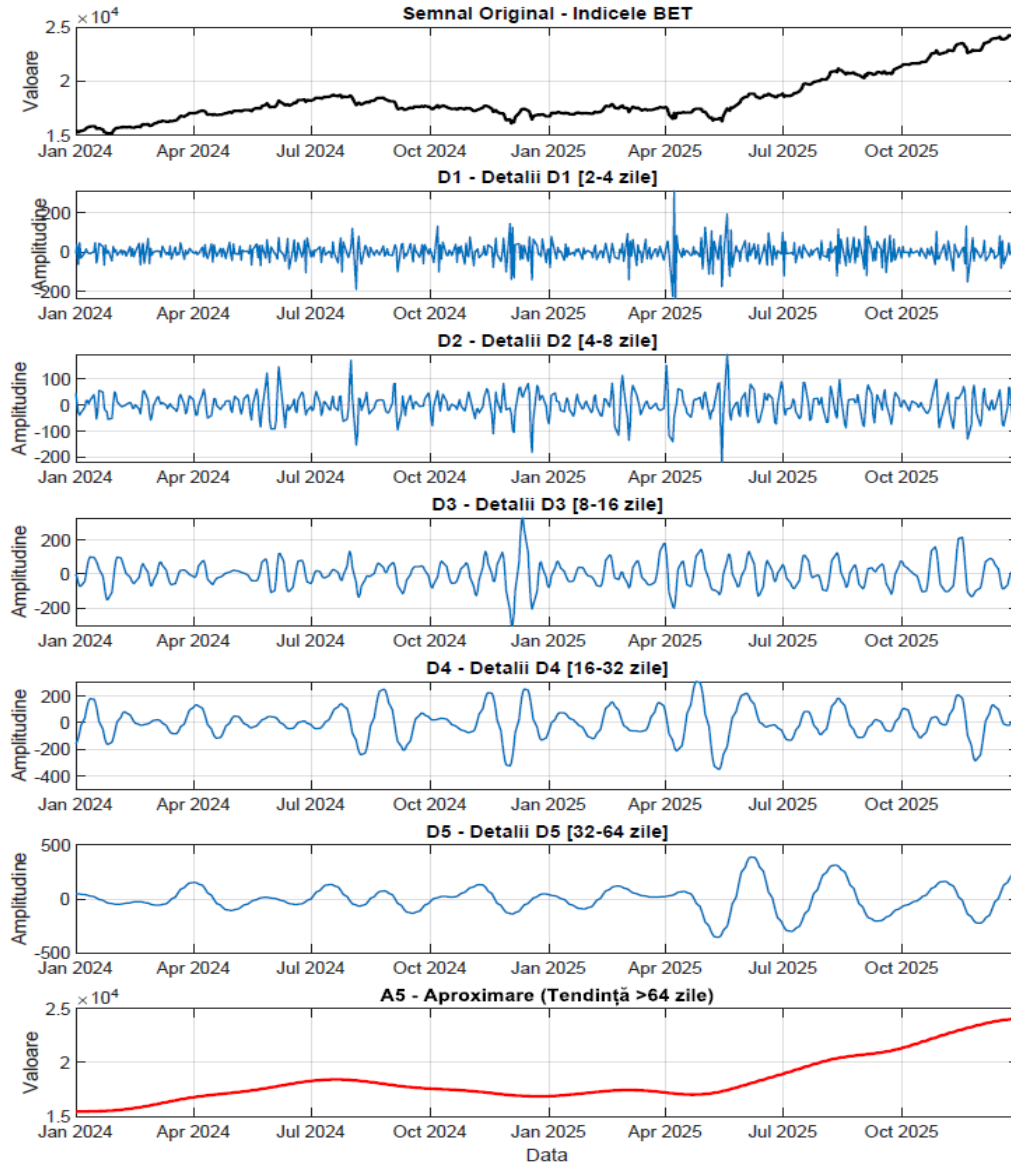
The components $\mathcal{D}_1$ – $\mathcal{D}_5$ capture cyclical fluctuations that occur around the long-term trend, whilst $\mathcal{S}_5$ represents the persistent evolution of the index over horizons longer than two months. The first component, $\mathcal{D}_1$, captures movements over horizons of 2–4 days, representing very short-term variability. The component $\mathcal{D}_2$, covering the 4–8 day range, reflects repetitive cyclical patterns over the trading week. The component $\mathcal{D}_3$, covering 8–16 days, captures oscillations over 2–3 weeks. The component $\mathcal{D}_4$, corresponding to the 16–32 day range, represents the monthly trading cycle. The component $\mathcal{D}_5$, covering 32–64 days, reflects fluctuations over 1–2-month horizons. Finally, the component $\mathcal{S}_5$ represents movements over horizons exceeding 64 days, capturing the underlying market trend determined by macroeconomic factors.

Figure 15 presents the complete decomposition of the BET index over the last two years into six independent components. Each panel shows the time series of a single component, allowing for the visual identification of moments of amplification or attenuation on different scales. Visual analysis of the decomposition reveals several aspects of the index's dynamics over this period.

¹⁰ Acatrinei, M., Petrescu, A. – *The dominance of the macroeconomic trend. A multi-resolution analysis (MODWT) of the BET index*, article submitted for publication in the Journal of Financial Studies.

¹¹ The *Maximal Overlap Discrete Wavelet Transform* (MODWT) has established itself as a fundamental technique in financial time series analysis due to its ability to decompose complex signals into independent components across multiple time scales. Unlike traditional filtering methods, MODWT provides an orthogonal decomposition, a property which means that the sum of all components exactly reconstructs the original signal, allowing for a precise attribution of variability across each time horizon.

Figure 15 : MODWT decomposition of the BET index (January 2024 – December 2025)



The results for 2025 indicate that macroeconomic factors are overwhelmingly dominant, with the trend component accounting for 99.15% of the total variance, whilst the sum of all cyclical fluctuations contributes just 0.85%. Within this residual cyclical component, a clear hierarchy is observed: monthly and bi-monthly cycles (16–64 days) account for 73% of the cyclical variance, whilst activity on daily and weekly timeframes contributes just 12%.

A visual examination of the decomposition for the period 2024–2025 identifies July 2025 as a period of simultaneous amplification across all time scales, from daily volatility to the macroeconomic trend. This simultaneity of amplifications across different time scales represents a distinct pattern observable in the decomposition, coinciding temporally with the implementation of electricity price liberalisation. The study

demonstrates that the variance structure observed in 2025 has implications for risk modelling, with scenarios focused on short-term volatility capturing only a minimal fraction of the total observed variability.

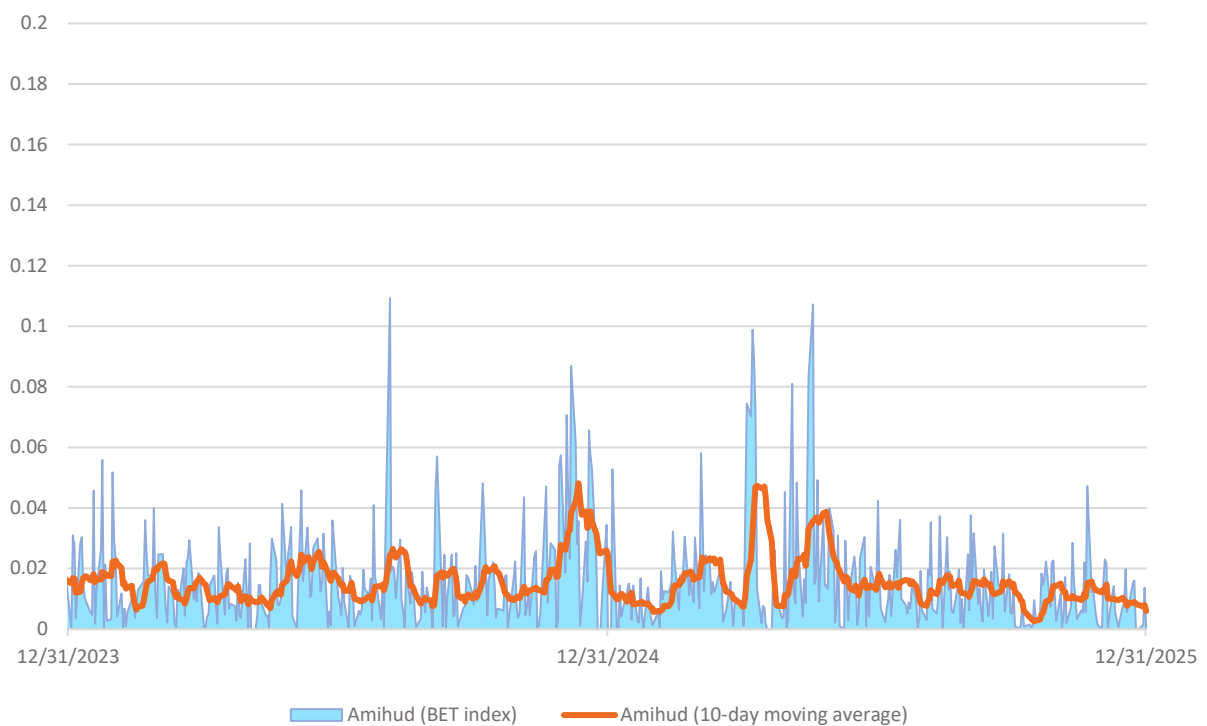
3.3. Systemic liquidity and the emergence of speculative bubbles

The Amihud indicator, introduced by Yakov Amihud in 2002, measures market liquidity through the ratio of the absolute value of the daily return to trading volume. The method is widely used by regulators to monitor market liquidity.

The Amihud indicator measures the implicit execution cost of trades, reflecting the price impact per unit of volume. A significant decline indicates an improvement in market liquidity. The methodology and applications of this indicator are documented in the academic literature on market microstructure.

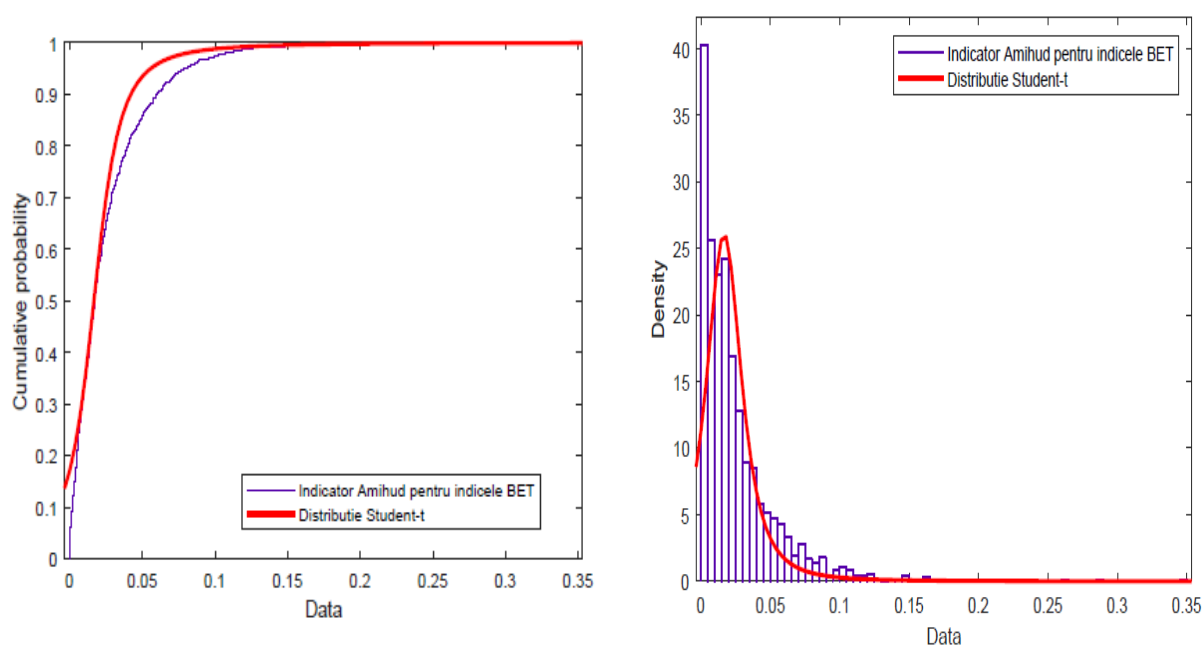
A high value of the indicator indicates a reduction in market liquidity and/or significant fluctuations in asset prices for a declining volume. A low value of the indicator indicates a liquid market with high trading volumes

Figure 16 : The Amihud liquidity indicator



From a statistical perspective, liquidity was high and falls within the top 10th percentile (10%) for the estimated sample. The Amihud indicator was calculated using daily data for the last 5 years.

Figure 17 Distribution and density functions for the Amihud liquidity indicator



Source: LSEG, ASF calculations

3.4. Contagion risk in the Romanian capital market

Contagion risk manifests as a domino effect, caused by a financial institution and its interdependencies with other financial institutions. Failure to meet financial obligations creates difficulties for counterparties. Contagion can manifest directly or indirectly. The analysis of contagion risk must also take into account the speed at which contagion spreads. If contagion spreads slowly, regulators have time to limit the damage. Market, credit or liquidity risk does not create systemic risk if it affects only a few financial institutions.

The contagion index¹² measures the marginal contribution of foreign capital markets to the Romanian stock market and is used to understand the transmission of systemic risks. The Romanian capital market is sensitive to the same regional risk factors that influence stock market returns in Austria, Poland, Hungary and Bulgaria. Extending the data sample to include all capital markets in Europe shows that capital markets that are significant in terms of market capitalisation act by transmitting volatility to capital markets that are less interconnected and smaller in terms of market capitalisation.

There is a strong link between the contagion effect and company returns, as an increase in contagion tends to reduce the returns of companies listed on the Bucharest Stock Exchange. The following graph presents the dynamics of the contagion index¹³ for the period March 2025–March 2026. The evolution of the

¹² The calculation methodology used is adapted from “Measuring Financial Asset Return and Volatility Spillovers with Application to Global Equity Markets” (Diebold, F.X. and Yilmaz, K., 2009). The index is constructed from five stock market indices representative of the stock markets in Germany, Austria, Romania, Hungary and Poland, based on a Vector Autoregressive (VAR) model with a 10-step forecast horizon for a 200-day estimation window, by summing the forecast variance error of the indices. The sample used contains daily data for the period December 2011–March 2026.

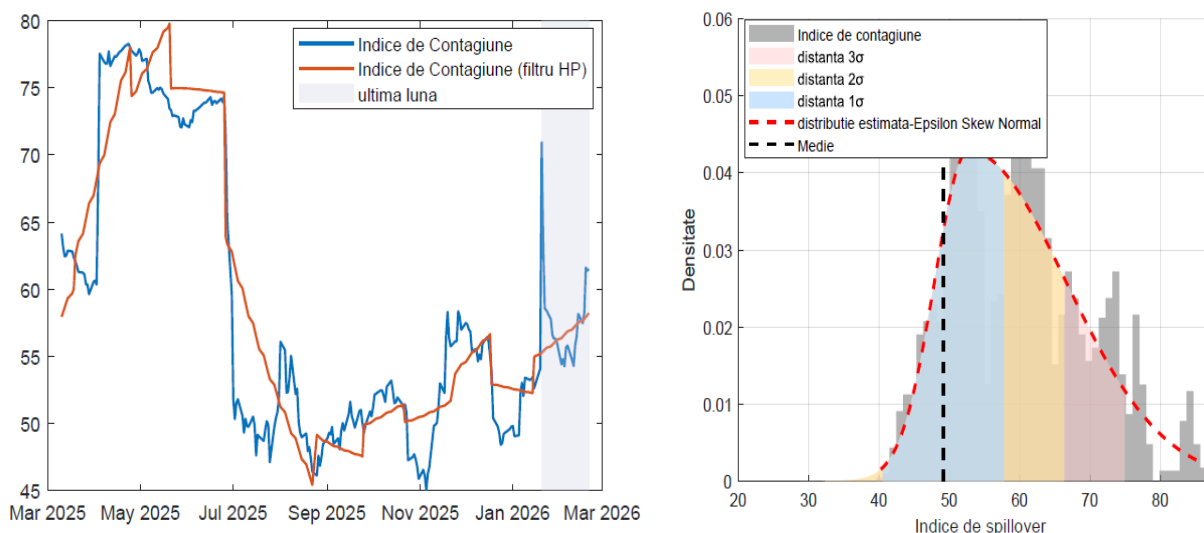
¹³ The calculation methodology used is adapted from “Measuring Financial Asset Return and Volatility Spillovers with Application to Global Equity Markets” (Diebold, F.X. and Yilmaz, K., 2009). The index is constructed from five stock market indices representative of the stock markets in

intensity of contagion phenomena is analysed by comparison with previous values of the index. The vertical axis ranges from 40 to 80, suggesting a wide range of variations in systemic connectivity.

Around March 2025, a sudden jump in the contagion index is observed, from 60 to 75. This behaviour is non-linear and signals a regime shift caused by the geopolitical escalation over trade tariffs, with amplifying effects on the economy, as macroeconomic shocks produce multiple imbalances in the global economy. At the same time, this also led to a sharp increase in volatility or correlations between markets. From a statistical perspective, this instability in the VAR model used is observable in the decomposition of forecast errors.

In the first half of the year, an analysis of the trend in the contagion index (the HP-filtered line) indicates a persistent upward trajectory, suggesting that this rise in contagion is not merely transitory noise, but reflects a structural change. From an econometric perspective, this indicates a non-stationary regime of contagion. In July and August, the contagion index remained stable at around 50, down from previous months, falling within the 1-sigma range, which indicates a reduction in market interconnectivity. The rise to 71 in January 2026 suggests the re-emergence of pressures on financial markets, potentially linked to revisions in global monetary policy projections and asset price volatility, according to the IMF data.

Figure 18 Contagion index and probability density function (p.d.f)



Source: LSEG, ASF calculations

The histogram (grey bars) shows the empirical distribution of the contagion index. The coloured areas highlight the regions located at 1σ , 2σ and 3σ from the mean, providing an insight into its volatility and dispersion.

An Epsilon Skew Normal distribution was used to fit the data density. This distribution is suitable for asymmetric series that do not follow a perfectly symmetric normal distribution. The red dotted line represents the estimated distribution. A positive skew in the contagion index is observed; the distribution

Germany, Austria, Romania, Hungary and Poland, based on a Vector Autoregressive (VAR) model with a 10-step forecast horizon for a 200-day estimation window, by summing the forecast variance error of the indices. The sample used for estimation and calibration contains daily data for the period December 2011–August 2025.

of the index is right-skewed, suggesting rare episodes of high contagion, but with a lower frequency. Compared to a normal distribution, the Epsilon Skew Normal distribution provides a better fit, capturing both the asymmetry and the frequency of extremes. The mean of the index is marked by the black dashed line. The coloured regions show that most values are concentrated within the 1σ and 2σ intervals, but there are also extreme cases.

High contagion events are located in the 3σ zone (red). This suggests rare but intense episodes of contagion, corresponding to the transmission of systemic risks (financial crises, market collapse, etc.).

As the index is not symmetric, this result indicates a higher probability of sharp increases in contagion than of sharp decreases. This result is important for monitoring systemic risk, providing a more solid basis for financial stability analysis.

4. Stability of the insurance market

From the perspective of underwriting activity, the Romanian insurance market continued to show positive growth in 2025 compared with the previous year, with real growth rates remaining positive throughout the period analysed for both general insurance and life insurance, despite high annual inflation rates.

In nominal terms, gross premiums written for general insurance by companies authorised by ASF and by branches increased by 8%, whilst life insurance business recorded an 18% increase compared with 2024. Across the entire insurance sector, nominal growth stood at 10%.

From the perspective of market concentration, the same concerns remain regarding the Romanian insurance market's dependence on motor insurance (compulsory and voluntary). Motor insurance accounts for 59% of the total volume of gross premiums written by companies authorised by ASF and their branches in 2025, a slight decrease compared to the level recorded in 2024 (60%). If we consider only compulsory motor third-party liability insurance (MTPL), the premiums written for this activity account for 42% of the total gross premiums written in the local market. Although these aspects highlight one of the market's main vulnerabilities, they also represent an element of predictability from the perspective of underwriting activity and, by extension, the profitability of companies, in the current macroeconomic context marked by high levels of uncertainty.

The structure of the portfolios of locally authorised insurance companies remains similar, with insurers showing a preference for investments in fixed-income instruments, mainly government bonds. In this context, companies' exposure to interest rate risk remains significant. On the other hand, insurers' investments in shares remain limited as a proportion of total investments, meaning that companies have a lower exposure to the risk of falling share prices.

In terms of interconnections and credit risk, the main exposure of local insurers is to the Ministry of Finance, due to higher investments in Romanian government bonds, which indicates a medium-level risk. However, a potential downgrade of the country's credit rating could lead to an increase in the cost of funding and, consequently, in the returns expected by investors, which may result in a decline in the market value of the government bonds held by insurers.

The solvency of insurance companies, measured by market-level solvency ratios, remains above 100%, according to the reports submitted. However, compared with other countries in the region (Bulgaria, Hungary, Poland, the Czech Republic), solvency ratios are at a lower level.

In the insurance market, the liquidity indicator at the end of 2025 remained at levels similar to those recorded at the end of June 2025.

In line with European and international practices, ASF continued to monitor the exposure of ASF-authorised companies to alternative/non-traditional assets and the real estate sector.

With regard to investments in alternative assets, an increase was observed at the end of 2025 (2.5 billion lei) compared with the end of the second quarter of 2025 (2.1 billion lei). As a share of the entire insurance market, insurers' investments in alternative assets stood at 6.6% of the total value of investments. By company category, composite companies had the highest exposure to alternative assets as a share of total investments in that segment (7.4%), followed by general insurance companies (6.8%). The value of life insurance companies' investments in alternative assets represented 4.7% of the total investments for these categories of companies.

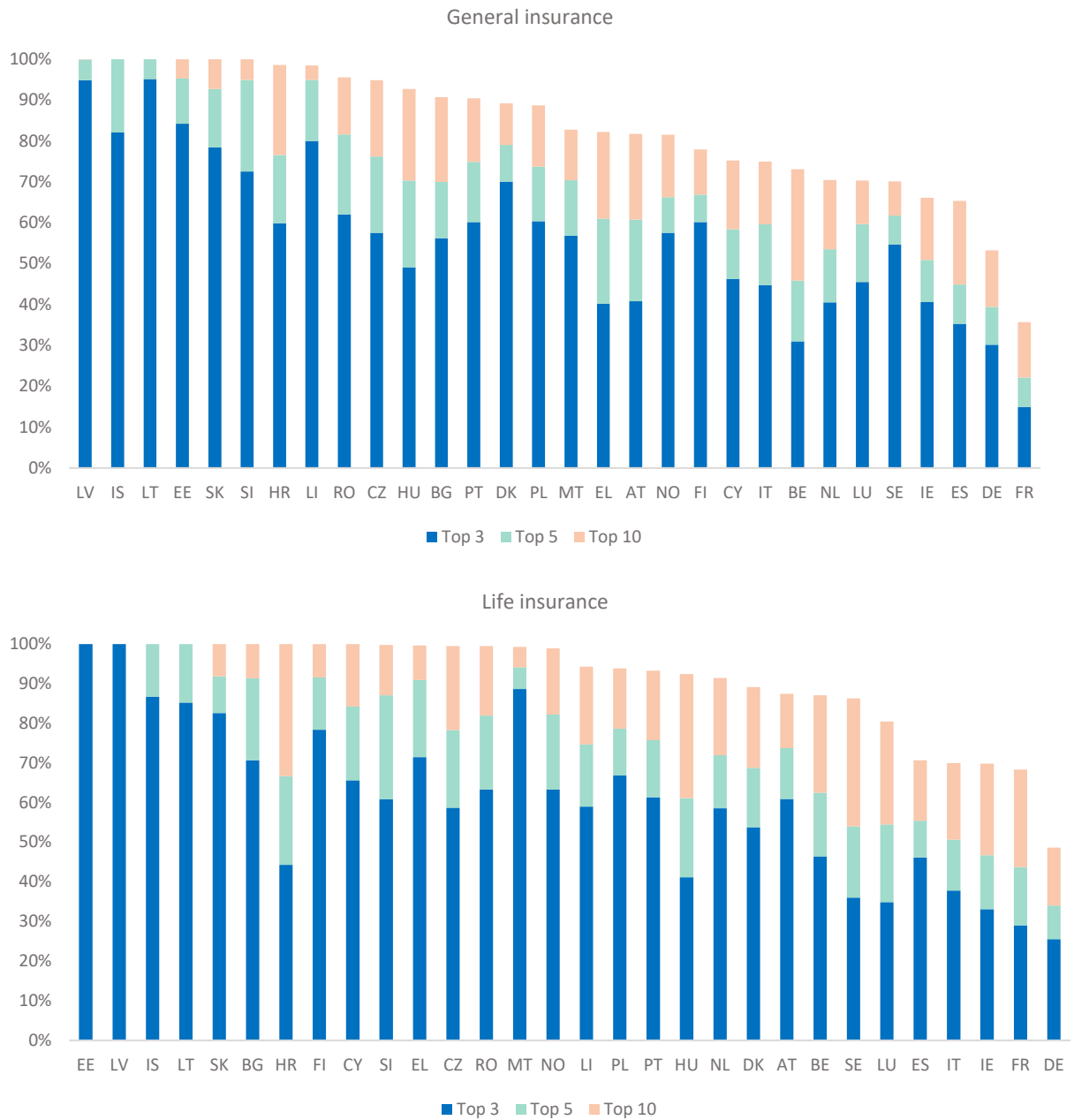
On the other hand, exposure to the real estate sector remains limited, with total investments amounting to 707 million lei, representing 1.8% of the total value of insurers' investments. Of the total investments in the real estate sector, 83% represent investments in assets held for own use. General and composite insurance companies have invested more in the real estate sector, accounting for 3.8% and 2% respectively of the total value of their investments, whilst life insurance companies have an extremely low exposure (0.3%) to real estate.

4.1. The insurance market in a European context

France and Germany have the lowest degree of concentration in the general insurance segment, calculated as the sum of the market shares of the top 3, 5 and 10 companies in terms of gross written premiums. The top 10 companies in terms of written premiums hold a combined market share of 36% in France and 53% in Germany.

As regards life insurance, the top 10 companies account for a 49% market share in the French insurance market and 68% in Germany.

Figure 19 Degree of concentration



Source: EIOPA, European Insurance Overview 2025, ASF processing of data for 2024

At the same time, France and Germany are the markets with the highest number of insurance companies operating. In France, 443 companies are authorised, most of which are general insurance companies (223), whilst in Germany there are 328 insurers, of which 221 are general insurance companies.

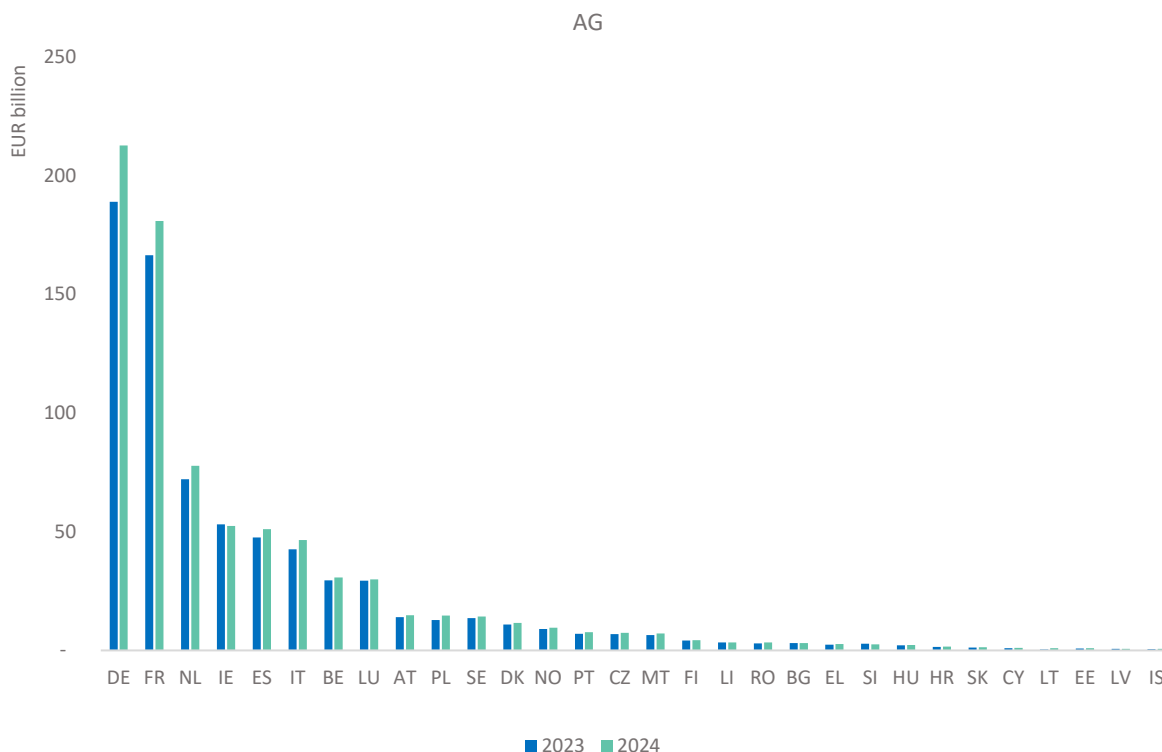
Underwriting

The total volume of gross premiums written for general insurance business across the 30 countries of the European Economic Area stood at EUR 798 billion in 2024, an increase of 8% compared to 2023, indicating robust growth in the European insurance market.

The volume of gross premiums written for the general insurance sector increased in all countries within the European Economic Area in 2024 compared to 2023, with the exception of Ireland, Liechtenstein and Slovenia. The median growth rate stood at 7.9%, whilst the market average was 10.3%. At the same time, the non-life insurance market is characterised by a high degree of heterogeneity between countries in this respect (standard deviation: 19%)

The ranking of the largest markets in terms of underwriting activity includes Germany with gross premiums written for the non-life insurance segment of EUR 213 billion, France (EUR 180 billion) and the Netherlands (EUR 78 billion).

Figure 20 Volume of gross premiums written for non-life insurance in European Economic Area countries

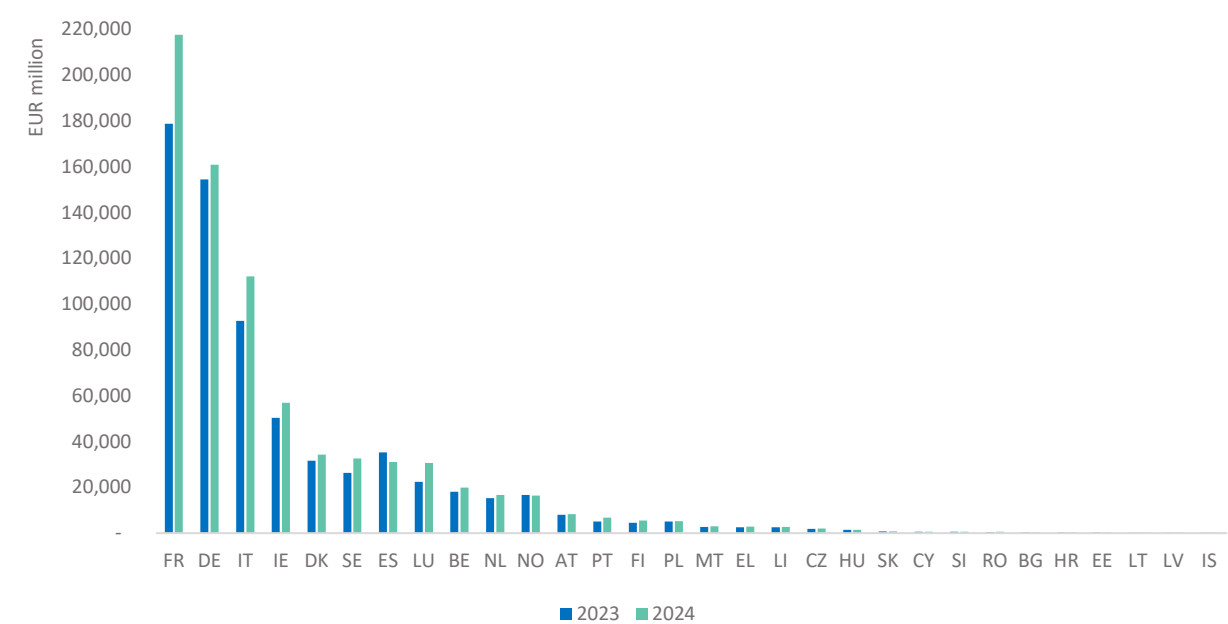


Source: EIOPA, European Insurance Overview 2025, ASF processing

The life insurance market also recorded positive growth, with a 13% increase in gross written premiums in 2024 compared to 2023, reaching a value of approximately EUR 771 billion. The median growth rate stood at 8.1%, and the average at 10.4%. The largest contributors to the positive performance of the life insurance sector were France (+22%), Italy (+21%) and Luxembourg (+37%). The only countries to record declines in gross written premiums for life insurance were Spain (-12%) and Norway (-2%) in 2024 compared with 2023.

The largest markets in the life insurance segment are France (EUR 218 billion), Germany (EUR 161 billion) and Italy (EUR 112 billion).

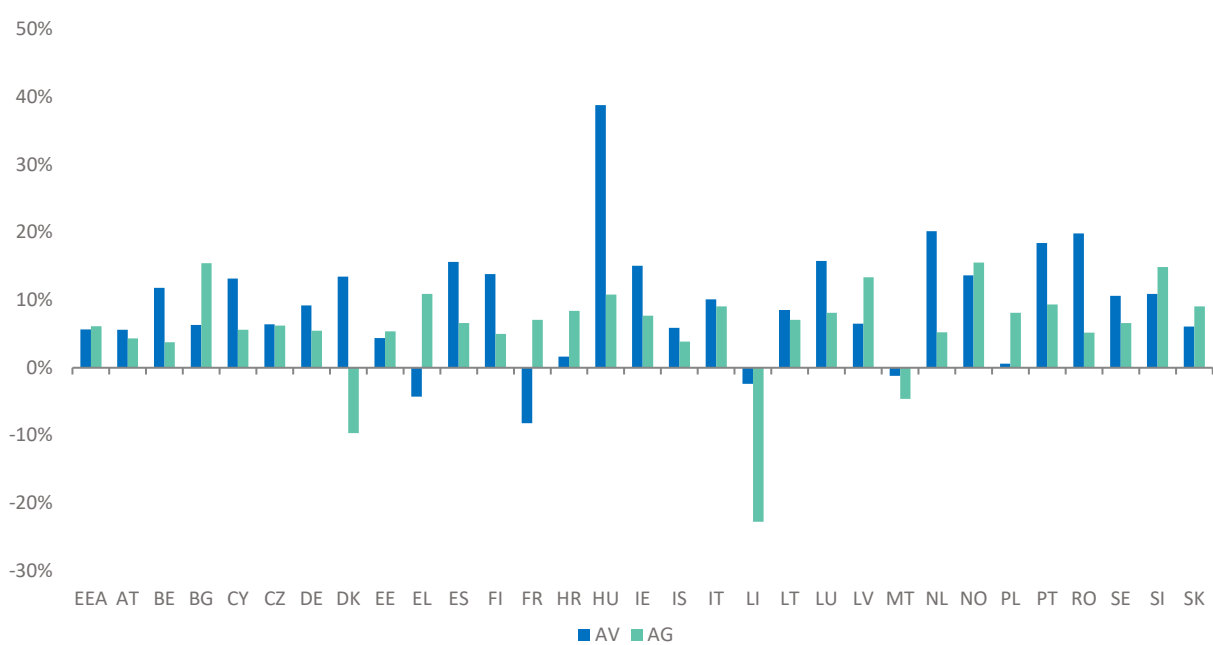
Figure 21 Volume of gross premiums written for life insurance in European Economic Area countries



Source: EIOPA, European Insurance Overview 2025, ASF processing

In the second quarter of 2025, the insurance market in Europe (EEA countries) performed well, with both segments recording growth compared to the same period in 2024. Gross premiums written for non-life insurance increased by 6.1%, whilst the life insurance sector recorded a rise of 5.7%.

Figure 22 : Change in gross premiums written in Q2 2025 compared to Q2 2024



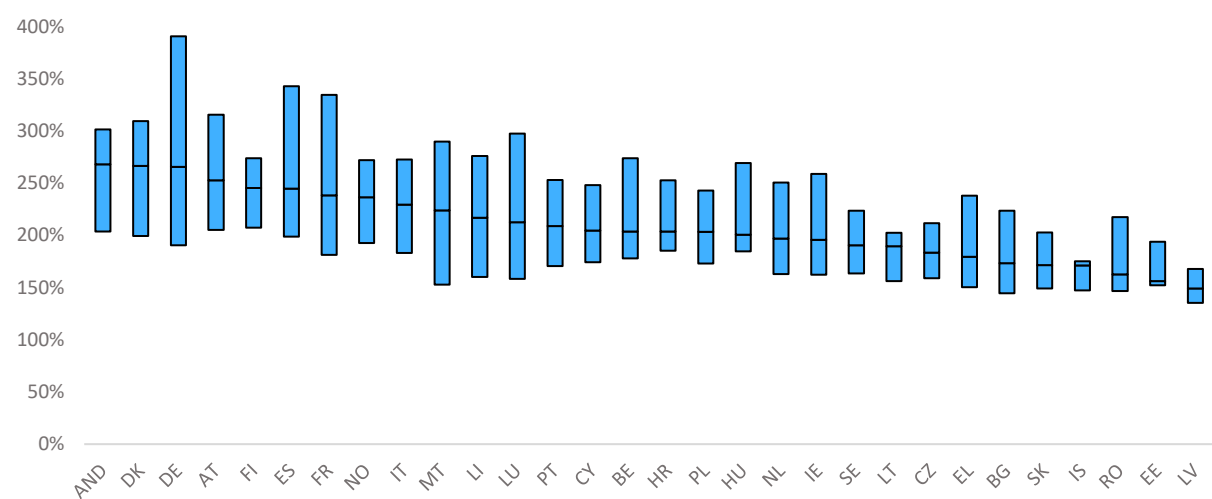
Source: EIOPA, Financial Stability Report (December 2025)

An analysis by EEA country shows that most recorded positive growth rates for both insurance segments, with the exception of France, Greece, Lithuania and Malta for gross premiums written for life insurance business. As regards non-life insurance, only three countries recorded a decline in premiums written (Denmark, Lithuania, Malta) in Q2 2025 compared with Q2 2024.

Solvency

The highest median SCR ratios were recorded in Slovenia (268%), Denmark (267%) and Germany (266%), whilst at the other end of the scale were Latvia (149%), Estonia (156%) and Romania (163%).

Figure 23 Distribution of the SCR ratio across European Economic Area countries



Source: EIOPA, European Insurance Overview 2025, ASF processing, data for 2024, ranked by median SCR ratio

As regards the MCR ratio, the highest median values were recorded in Finland (941%), Austria (811%) and Germany (695%), and the lowest in Latvia (292%), Iceland (295%) and Bulgaria (348%). The median MCR ratio for the Romanian insurance market stood at 351%.

Figure 24 Distribution of the MCR ratio across European Economic Area countries

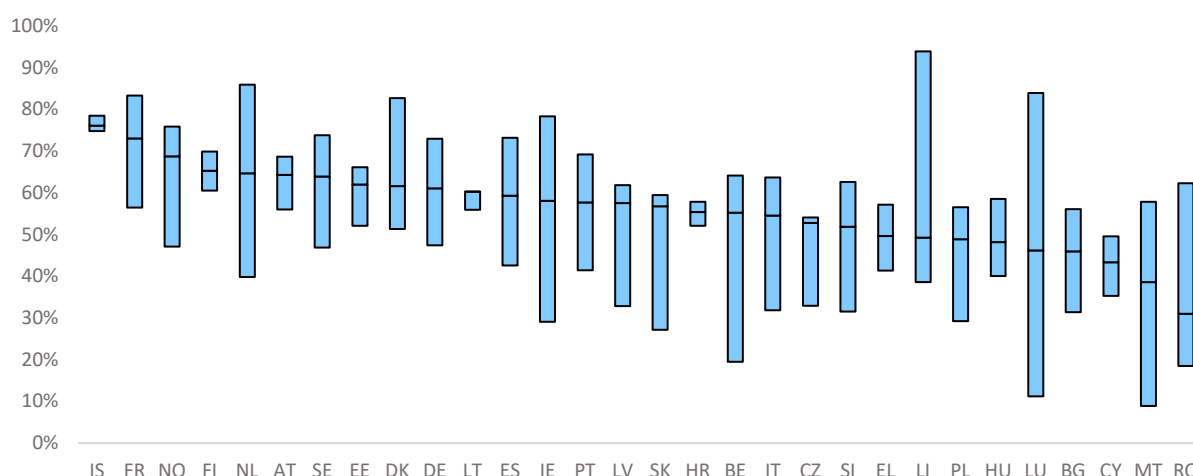


Source: EIOPA, European Insurance Overview 2025, ASF processing, data for 2024, ranked according to the median MCR ratio

Profitability

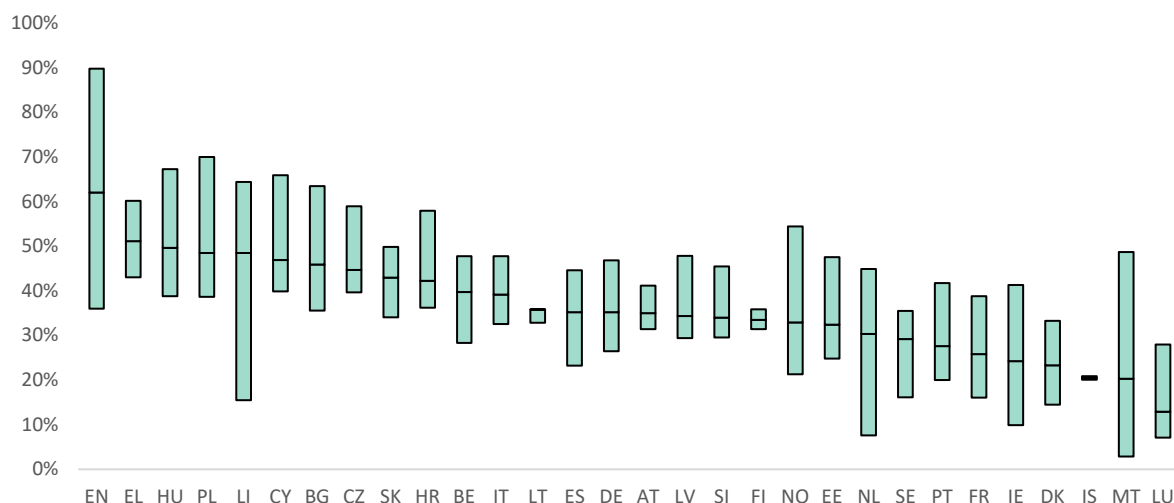
The median loss ratio, according to EIOPA calculations, stood at 31% in Romania in 2024, the lowest median value among the 30 countries analysed by the European institution, followed by Malta (39%). At the other end of the scale, the highest median loss ratios were recorded in Iceland (76%), France (73%) and Norway (69%). EIOPA calculates the net loss ratio, deducting amounts ceded in reinsurance, for all general insurance business (including life insurance companies authorised to conduct classes A1 – Accident and A2 – Health insurance).

Figure 25 Loss ratio



Source: European Insurance Overview 2025 Report – EIOPA, ASF processing, data for 2024, ranked by the median loss ratio; the loss ratio is calculated as the ratio of claims paid to premiums earned. The chart shows the interquartile range and the median. EIOPA calculates the net ratio, deducting amounts ceded in reinsurance, for all non-life insurance business (including life insurance companies authorised to carry on classes A1 – Accident and A2 – Health insurance)

Figure 26 Expense ratio



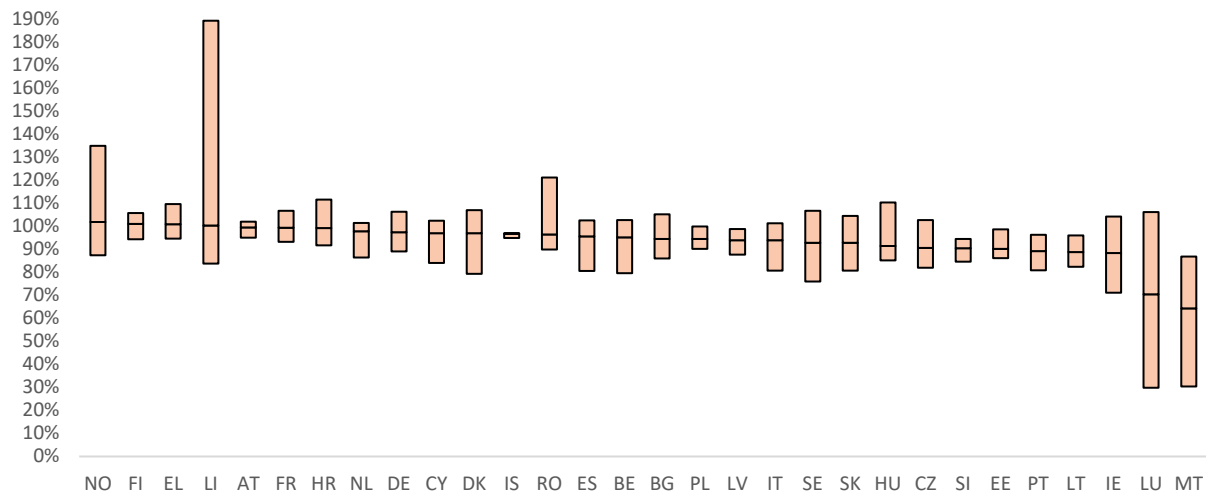
Source: EIOPA, European Insurance Overview 2025, ASF processing, data for 2024, ranked by the median expense ratio; the chart shows the interquartile range and the median. EIOPA calculates the net ratio, deducting amounts ceded in reinsurance, for all general insurance business (including life insurance companies authorised to conduct classes A1 – Accident and A2 – Health insurance)

The median expense ratio stands at 62% locally, the highest among the 30 EEA countries, followed by Greece (51%) and Hungary (50%), according to data published by EIOPA. Looking at the distribution of the

expense ratio in the Romanian insurance market, it can be seen that 25% of companies recorded an expense ratio below 36%.

The highest median combined loss ratio was recorded in Norway (102%), followed by Finland and Greece (both 101%).

Figure 27 Combined loss ratio



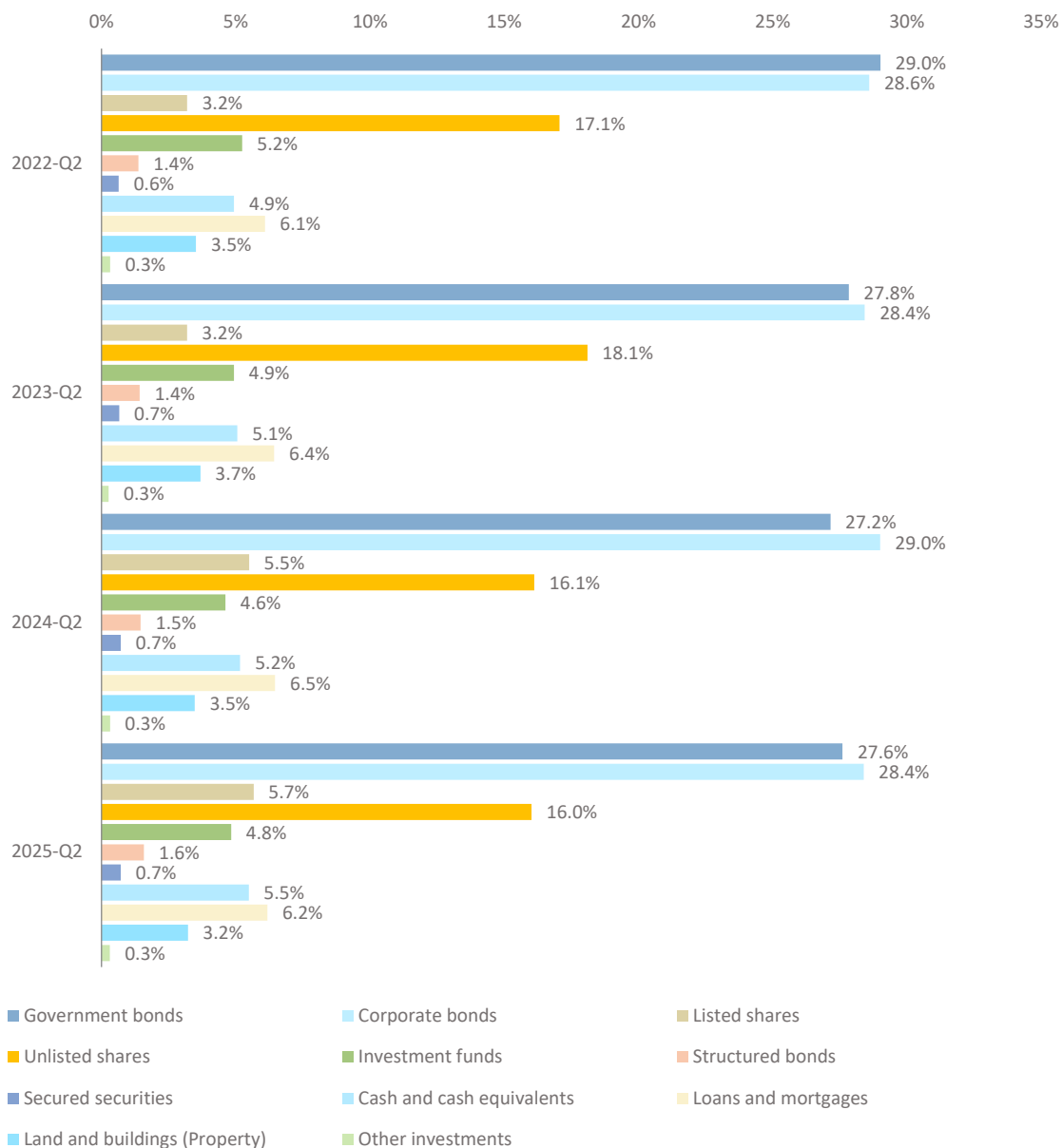
Source: EIOPA, European Insurance Overview 2025, ASF processing, data for 2024, ranked by the median combined ratio; the chart shows the interquartile range and the median. EIOPA calculates the net ratio, deducting amounts ceded in reinsurance, for all non-life insurance business (including life insurance companies authorised to conduct classes A1 – Accident and A2 – Health insurance)

Asset allocation

Investments by the EEA insurance sector are predominantly concentrated in fixed-income instruments. Investments in government and corporate bonds account for 56% of the total value of investments (excluding assets held for unit-linked contracts), whilst cash and deposits accounted for 5.5% in the second quarter of 2025.

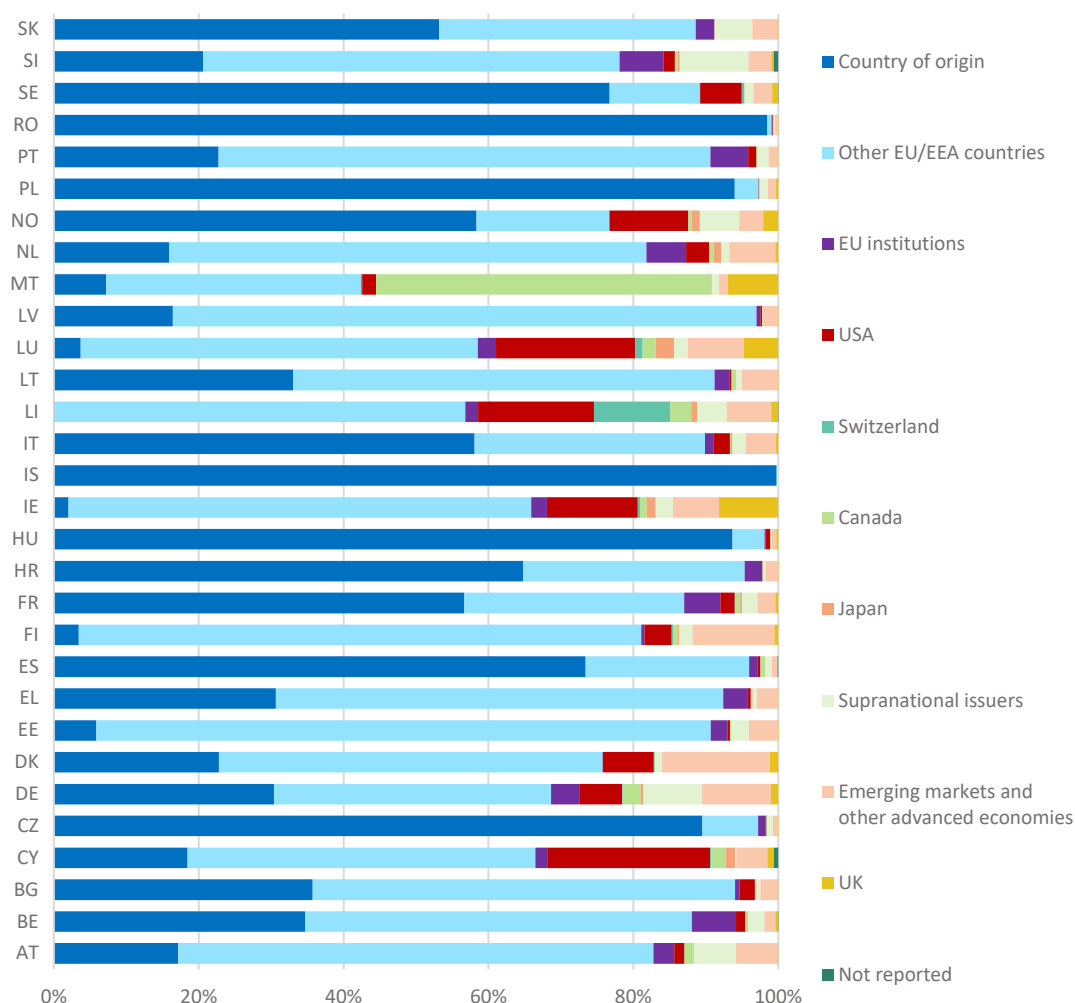
Compared with the second quarter of 2024, the investment structure of the European insurance market has not undergone any significant changes. The share of investments in government bonds increased by 0.5%, whilst cash and deposits recorded a 0.3% rise as a share of the total value of investments. On the other hand, the share of investments in corporate bonds fell slightly, by 0.6%, in Q2 2025 compared with Q2 2024.

Figure 28 Insurance sector investments by asset class in the period Q2 2022 – Q2 2025



Source: EIOPA, Financial Stability Report (December 2025), ASF processing; calculations are based on the look-through approach for investment funds; excluding assets held for unit-linked business; shares also include holdings in affiliated companies.

Figure 29 Exposure of insurance companies to government bonds by issuing country

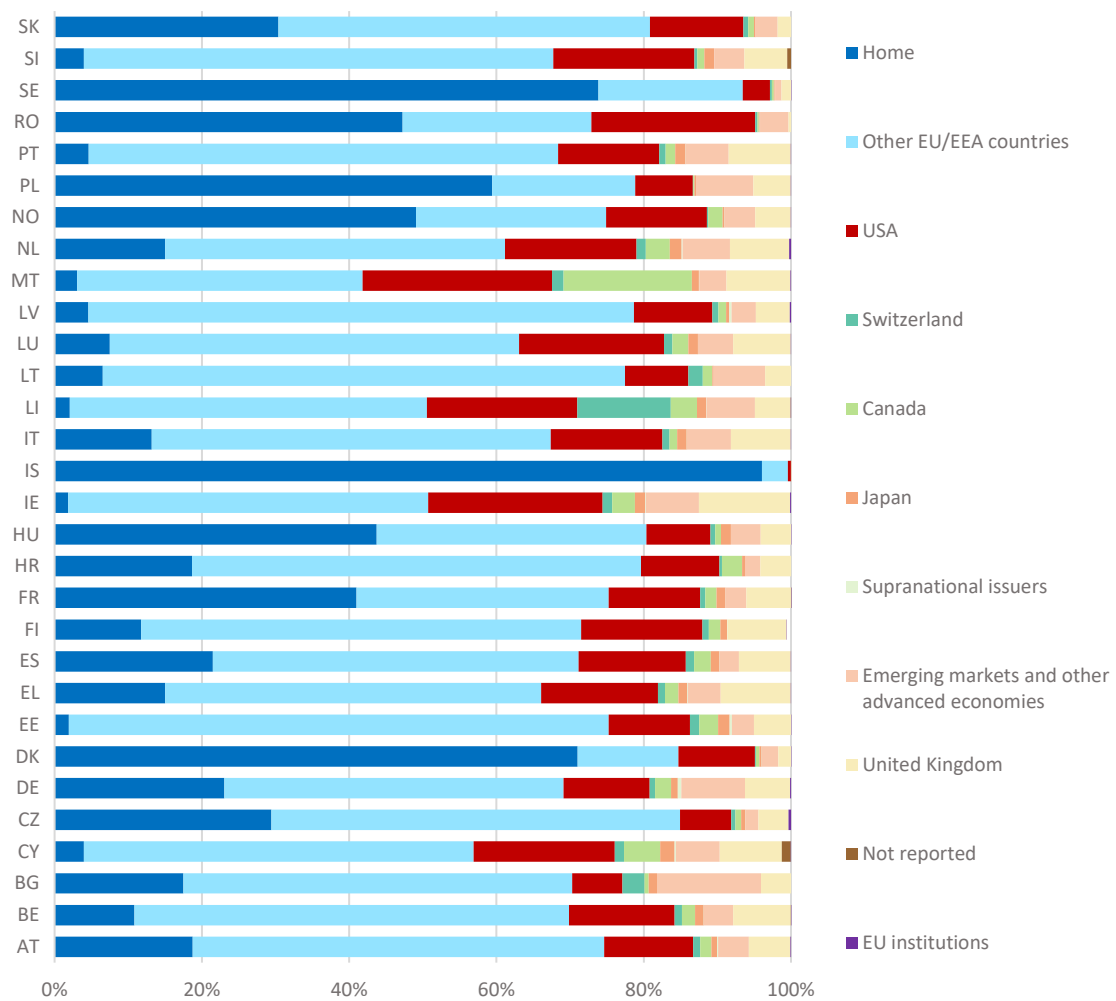


Source: EIOPA, Financial Stability Report (December 2025); reference date: Q2 2025; calculations are based on the look-through approach for investment funds; incl. assets held for unit-linked business.

The structure of companies' investments in government bonds by issuing country varies from one country to another. In Iceland, Romania, Poland and Hungary, exposure to government bonds issued domestically exceeds 90%, whilst at the other end of the spectrum are Liechtenstein, Ireland, Finland and Luxembourg, which have invested predominantly in government bonds issued by countries other than their own, within the European Union or the European Economic Area.

As regards investments in corporate bonds by Romanian insurance companies by country of issue, exposure is more diversified. The share of investments held by insurance companies in corporate bonds issued by companies in Romania stands at 47%, whilst Romanian insurers' investments in corporate bonds issued by companies in other European Union or European Economic Area (EEA) countries accounted for 26% of the total value of investments in this asset class.

Figure 30 Exposure of insurance companies to corporate bonds by issuing country



Source: EIOPA, Financial Stability Report (December 2025); reference date: Q2 2025; calculations are based on the look-through approach for investment funds; incl. assets held for unit-linked business.

Iceland, Sweden and Denmark had the largest exposures to corporate bonds issued by companies in their home countries, whilst in Ireland, Estonia and Liechtenstein, investments in corporate bonds issued by companies from other European Union countries or the European Economic Area predominate.

4.2. Risks and vulnerabilities affecting the domestic insurance sector

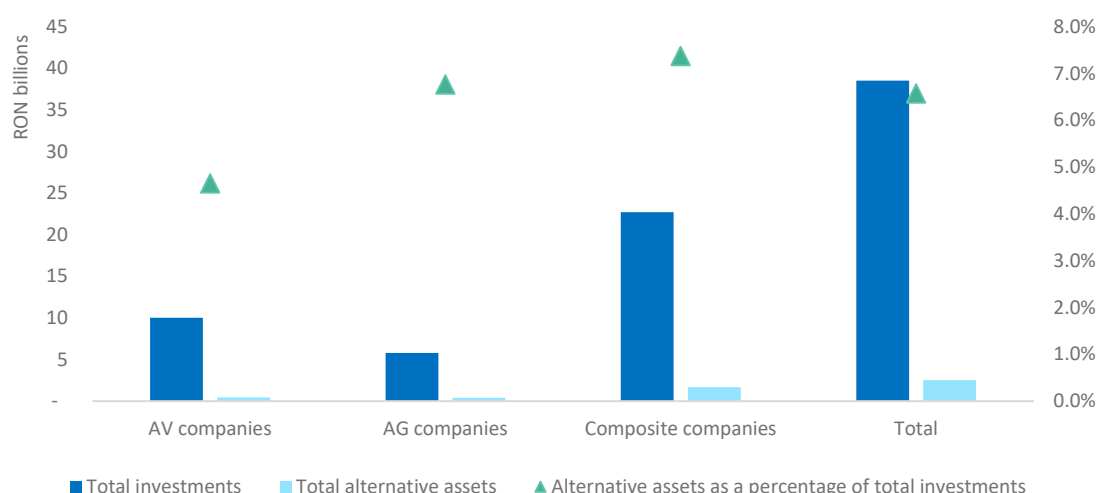
Exposure of insurance companies to alternative/illiquid assets

In the current macroeconomic and geopolitical context, characterised by a high level of uncertainty, insurance companies' exposure to alternative assets remains a matter of concern, with supervisory authorities closely monitoring insurers' investments from the perspective of credit and liquidity risk assessment.

Risks therefore remain regarding a deterioration in the credit ratings of issuers and financial instruments, as well as risks relating to potential insolvencies of insurers' counterparties.

In the current context, European (EIOPA¹⁴) and international (International Association of Insurance Supervisors¹⁵ - IAIS) institutions continue to carry out analyses to monitor insurance companies' exposure to alternative assets, in an effort to measure the credit risk to which the insurance market is exposed.

Figure 31 Value of alternative assets by company category and their share of total investments as at 31 December 2025



Source: ASF, individual reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

The value of insurance companies' investments in alternative assets continued to rise (+20%) at the end of 2025 (2.5 billion lei) compared to the end of the second quarter of 2025 (2.1 billion lei). Compared to the end of 2024, when the value of investments in alternative assets stood at 873 million lei, the increase recorded is significant.

As a share of the entire insurance market, insurers' investments in alternative assets stood at 6.6% of the total value of investments. By company category, composite companies had the highest exposure to alternative assets as a share of total investments in their respective segments (7.4%), followed by general

¹⁴ EIOPA Financial Stability Report – June 2025 -www.eiopa.europa.eu/document/download/047539e4-db06-4d56-b1f2-b3d1d3365204_en?filename=EIOPA%20Financial%20Stability%20Report%20June%202025.pdf

¹⁵ Global Insurance Market Report (GIMAR), December 2024 -www.iais.org/uploads/2024/12/Global-Insurance-Market-Report-2024.pdf

insurance companies (6.8%). The value of life insurance companies' investments in alternative assets represented 4.7% of the total investments of these categories of companies.

An analysis by category of alternative asset class shows that, of the total value of these, companies' largest exposure is to other investments (48%), unsecured loans (39%) and unlisted shares¹⁶ (7%).

Table 7 Investments of companies in alternative assets by asset class and company as at 31, 2025

	LI companies	GI companies	Composiate companies	Total
Total alternative assets	466,294,496	392,718,447	1,675,413,252	2,534,426,194
Private equity	0.2%	23.7%	4.9%	7.0%
Private equity funds	0.2%	0.2%	0.0%	0.1%
Unlisted shares	0.1%	23.5%	4.9%	6.9%
Private debt	0.0%	59.1%	45.4%	39.2%
Unsecured loans	0.0%	59.1%	45.4%	39.2%
Real estate	1.9%	6.0%	3.5%	3.6%
Real estate (other than for own use)	1.9%	4.6%	3.4%	3.3%
Mortgage	0.0%	1.5%	0.0%	0.2%
Stocks - real estate companies	0.0%	0.0%	0.1%	0.0%
Infrastructure	0.0%	0.0%	3.8%	2.5%
Infrastructure funds	0.0%	0.0%	0.9%	0.6%
Direct investment	0.0%	0.0%	2.9%	1.9%
Other	97.9%	11.2%	42.4%	47.8%
Alternative funds	5.5%	0.4%	0.1%	1.1%
Other secured loans	0.0%	0.0%	10.7%	7.0%
Loans relates to policies	0.0%	0.0%	0.0%	0.0%
Structured bonds	92.4%	0.0%	8.0%	22.3%
Loans and mortgages	0.0%	11.2%	23.6%	17.4%
Other investment	0.0%	0.1%	0.0%	0.0%

Source: ASF, individual reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations; in accordance with the EIOPA classification: Private equity: a) unlisted shares (CIC XL3 and XT3, except interests, except infrastructure) b) private equity funds [CIC 47, except infrastructure]; PRIVATE DEBT: a) unlisted corporate bonds [CIC XT21 and XL21, except infrastructure] and b) loans [CIC 81, except infrastructure]; Real estate: a) Land and buildings (Property) [CIC 91, 92 and 94, except infrastructure] b) Mortgages [CIC 84, except infrastructure] c) Property funds [CIC 45, except infrastructure] d) Shares – property companies [CIC 32, except infrastructure] e) Structured property bonds [CIC 55, except infrastructure]; f) Secured real estate securities [CIC 65, except infrastructure] 65 except infrastructure]; INFRASTRUCTURE: a) Infrastructure funds [CIC 48] b) Infrastructure – direct investments (i.e. all CICs except CIC 48) with investments in standard infrastructure]. OTHERS: a) Alternative funds [CIC 46, except infrastructure] b) Loans secured by securities [CIC 82, except infrastructure] c) Other secured loans [CIC 85, except infrastructure] d) Policy-linked loans [CIC 86, except infrastructure] e) Covered bonds [CIC 61–69, excluding CIC 65, except infrastructure] f) Structured bonds [CIC 51–59 except CIC 55 – real estate, except infrastructure] g) Loans and mortgages – other [CIC 89, except infrastructure] h) Other investments [CIC 09, except infrastructure].

¹⁶ Excluding holdings and investments in infrastructure

Exposure of insurance companies to the real estate sector

Insurance companies' exposures to the real estate sector are closely monitored from a liquidity and credit risk perspective, particularly in volatile market conditions. The accurate valuation of real estate investments is a major challenge, given the increasingly volatile macroeconomic environment, as these are often considered illiquid, which can hinder the rapid sale of assets.

Another key concern for real estate investments is the risk associated with interest rates and credit, given that changes in interest rates can have a significant impact on the value of real estate assets.

Thus, supervisory authorities must closely monitor developments in the property market, identifying sources of vulnerability at an early stage. Through this monitoring, they can intervene proactively to protect the insurance sector and reduce the systemic risks that may arise from fluctuations in property prices.

In this context, ASF regularly conducts analyses of the exposure of locally authorised insurers to the property sector. At the local level, insurers' investments in the property sector account for 1.8% of the total value of investments at the end of 2025. Local insurance companies invest predominantly in land and buildings (property), which account for 95% of total investments in the property sector.

General and composite insurance companies have invested more in the real estate sector, accounting for 3.8% and 2% respectively of the total value of their investments, whilst life insurance companies have an extremely low exposure (0.3%) to real estate.

Table 8 Exposure to the real estate sector of insurance companies authorised and supervised by ASF by type of company and class of real estate assets as at 31 December 2025

Investment type	LI companies	GI companies	Composite companies	Total
Land and buildings (Property)	33,199,836	191,995,761	446,517,463	671,713,061
Commercial property sector	33,199,836	191,995,761	442,499,845	667,695,443
Residential property sector			4,017,618	4,017,618
Shares – property companies			1,012,704	1,012,704
Corporate bonds			3,346,640	3,346,640
Mortgage loans and loans		30,292,522	314,490	30,607,012
Total investment property	33,199,836	222,288,283	451,191,298	706,679,417
Total investments in insurance companies	10,022,740,795	5,801,688,604	22,715,500,718	38,539,930,117
Property investments % of total investments	0.3%	3.8%	2.0%	1.8

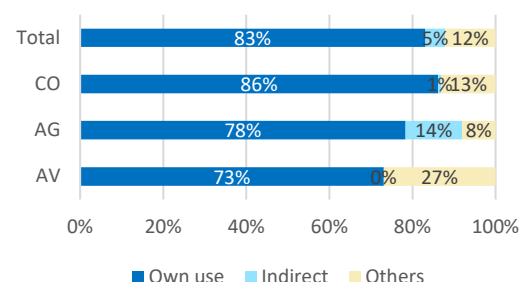
Source: ASF, individual reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

Investments in real estate can be classified as those for own use, indirect (structured bonds, secured bonds, mortgages) and other real estate investments (land and buildings held for investment, real estate investment funds, shares and corporate bonds issued by real estate companies). In Romania, investments in land and buildings held for own use account for 1.5% of the total value of insurers' investments, whilst other types of investments represent only 0.3% of the total investments of insurers authorised and supervised by ASF.

Table 9 Share of investments by insurance companies authorised and supervised by ASF in total investments by type of investment (own use, indirect and others) – 31 December 2025

Type of investment	LI companies	GI companies	Composite companies	Total
Own use	24,259,588	174,089,761	388,749,311	587,098,660
Indirect		30,292,522	3,661,130	33,953,652
Other	8,940,248	17,906,000	58,780,856	85,627,104
Total	33,199,836	222,288,283	451,191,298	706,679,417

Figure 32 Share of investments by insurance companies authorised and supervised by ASF in total real estate investments by type of investment



Source: ASF, individual reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

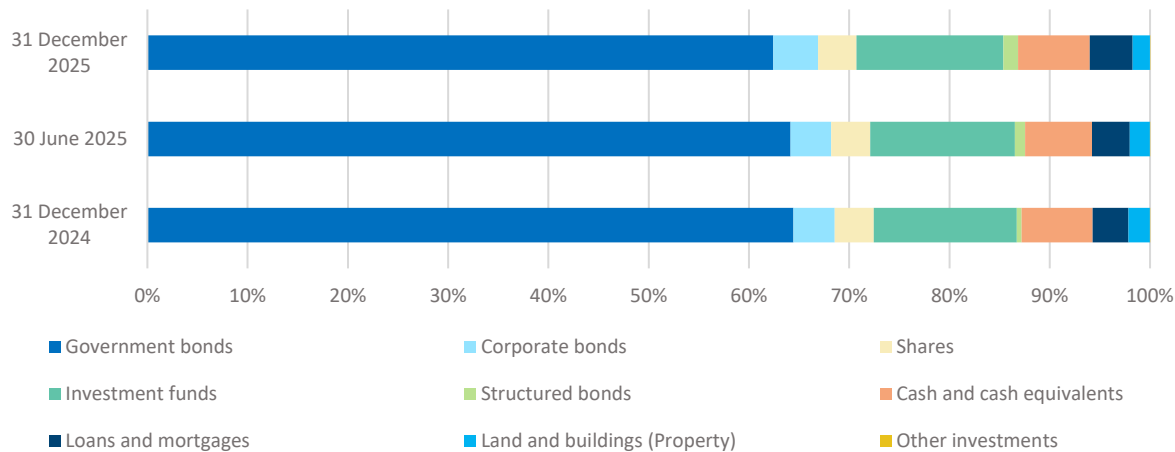
Of the total value of investments in the real estate sector (approximately 707 million lei), 83% represents investments in land and buildings (property) for own use, and 12% represents the share of investments in land and buildings (property) for investment purposes, shares and corporate bonds issued by companies in the real estate sector.

Investment structure – asset allocation

The total value of investments by insurance companies authorised and supervised by ASF (including assets held for *unit-linked* contracts) stood at 38.5 billion lei at the end of 2025, an increase of approximately 11.5% compared with the figure recorded at the end of the second quarter of 2025 (34.6 billion lei), and 19% compared with the end of 2024 (approximately 32.4 billion lei).

Insurance companies authorised and supervised by ASF invest predominantly in government bonds. If we consider total investments (including assets held for *unit-linked* contracts), companies' investments in government securities account for 62.4%, followed by investments in investment funds (14.6%) and cash and deposits (7.2%). As regards the value of cash and deposits, their share of total investments increased slightly compared with the previous periods analysed.

Figure 33 Total investments of insurance companies by asset class



Source: ASF, individual reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

Government bonds

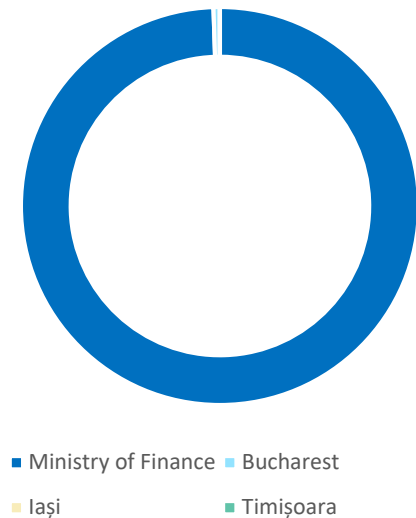
The value of investments by insurance companies authorised and supervised by ASF in government bonds stood at approximately 24 billion lei as at 31 December 2025, up 9% compared to the end of the second quarter of 2025, and 15% compared to the end of 2024. Of the total value of investments in government bonds, 98.6% are investments in bonds issued by Romanian government institutions.

Exposure to the Ministry of Finance remains at a significant level. Of the total value of investments in bonds issued by Romanian government institutions, 99.5% are investments in Romanian government bonds, with the remainder being limited exposure to municipal bonds.

Figure 34 Investments of insurance companies in government bonds by issuing country as at 31 December 2025



Figure 35 Investments in Romanian government bonds broken down by issuer



Source: ASF, individual quarterly reports of companies authorised and supervised by ASF – Solvency II reports, ASF calculations

To estimate the credit risk associated with the companies' exposure, we analysed the credit quality of insurance companies' investments in government bonds. The credit quality scale ranges from 0 (extremely low credit risk) to 6 (extremely high credit risk, similar to a D rating, which indicates insolvency/inability to pay).

In the case of insurance companies' investments in government bonds, 98.6% of investments in government securities have a credit quality level of 3, similar to a BBB rating, which indicates medium credit risk. Given the significant exposure to the Ministry of Finance, the credit quality level is primarily determined by Romania's country rating. Therefore, credit risk is at a medium level; however, a potential downgrade of the country's rating could lead to an increase in the cost of funding and, consequently, in the yields expected by investors, which may result in a decline in the market value of government bonds held by insurers. Non-investment grade government bonds (credit quality level 4 and unrated bonds) account for just 0.1% of the value of investments in government bonds.

Table 10 Investments in government bonds by credit quality

Credit quality	Share of total government investments
0	0.7%
1	0.5%
2	0.0%
3	98.6%
4	0.1%
Unrated	0.0

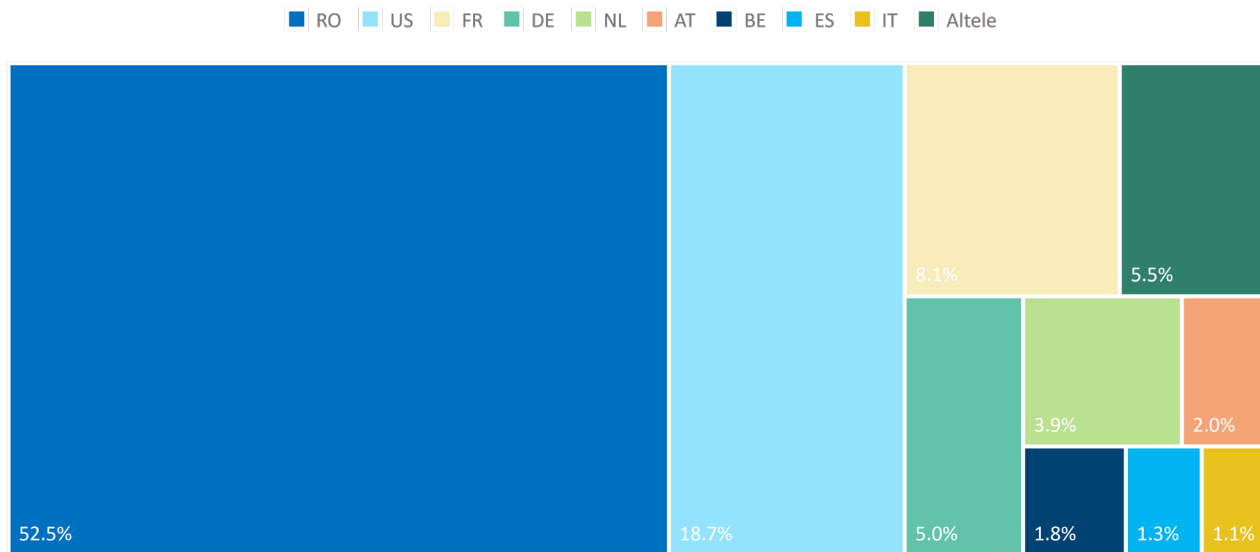
Source: ASF, individual quarterly reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

Corporate bonds

The value of investments in corporate bonds stood at 1.7 billion lei as at 31 December 2025, up by approximately 22% compared to the figure recorded at the end of the second quarter of 2025 and by 29% compared to the figure recorded at the end of 2024. Compared with investments in government bonds, investments in corporate bonds are much smaller in value, and the allocation of issuers by country is more diversified.

The largest exposure is to corporate bonds issued by companies in Romania, which account for 53% of the total value of corporate bonds in insurers' portfolios, followed by the US (19%) and France (8%).

Figure 36 Investments of insurance companies in corporate bonds by issuing country as at 31 December 2025



Source: ASF, individual quarterly reports of companies authorised and supervised by ASF – Solvency II reports, ASF calculations

Of the total value of investments in corporate bonds, only 3.4% are investments in bonds with a credit quality rating of 4 and 5 (non-investment grade).

Table 11: Investments in corporate bonds by credit quality

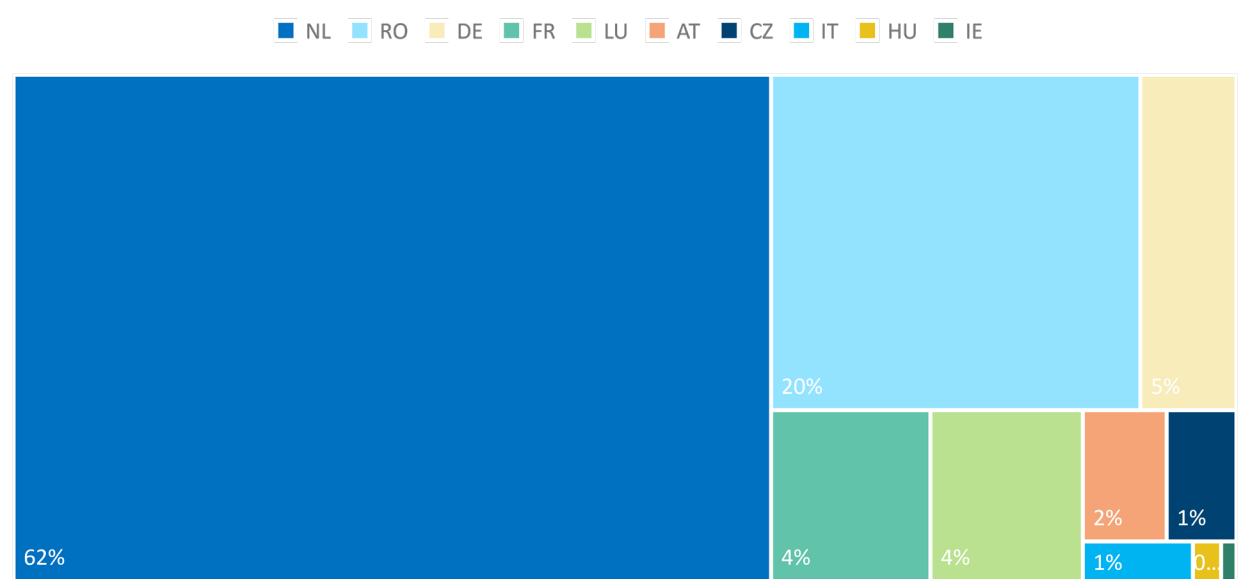
Credit quality	Share of total government investments
0	0.4%
1	1.9%
2	35.9%
3	58.4%
4	2.3%
5	1.1%

Source: ASF, individual quarterly reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

Investment funds

The value of insurance companies' investments in collective investment undertakings stood at approximately 5.6 billion lei as at 31 December 2025, up by 13% compared to the end of the second quarter of 2025 and 22% compared to the figure recorded at the end of 2024. Of the total value of investments in investment funds, 62% was invested in funds domiciled in the Netherlands.

Figure 37 Investments of insurance companies in collective investment undertakings by issuer’s country of origin as at 31 December 2025



Source: ASF, individual reports from companies authorised and supervised by ASF – Solvency II reports, ASF calculations

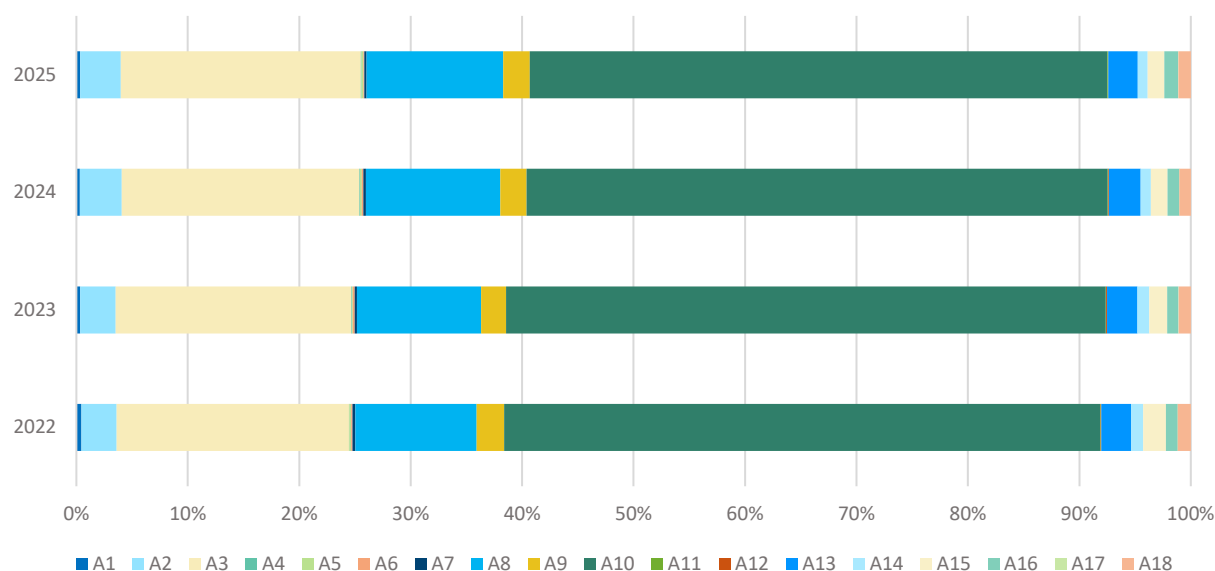
Concentration

The high degree of concentration in the Romanian insurance market remains, measured both in terms of gross written premiums by insurance class and by company. At the same time, the insurance sector remains dominated by non-life insurance, which accounts for 80% of the total volume of gross premiums written by companies authorised and supervised by ASF and their branches, whilst the share of life insurance activity remains at a relatively low level of 20%.

General insurance

With regard to general insurance, motor insurance (classes A3 and A10) accounts for 73% of this sector, in terms of gross premiums written by companies authorised and supervised by ASF and their branches, a level similar to that recorded in 2024.

Figure 38 Evolution of the structure by class based on gross premiums written for general insurance business



Source: ASF; incl. branches

In terms of concentration based on gross premiums written by companies authorised and supervised by ASF and their branches, the top five companies account for a combined market share of approximately 72% in the general insurance segment, a level relatively similar to that recorded in 2024.

Table 12 Market shares of companies for general insurance business in 2025

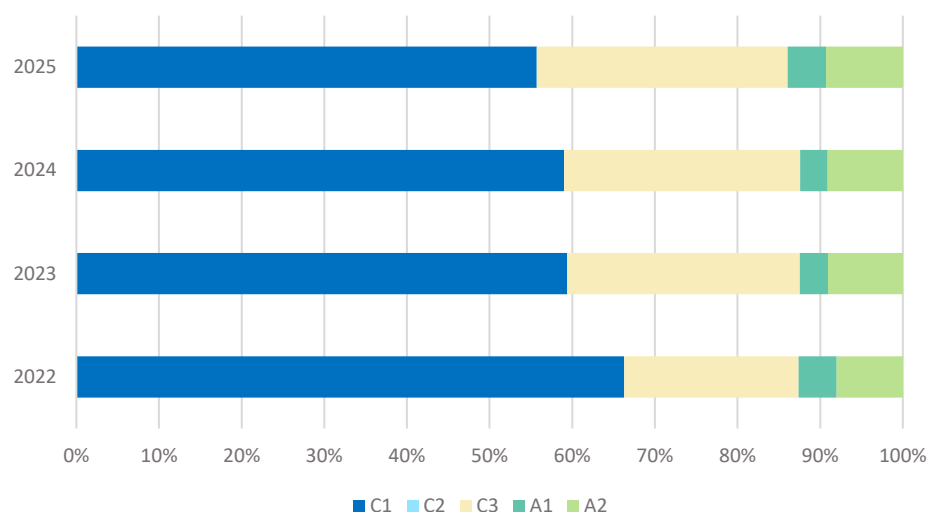
Company	Market share
GROUPAMA ASIGURARI SA	23.4%
ALLIANZ - TIRIAC ASIGURARI SA	16.6%
OMNIASIG VIG SA	14.1%
Total 1–3	54.1
GENERALI ROMANIA ASIGURARE REASIGURARE SA	8.9%
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP SA	8.6
Total 1–5	71.6%
AXERIA IARD	5.6%
GRAWE ROMANIA ASIGURARE SA	5.1
Total 1–7	82.4%
HELLAS DIRECT INSURANCE	4.0%
UNIQA INSURANCE PLC	2.2
EAZY INSURANCE SA	1.7%
Total 1–10	90.3%
Other companies	9.7%
Total	100.0%

Source: ASF, including branches

Life insurance

As regards the life insurance segment, it is dominated by traditional life insurance (class C1) and unit-linked life insurance (class C3), which account for a combined share of 86% of the total volume of gross premiums written for life insurance business by companies authorised by ASF and their branches.

Table 13 Evolution of the structure by class based on gross premiums written for life insurance business



Source: ASF; incl. branches

In terms of concentration based on gross premiums written by companies authorised by ASF and their branches, the top five companies account for a combined market share of 73% in the life insurance segment.

Table 14 Market shares of companies for life insurance business in 2025

Company	Market share
NN ASIGURARI DE VIATA SA	24.7%
METROPOLITAN LIFE	16.4%
BCR LIFE INSURANCE VIENNA INSURANCE GROUP SA	14.0%
Total 1-3	55.1%
BRD LIFE INSURANCE SA	8.8%
ALLIANZ - TIRIAC ASIGURARI SA	8.6
Total 1-5	72.5%
SIGNAL IDUNA ASIGURARE REASIGURARE SA	7.4%
UNIQA ASIGURARI DE VIATA SA	7.0
Total 1-7	86.9
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP SA	5.9%
GENERALI ROMANIA ASIGURARE REASIGURARE SA	3.3
GROUPAMA INSURANCE SA	2.0%
Total 1-10	98.1%
Other companies	1.9%
Total	100.0

Source: ASF; incl. branches

4.3. Underwriting activity

The volume of gross premiums written by ASF-authorised companies and branches increased by 10% in nominal terms in 2025 compared with the previous year. General insurance business recorded an 8% increase, whilst gross premiums written for life insurance rose by 18%. Taking into account the annual inflation rates for the period 2023–2025, real growth rates remained positive throughout the entire period analysed for both insurance segments.

Of the total volume of underwriting activity (including branches) of 25.8 billion lei, 80% represents gross premiums written for general insurance, and 20% for life insurance. The positive trend in underwriting activity was driven both by the increase in gross premiums written by companies authorised by ASF (+11%) and by the growth in premiums written by branches (+7%).

Figure 39 Annual trend in gross premiums written

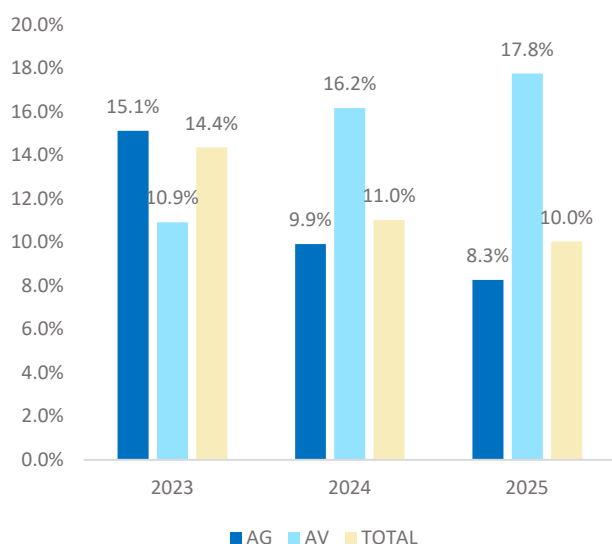
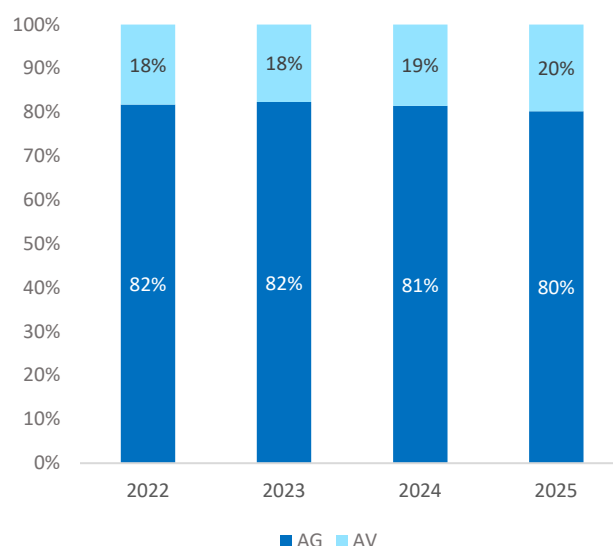


Figure 40 Breakdown of gross premiums written by insurance segment



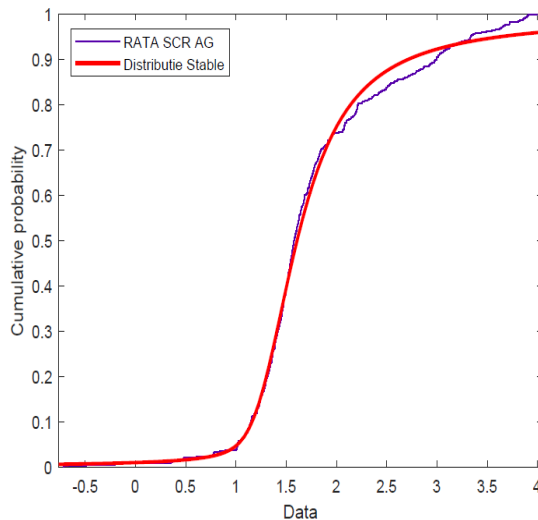
Source: ASF; incl. branches

4.4. Solvency

The value of eligible own funds to cover the solvency capital requirement stood at approximately 11.2 billion lei at the end of 2025, up by approximately 9% compared with the end of the second quarter of 2025, whilst the value of own funds eligible to cover the minimum capital requirement stood at 10.7 billion lei, up by 9%.

At the end of 2025, there is a slight increase in the SCR and MCR ratios in the insurance market (167% and 389% respectively) compared with the end of the second quarter of 2025 (164% and 386% respectively).

Figure 41 Distribution of SCR ratios for general insurance companies



Source: ASF, Solvency II quarterly reports

The SCR ratio is a key indicator of the stability of general insurance companies, representing the capital required to cover risks. Modelling this indicator using a *Stable* distribution is an appropriate choice, given its asymmetric and volatile nature.

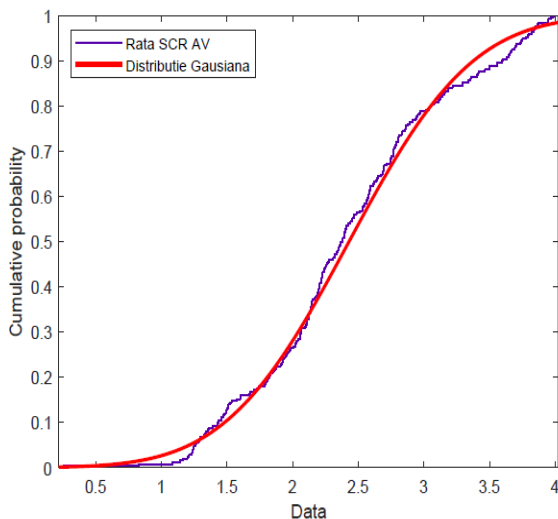
The estimated mean of the SCR ratio is approximately 2.21, based on the companies' quarterly reports for the period 2016–2025.

The stability parameter α (1.18) suggests a strongly leptokurtic distribution, indicating a high probability of extreme values occurring.

The γ parameter (0.28) determines the scale of the distribution and suggests that the volatility of the SCR rate is high.

The parameter δ (1.52) indicates the central position of the distribution and confirms that the typical level of the SCR ratio is relatively high, but susceptible to extreme variations.

Figure 42 Distribution of SCR rates for life insurance companies



Source: ASF, Solvency II quarterly reports

Modelling SCR rates for life insurance companies using a normal distribution suggests a relatively predictable behaviour of capital requirements, without the presence of significant outliers.

The estimated average SCR ratio is 2.43. The relatively low variance (0.55) suggests that the level of the solvency ratio does not vary significantly between companies, which means that the life insurance market is more stable compared to other financial sectors. This observation reflects the long-term nature of life insurance policies and the predictability of the associated cash flows.

The parameter μ (2.43) confirms that most companies operate within a well-defined range of SCR ratios, which is favourable from a risk management perspective. The parameter σ (0.74) indicates a moderate dispersion of ratio values, suggesting that, although there are some variations between companies, these are not extreme and can be managed effectively.

The normal distribution of the SCR ratio indicates that risks in this area are less affected by extreme and unpredictable factors, which ensures better predictability and capital management.

The fact that the variance is low shows that most life insurance companies operate within similar parameters in terms of capital requirements. This can be explained by the predictable nature of life insurance products, where cash flows are better controlled than in other types of insurance.

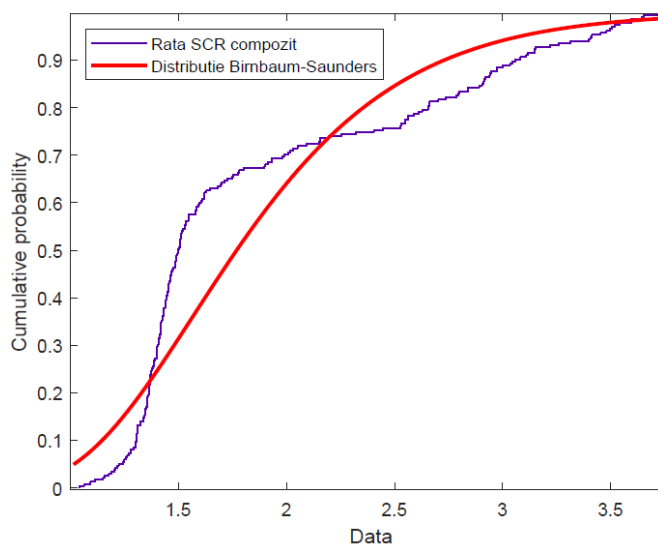
The distribution of the SCR ratio for composite companies was modelled using the Birnbaum-Saunders distribution.

The estimated long-term average SCR ratio (2016–2025) is 1.87.

The estimated variance is 0.42, which reflects a moderate dispersion of SCR ratios across companies, indicating significant differences between entities in terms of capitalisation levels.

All six composite firms recorded SCR ratios below the estimated long-term average SCR ratio at the end of 2025.

Figure 43 Distribution of SCR ratios for composite companies



Source: ASF, Solvency II quarterly reports

4.5. Liquidity

The liquidity indicator is a measure of insurance companies' ability to meet their short-term obligations to policyholders by holding assets that allow for the efficient and timely mobilisation of financial resources to pay claims to policyholders.

Thus, the liquidity ratio is calculated as the ratio of liquid assets to insurers' short-term liabilities to policyholders, and in accordance with legal requirements, its value must be greater than one.

General insurance

At the level of the insurance market, there is a slight decrease in the liquidity ratio for general insurance business at the end of 2025 (2.95) compared with the end of June 2025 (2.98), against the backdrop of a faster increase in insurers' short-term liabilities (+12%) compared with the growth recorded in liquid assets. The value of liquid assets stood at 20.1 billion lei, up by around 11% compared to the situation at the end of June 2025, according to reports submitted by insurance companies. The increase was seen across all asset classes. On the other hand, insurers' short-term liabilities, represented by the gross reserve for reported claims, increased by approximately 12%, from 6.1 billion lei (June 2025) to 6.8 billion lei (December 2025).

Of the 18 companies engaged in general insurance¹⁷ at the end of December 2025, 14 companies reported a liquidity ratio above the average calculated for the general insurance market.

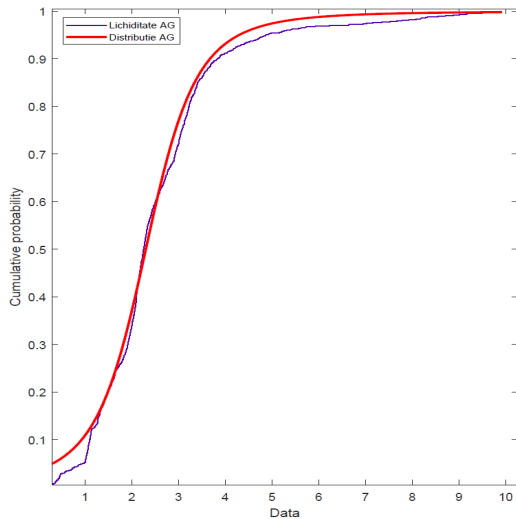
¹⁷ Composite companies are also included

An analysis of the liquidity of companies engaged in general insurance using a Student's t-distribution provides a detailed perspective on the variations in this indicator. Estimates of the parameters suggest liquidity that is generally stable but exposed to significant fluctuations and potential shocks. The average level of the liquidity indicator is estimated at 2.29, indicating a relatively good capacity of the market to absorb transactions. The variability of liquidity, reflected by the standard deviation of 0.82, suggests considerable fluctuations over time, which could imply episodes of financial stress. The presence of extreme values is confirmed by the parameter $\nu = 2.78$, which shows that the liquidity distribution has heavier tails than a normal distribution, indicating the occurrence of sudden and intense shocks.

In this context, the analysis suggests that companies engaged in general insurance are exposed to liquidity risks. Although the average level of liquidity is relatively stable, volatility and the presence of outliers indicate that certain market conditions may amplify risks, affecting the market's ability to function efficiently during times of stress.

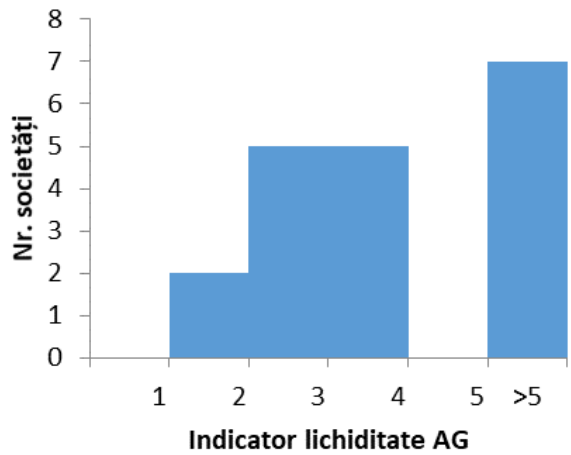
At the end of December 2025, most companies recorded a liquidity ratio for their general insurance business that exceeded 5. Of all the companies operating in the general insurance segment, only two insurers recorded a liquidity ratio below the long-term average of the ratio (2.29) at the end of 2025. According to insurers' reports, the liquidity ratio remains above one for all companies.

Figure 44 Cumulative distribution of the liquidity ratio for general insurance business



Source: ASF, monthly reports

Figure 45 Distribution of the liquidity ratio for general insurance business (December 2025)



Life insurance

As regards the liquidity ratio for the life insurance market, it remained at the end of December 2025 at a level similar to that recorded at the end of June 2025 (3.6).

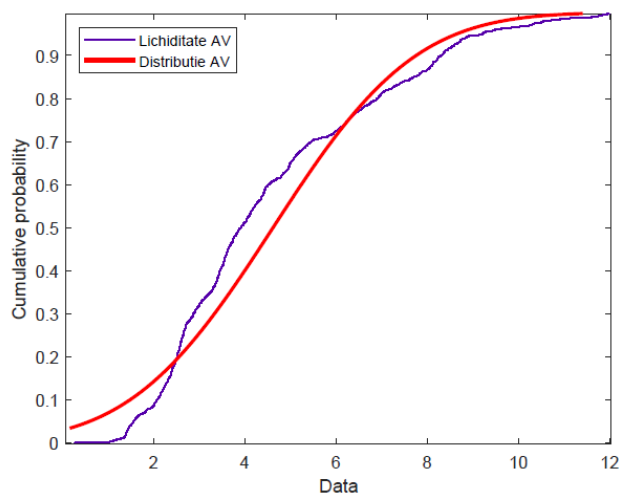
The value of liquid assets stood at 9.3 billion lei, up by around 7% compared to the end of June 2025. The increase occurred across all asset classes, with the exception of cash holdings (current account and cash on hand), which fell from 135 million lei to 101 million lei. Short-term liabilities amounted to 2.6 billion lei, an increase of approximately 8% compared to the end of June 2025.

Of the 12 companies that reported on life insurance activities¹⁸, six companies recorded a liquidity ratio above the insurance market average calculated for the end of December 2025.

The assessment of the liquidity ratio for life insurance was carried out using a normal distribution. The estimated average liquidity ratio is 4.61, which indicates a moderate to high level of the life insurance market's capacity to manage its financial obligations. This suggests that, on average, the sector has sufficient resources to cover its liabilities. The high variance (6) suggests significant fluctuations in the level of liquidity, meaning that, although the average is at a comfortable level, there may be periods when liquidity becomes insufficient, requiring additional risk management mechanisms.

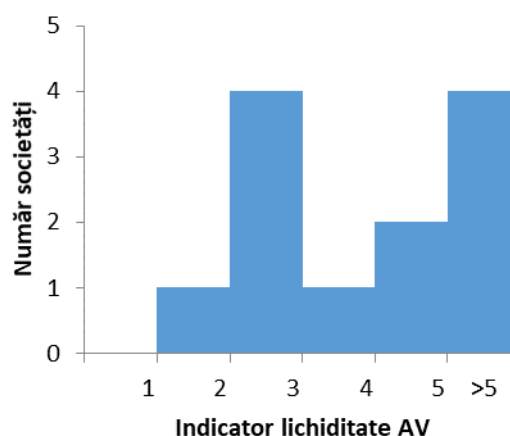
The distribution of the liquidity indicator for life insurance business shows that only around 10% of observations are below 2, with a long-term average of 4.61, taking into account companies' monthly reports for the period 2016–2025.

Figure 46 Cumulative distribution of the liquidity ratio for life insurance business



Source: ASF, monthly reports

Figure 47 Distribution of the liquidity ratio for life insurance business (December 2025)



In December 2025, of the 12 companies carrying out life insurance business, four companies recorded a liquidity ratio higher than 5, and eight companies recorded a liquidity ratio below the long-term average (4.61).

¹⁸ Composite companies are also included

4.6. Technical reserves – Solvency II

One of the most important mechanisms underpinning the efficient functioning of the insurance market is the establishment of technical provisions by insurance companies to ensure they can meet their obligations to policyholders should insured events occur.

Thus, the establishment of a sufficient level of technical provisions, capable of supporting the payment of all obligations to policyholders, represents an important pillar of risk management for insurance companies, contributing to ensuring the financial stability of those companies.

At the end of 2025, insurance companies had established gross technical reserves totalling approximately 27 billion lei, in accordance with the Solvency II regime, an increase of approximately 22% compared to the previous year, distributed across the two categories of insurance as follows:

- gross technical reserves set aside for non-life insurance amounted to 16 billion lei, representing 60% of total gross technical reserves, an increase of 24% compared to the end of 2024;
- for life insurance, companies set aside gross technical reserves amounting to approximately 11 billion lei, a level corresponding to a 40% share of total gross technical reserves, up 20% compared to the previous year.

Figure 48 Evolution of the value of gross technical reserves established by insurance companies

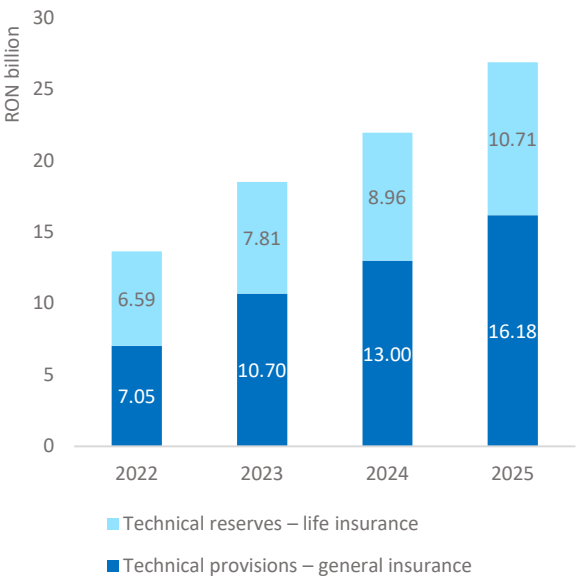
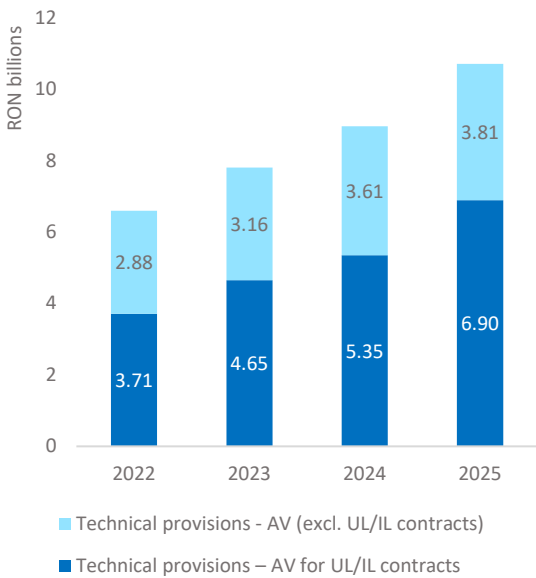
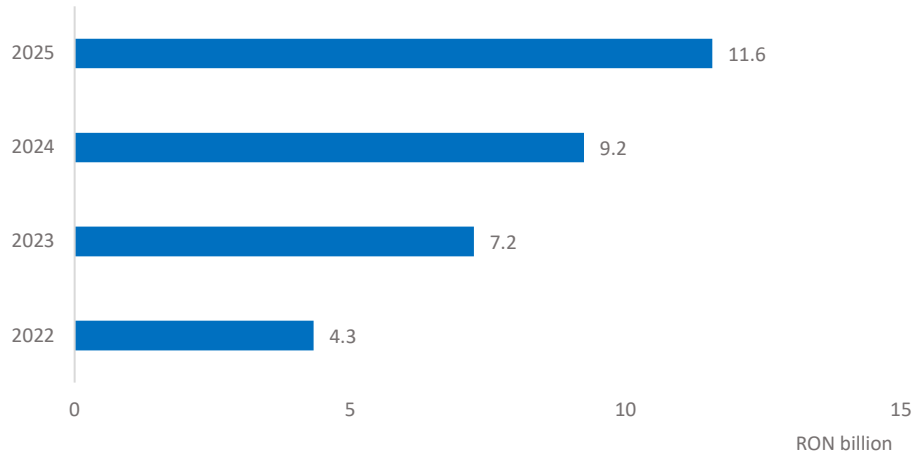


Figure 49 Evolution of the value of gross technical provisions established by insurance companies for life insurance business



Source: ASF, individual Solvency II reports

Figure 50 Evolution of the value of gross technical provisions established by insurance companies for MTPL



Source: ASF, individual Solvency II reports

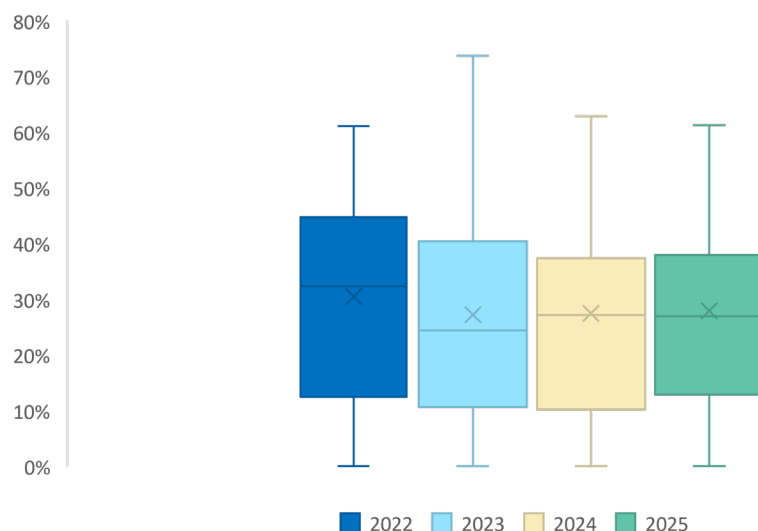
4.7. Reinsurance

General insurance

For a significant proportion of general insurance products (e.g. insurance covering natural disaster risks, third-party liability insurance, etc.), as part of their own risk management strategy, insurers frequently employ techniques to mitigate underwriting risks, typically by entering into reinsurance contracts. In 2025, approximately 19% of gross premiums written were ceded to reinsurers.

The reinsurance cession ratio of gross written premiums is an indicator calculated as the ratio of premiums ceded in reinsurance (the portion of premiums transferred to the reinsurance company for it to assume the insured risks) to the total volume of gross written premiums.

Figure 51 Distribution of the reinsurance cession ratio of gross premiums written by companies in the period 2022–2025 for general insurance business



Source: ASF

An indicator of the scale of the reinsurance programmes operated by companies and, implicitly, of risk transfer, the degree of reinsurance cession for general insurance business varied between 0% (in the case of two companies operating solely in general insurance, Onix and Geroma) and 56% (the highest value observed – Garanta) in 2025.

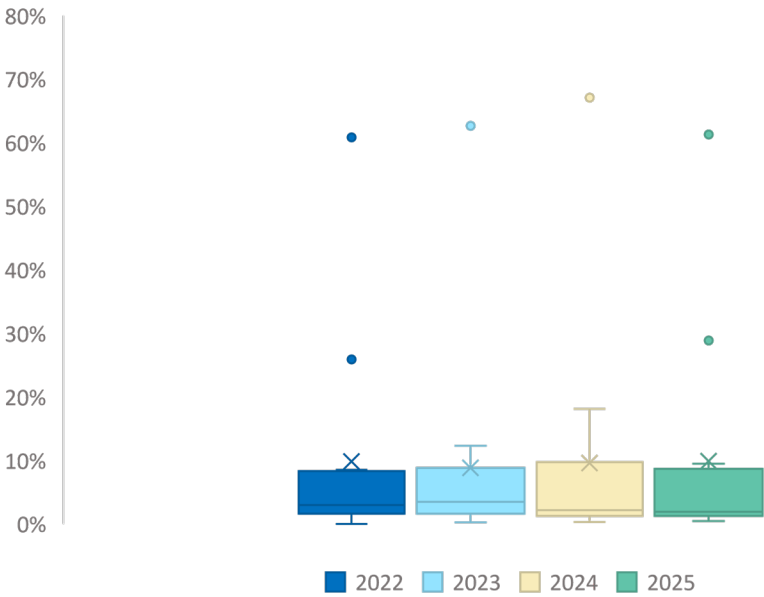
Life insurance

Traditionally, there are significant differences in reinsurance policy between life insurance and general insurance activities. In the case of life insurance, insurance companies generally retain a much larger share of the underwritten risk. In 2025, approximately 7% of gross premiums written for life insurance were ceded to reinsurers.

As life insurance policies are typically long-term contracts and the risk is spread over time, and claims are relatively predictable statistically, life insurers accumulate significant reserves over time, which enables them to cover claims without relying as heavily on reinsurance ceding as general insurance companies do.

The reinsurance ceding ratio for life insurance business ranged from 0.5% (BRD Life Insurance) to 61% (the highest recorded figure – Generali Romania) in 2025.

Figure 52 Distribution of the reinsurance cession ratio of gross premiums written by companies in the period 2022–2025 for life insurance business



Source: ASF

5. Stability of the private pension market

The assets of private pension funds in Romania continued to grow in 2025, with the system in an accumulation phase and no pressure to sell, as the level of payments remains low but is rising sharply year on year. During 2025, payments totalling 2.73 billion lei (1.35% of total assets at the end of December) were made in Pillar II, and 242 million lei in Pillar III (3.26% of total assets). Liquidity risk remains low, with 1.03% of the system's total assets held in current accounts and short-term deposits (approx. 2.15 billion lei). The investment policy of private pension funds continues to focus on the local financial market (approximately 94% of assets are in Romanian issuers), with a particular emphasis on fixed-income instruments (69%) and shares (26%).

Market risk is managed by administrators through diversification, aiming to reduce the systemic risk component, and is continuously monitored through the management of short-term assets and risk indicators. Uncertainty regarding the course of events and geopolitical relations abroad, together with political instability at home, coupled with the implementation of austerity measures to reduce the budget deficit, continues to have a strong impact on the volatility of global and local financial markets, heightening risks in capital markets, where the possibility of adverse movements remains. As such, private pension funds are exposed to short-term shocks, with the majority of assets in their portfolios being valued at market prices.

Taking into account the quality requirements applicable to issuers of fixed-income instruments eligible for inclusion in private pension fund portfolios, credit risk remains low, with an upward trend, against a backdrop of heightened vulnerabilities and uncertainties resulting from escalating global geopolitical and trade tensions, which may affect the solvency of bond issuers.

Due to structural factors in Romania's private pension fund market, a high degree of concentration persists, with the top three privately managed pension funds accounting for 68% of Pillar II assets, whilst the top three voluntary funds accounted for 71% of Pillar III assets. The custody services market also exhibits a high degree of concentration, with BRD GSG holding 82% of private pension fund assets in custody.

Operational risk is at a low level, but is being closely monitored in the context of an increase in large-scale cyber attacks. Pension fund administrators have continuously monitored and assessed operational processes to mitigate this risk. To date, no cyber attacks on the pension fund industry have been reported.

Given the uncertainty surrounding the macro-financial outlook, as well as the likelihood of market risks – including systemic risks – materialising, the performance of private pension funds' assets could be subject to temporary corrections in the coming period, although, by their very nature, private pension funds are long-term investors. To date, private pension funds have successfully weathered periods of financial market vulnerability, continuing the upward trend in total assets.

5.1. The private pensions market in an international context

According to the OECD report, *Pension Markets in Focus 2025*, pension assets continued to grow in 2024, with an average increase of 7.1% across OECD member countries. They reached a level of USD 69.8 trillion at the end of 2024 in OECD member countries and USD 2.9 trillion in non-OECD jurisdictions. This peak reflects a general increase in assets managed by pension providers across all OECD countries and in most non-OECD countries, as well as in most public pension reserve funds. Assets grew across all types of schemes. However, the importance of defined benefit (DB) occupational schemes has declined, with these recording growth of just 4%, compared with 11.4% in defined contribution (DC) occupational schemes and 9.3% in personal schemes.

The growth in assets in 2024 is mainly due to positive nominal investment returns. The average nominal return on investments was 9.1% for pension providers in OECD member countries, 11.7% for those in non-OECD jurisdictions and 8.5% for public pension reserve funds. Returns were generally above the long-term average. Pension providers with the highest exposure to equities recorded some of the strongest investment gains in 2024, supported by positive developments in global equity markets. Pension providers and public pension reserve funds held larger equity holdings at the end of 2024 compared with the previous year, as a result of the rise in the value of equities in their portfolios or a reallocation towards equities.

Pension providers generally benefited from a positive cash flow from contributions, which exceeded benefit payments in 2024, thereby supporting asset growth. Contributions to pension schemes continued to rise in 2024, as did benefit payments, as pension systems matured and more people became eligible for private pension payments.

Pension scheme assets grew in most reporting jurisdictions in 2024. Assets grew rapidly in the Baltic states and Greece, recording increases of over 20%, whilst around a third of non-OECD countries saw similar growth.

The penetration rate of assets, defined as total pension scheme assets relative to a country's gross domestic product (GDP), indicates the size of private pension systems relative to the size of the economy. The level of penetration varies from country to country. In Denmark and the Netherlands, where employers are required to contribute to pension schemes depending on the industry sector, the asset penetration ratio is high. In Iceland and Switzerland, where employers are obliged to provide occupational pensions for their employees, pension providers hold assets amounting to 191% and 167% of GDP respectively. Countries with voluntary pension schemes or with a pension system that is still in its infancy tend to have lower levels of assets accumulated in retirement savings plans.

Table 15 Penetration rate of private pension schemes in European countries in 2024

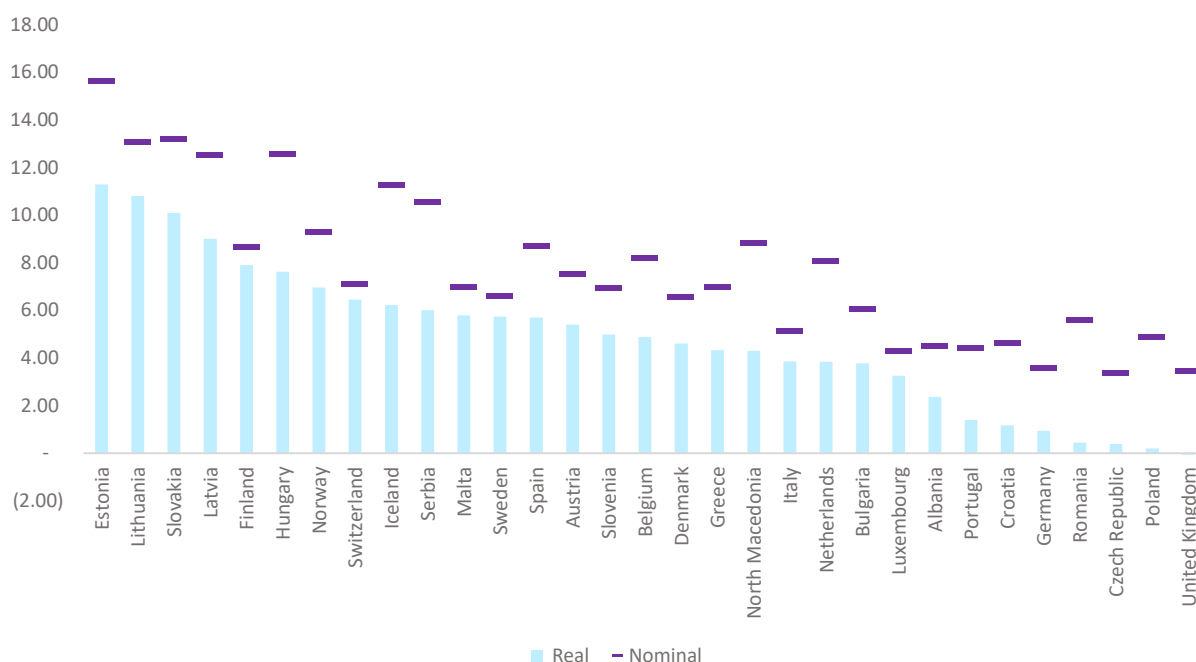
OECD/non-OECD countries	Year 2024
Denmark	206.4
Iceland	191.3
Switzerland	166.9
Netherlands	150.9
Sweden	115.8
United Kingdom	78.4
Israel	69.4
Finland	65.2
Malta	38.2
Belgium	30.3
Croatia	29.6
Ireland	26.2
Latvia	24.3
Estonia	18.0
North Macedonia	17.6
Slovakia	16.2
Bulgaria	13.1
Portugal	12.9
France	12.9
Lithuania	12.2
Italy	11.7
Spain	10.8
Norway	10.1
Romania	8.9
Poland	8.4
Czech Republic	7.8
Austria	7.2
Slovenia	7.1
Germany	6.4
Hungary	4.8
Luxembourg	1.6
Greece	1.1
Serbia	0.6
Albania	0.3

Source: OECD, European countries only. The penetration rate was calculated as the ratio of total retirement assets to GDP.

The increase in assets recorded in 2024 is mainly attributable to the positive investment returns achieved by pension providers. All reporting European jurisdictions recorded positive returns, both in nominal and real terms (with the exception of the United Kingdom, which recorded a real rate of return of -0.07%).

The nominal rate of return on investments, calculated at the level of OECD countries, was 9.1%, whilst non-OECD countries recorded a nominal rate of 11.7%.

Figure 53 Annual rate of return on investment in 2024 (%), in European countries



Source: OECD; the internal rate of return (IRR) is calculated as the ratio of net investment income at the end of 2024 to the average level of assets over the year.

Pension providers in Estonia, Lithuania and Slovakia delivered outstanding investment performance, with real rates of return on investment exceeding 10%.

Private pension schemes with the highest exposure to equities achieved some of the highest investment returns in 2024. Private pension providers invest differently. The investment structure of pension schemes in European countries shows that non-OECD member states have a more cautious investment policy, investing predominantly in treasury bills and bonds (e.g. Romania held around 72% of its assets in bonds at the end of 2024, according to OECD statistics). Other countries, such as the Baltic states, Poland and Slovakia, have greater exposure to equities. This higher exposure to equities may be due to members' risk preferences, investment regulations (e.g. Poland) or the design of the system, which requires or encourages investment in equities (e.g. Lithuania).

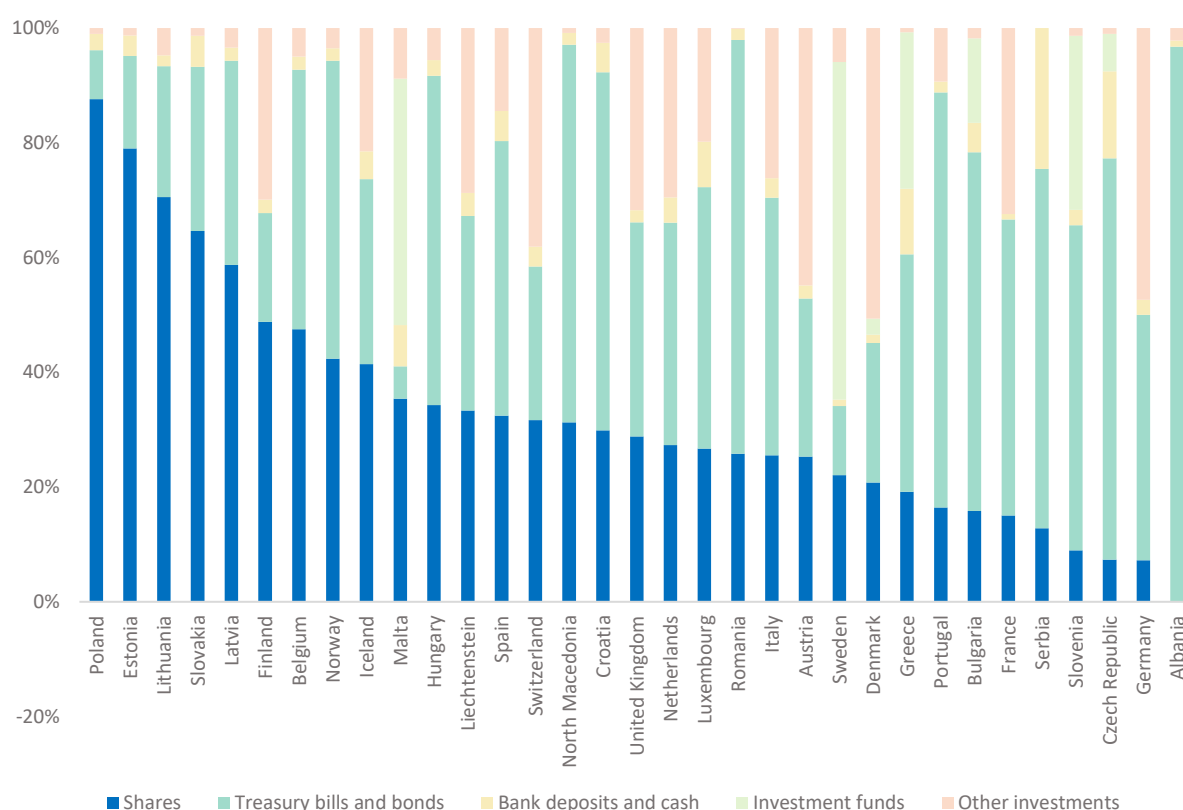
Equity investments generally benefited from positive developments in stock markets in 2024. Global equities delivered positive returns, driven by better-than-expected economic growth and amplified by the performance of large US-listed technology companies. The MSCI World Index rose by almost 20% in 2024. Stock market indices rose in most OECD stock markets (e.g. 23.8% for the S&P 500 in the United States, 19.2% for the Nikkei-225 in Japan, 18.8% for the DAX in Germany). Stock markets in a few countries underperformed compared with other OECD countries, including Poland, which explains the weaker performance of its pension funds, despite a high proportion invested in equities.

Pension providers recorded mixed results regarding their bond holdings in 2024. Although inflationary pressures have eased and short-term policy rates have recently fallen, average yields on government bonds have remained generally stable. However, developments varied across maturities: short-term yields fell

steadily, whilst long-term yields saw more modest declines or even increases in some cases, against a backdrop of heightened macro-financial uncertainty, resilient economic growth and high budget deficits.

This fall in short-term yields led to a rise in the prices of short-term bonds, generating gains for those held in pension providers' portfolios. In contrast, prices of long-term government bonds fell in some OECD countries, such as the United States, Japan and some European countries, leading to losses on these assets.

Figure 54 Investment structure of pension schemes in European countries in 2024 (%)



Source: OECD

According to the Financial Stability Report published by EIOPA (December 2025), occupational pension funds are in a sound financial position, despite a fragile macroeconomic environment marked by modest economic growth, trade tensions and rising sovereign yields. The aggregate funding ratio of IORPs stood at over 120% in the second quarter of 2025, indicating a comfortable level of liability coverage, but market volatility and high levels of macroeconomic uncertainty remain significant risk factors.

An important structural factor is the gradual transition from defined benefit (DB) schemes to defined contribution (DC) schemes. This shift may significantly alter the sector's investment behaviour, as DC schemes no longer require the strict matching of long-term liabilities through the of long-duration, high-quality bonds. Consequently, there could be negative effects on demand for long-term bonds, on yields, credit spreads and market liquidity. EIOPA emphasises the need for a well-managed transition to avoid destabilising impacts on financial markets.

IORPs' exposure to private loans has continued to grow in recent years, reaching EUR 128 billion at the end of 2024, equivalent to 4.4% of total assets and over 30% of total credit exposure. The structure of these investments is dominated by mortgages and loans (approximately 60%), followed by unlisted corporate bonds and structured instruments. The report highlights risks associated with these investments, in particular liquidity risk, uncertainties regarding the accurate valuation of private loans, and sectoral (particularly in real estate) and geographical (predominantly domestic investments) concentration. In certain Member States, there are quantitative limits or restrictions on investments in such assets.

With regard to currency exposure, IORPs invest a significant portion of their assets in US dollars, particularly in equities, for diversification and higher returns. The depreciation of the dollar in the first half of 2025 highlighted vulnerability to currency risk. Funds use derivatives to hedge risk, particularly for bond portfolios.

The report also analyses the sector's global interconnectedness. Cross-border investments offer diversification benefits, but increase exposure to external shocks, including credit risks, financial market volatility and geopolitical tensions. Global economic fragmentation could limit diversification opportunities and amplify the transmission of risks across jurisdictions.

Finally, emerging risks related to digitalisation are highlighted. Cyber risk is increasingly viewed as a potential systemic risk, due to interconnectedness and the possibility of simultaneous accumulation of losses. Furthermore, the use of artificial intelligence may amplify correlated behaviours and concentration risks, requiring robust governance and model risk management frameworks.

Overall, EEA IORPs are presented as resilient but exposed to relevant structural and cyclical risks. EIOPA recommends continuous monitoring, scenario analysis and increased attention to sectoral and geographical concentrations, currency exposures and systemic interconnectedness, to ensure the maintenance of financial stability in the medium and long term.

5.2. Systemically important entities

Total assets for Pillars II and III exceeded 209 billion lei at the end of December 2025; relative to GDP, **the total assets of Romania's private pension system represented approximately 10.94% of annual GDP** (calculated as the sum of the last four quarters¹⁹).

The main indicator for assessing the size of private pension funds is **the value of total assets**, and an entity is considered to be systemically important according to this criterion if the ratio of its total assets to GDP exceeds 2%.

Table 16 Systemic size of private pension funds

Pillar	Fund	Total Assets 31 Dec. 2025 (billion Lei)	% of GDP 31 Dec. 2025
PII	FPAP NN	67.3	3.5%
PII	FPAP AZT VIITORUL TAU	41.9	2.2%
PII	FPAP METROPOLITAN LIFE	28.4	1.5%
PII	FPAP VITAL	20.7	1.1%
PII	FPAP ARIPI	19.0	1.0%
PII	FPAP BCR	15.1	0.8%
PII	FPAP BRD	9.3	0.5%
PIII	FPF NN OPTIM	3.19	0.2%
PIII	FPF BCR PLUS	1.06	0.1%
PIII	FPF NN ACTIV	0.98	0.1%
PIII	FPF AZT MODERATO	0.63	0.0%
PIII	FPF PENSIA MEA	0.48	0.0%
PIII	FPF RAIFFEISEN ACUMULARE	0.43	0.0
PIII	FPF PENSIA MEA PLUS	0.31	0.0%
PIII	FPF AZT VIVACE	0.24	0.0%
PIII	FPF STABIL	0.07	0.0%
PIII	FPF ESENTIAL	0.03	0.0%
PII	Total PII	201.6	10.6%
PIII	Total PIII	7.42	0.4
PII+PIII	Total PII + PIII	209.03	10.94%

Source: ASF calculations

Two private pension funds in Pillar II have total assets worth over 2% of GDP: FPAP NN and FPAP AZT Viitorul Tău. These can be considered systemically relevant from the perspective of the size criterion. Three other

¹⁹ Q1 2025 – Q4 2025

private pension funds have total assets exceeding 1% of GDP (FPAP Metropolitan Life, FPAP Vital and FPAP Arip).)

Given that pension funds are characterised as long-term institutional investors and are currently in the accumulation phase, it is unlikely that they will cause liquidity and price shocks in the financial markets through forced asset sales. For the private pension system in Romania, risks to the stability of pension funds remain low, given the implementation and operational mechanism of the Romanian private pension system, which is a defined-contribution scheme with absolute and relative guarantees. Furthermore, one of the key mechanisms for protecting participants' rights, which contributes to the stability of the private pension system, is the separation of administrators' assets from those of private pension funds.

Across the entire private pension system (Pillar II and Pillar III), the largest exposure of assets was to the Romanian state, at 64.9%. The top 10 issuers show that private pension funds invested 4.5% in shares issued by OMV Petrom, 4.3% in shares, bonds and banking instruments issued by Banca Transilvania, 3.9% in shares and bonds issued by Romgaz, 3.5% in Hidroelectrica shares, 2.4% in shares and banking instruments issued by BRD GSG, 1.4% in bonds and banking instruments issued by BCR, 1.3% in shares issued by Transgaz, 1.3% in shares issued by Electrica, 1.2% in fund units issued by Xtrackers Euro Stoxx 50 and 1.2% in MedLife shares, with the remainder of investments per issuer accounting for less than 1% of total assets. The value of investments in the top 10 issuers in private pension fund portfolios, including the Romanian state, accounts for 88.6% of total assets.

Table 17: Top 10 issuers in private pension fund portfolios (P II + P III) as at 31 December 2025

Issuer	Country	Value (Lei)	Percentage of total assets
Ministry of Public Finance	RO	135,746,581,519	64.9%
OMV Petrom SA	RO	9,321,009,622	4.5
Banca Transilvania SA	RO	8,925,978,988	4.3
Romgaz SA	RO	8,138,354,251	3.9
Hidroelectrica SA	RO	7,247,362,864	3.5
BRD - Groupe Societe Generale SA	RO	4,966,166,047	2.4
Banca Comerciala Romana	RO	2,847,987,047	1.4
Transgaz SA	RO	2,789,800,847	1.3
Electrica SA	RO	2,671,913,881	1.3
Xtrackers Euro Stoxx 50 UCITS ETF 1C / Xtrackers	LU	2,540,475,074	1.2
Total Top 10 issuers		185,195,630,138	88.6
Other issuers		23,834,594,432	11.4
Total		209,030,224,570	100.0

Source: ASF calculations

5.3. Recent developments in the Romanian private pension market

The private pension system in Romania represents a stable source of domestic capital which, through its investments, contributes to the financing of the Romanian state and the private sector, whilst also playing a stabilising role in the financial markets due to its long-term investment horizon. The fundamental objective of private pension funds is to invest prudently in high-quality assets in order to generate additional income for their members after retirement.

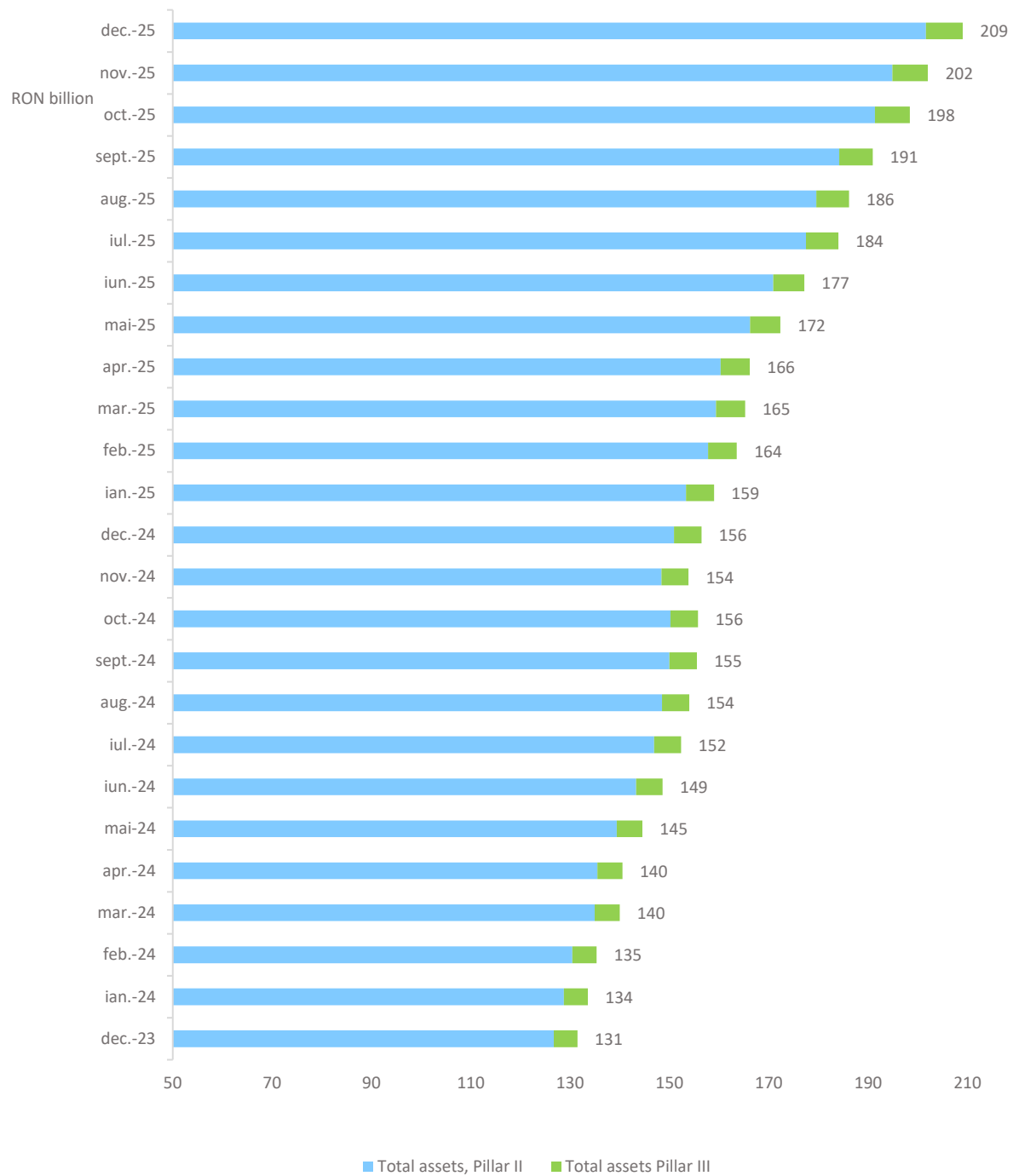
The existence of private pension funds is essential for the stability and development of the financial market in Romania, as they act as the main driver of domestic long-term capital. Pension funds are the most important local institutional investors and, unlike speculative investors, they have an investment horizon spanning decades, which provides stability to the market even during periods of high volatility. Their consistent buying activity ensures the necessary liquidity for the Bucharest Stock Exchange (BVB). In addition to holding significant stakes in government bond issues, thereby facilitating the financing of the budget deficit at more predictable costs, private pension funds participate in share and corporate bond issues, channelling the public's savings towards productive sectors (energy, banking, technology) and supporting the expansion of Romanian companies.

In 2020, the fourth pension pillar—the occupational pension scheme—was established. At the start of 2020, Parliament adopted Law No. 1/2020 on occupational pensions, which transposes the provisions of EU Directive 2341/2016 on the activities and supervision of institutions for occupational retirement provision (IORP II). The aim of this new system is to provide a supplementary pension component, funded primarily by employers and secondarily by employees. In 2022, the first occupational pension fund administrator was authorised, namely BCR PENSII, Societate de Administrare a Fondurilor de Pensii Private SA. At present, no occupational pension funds have been established.

The total value of assets under management across the entire private pension system reached 209.03 billion lei (41 billion euros) at the end of December 2025, with 9.46 million participants.

As at 31 December 2025, the investment policy within the asset portfolios of private pension funds continues to be focused on the local capital market. The share of investments in fixed-income instruments accounted for approximately 69% of the total investment portfolio of private pension funds, whilst 26% was invested in shares.

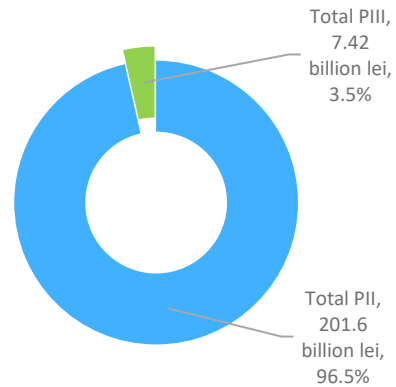
Figure 55 Total assets of the private pension system



Source: ASF processing

Figure 56 Structure of the private pension system

The assets of Pillar II funds account for 96.5% of the total assets of the private pension system in Romania, whilst the size of Pillar III remains small.

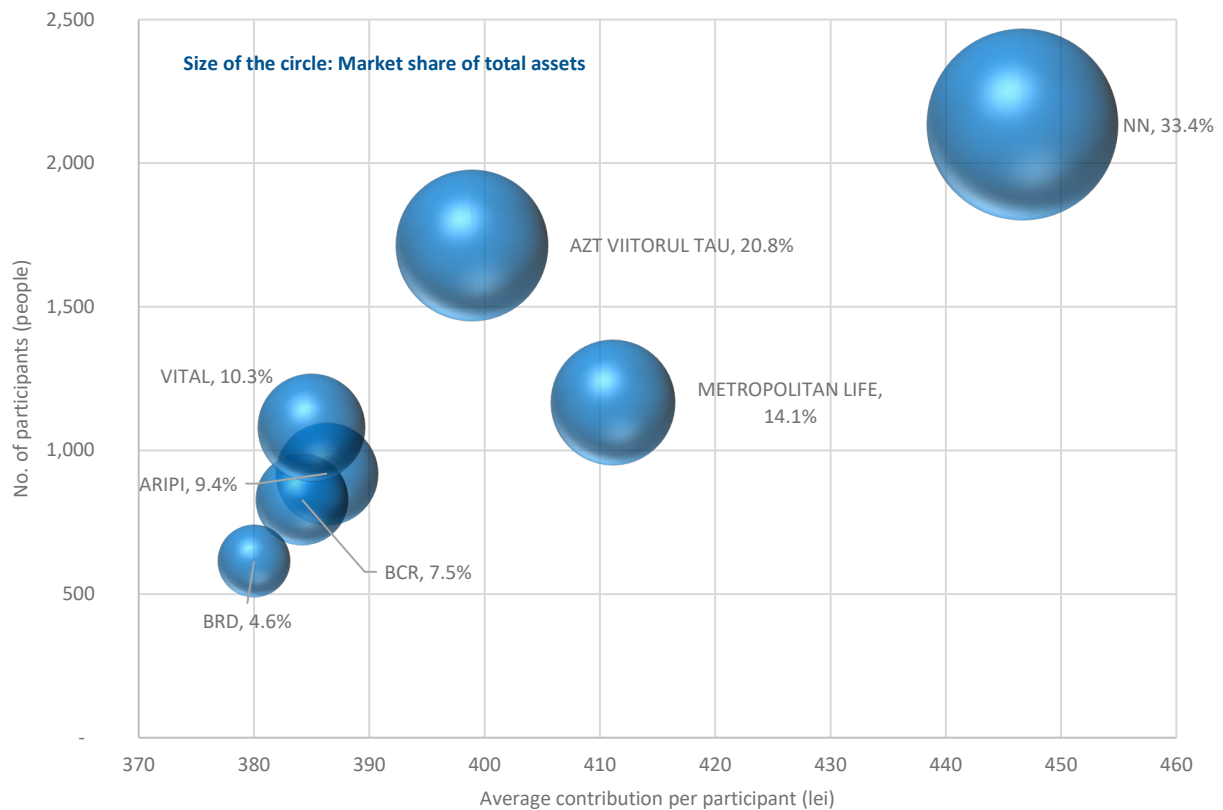


Source: ASF processing

During 2025, gross contributions amounting to 22.3 billion lei were transferred to privately managed pension funds, 25% more than in the same period of the previous year. Gross contributions of 946 million lei were transferred to Pillar III, an increase of 26% compared to 2024.

For privately managed pension funds, the average contribution per participant in December 2025 was approximately 408 lei, an increase of 6% compared to the same period the previous year. The privately managed pension fund with the highest average contribution per participant, as well as the largest number of enrolled participants, was FPAP NN, with a market share of approximately 33% (calculated based on total assets).

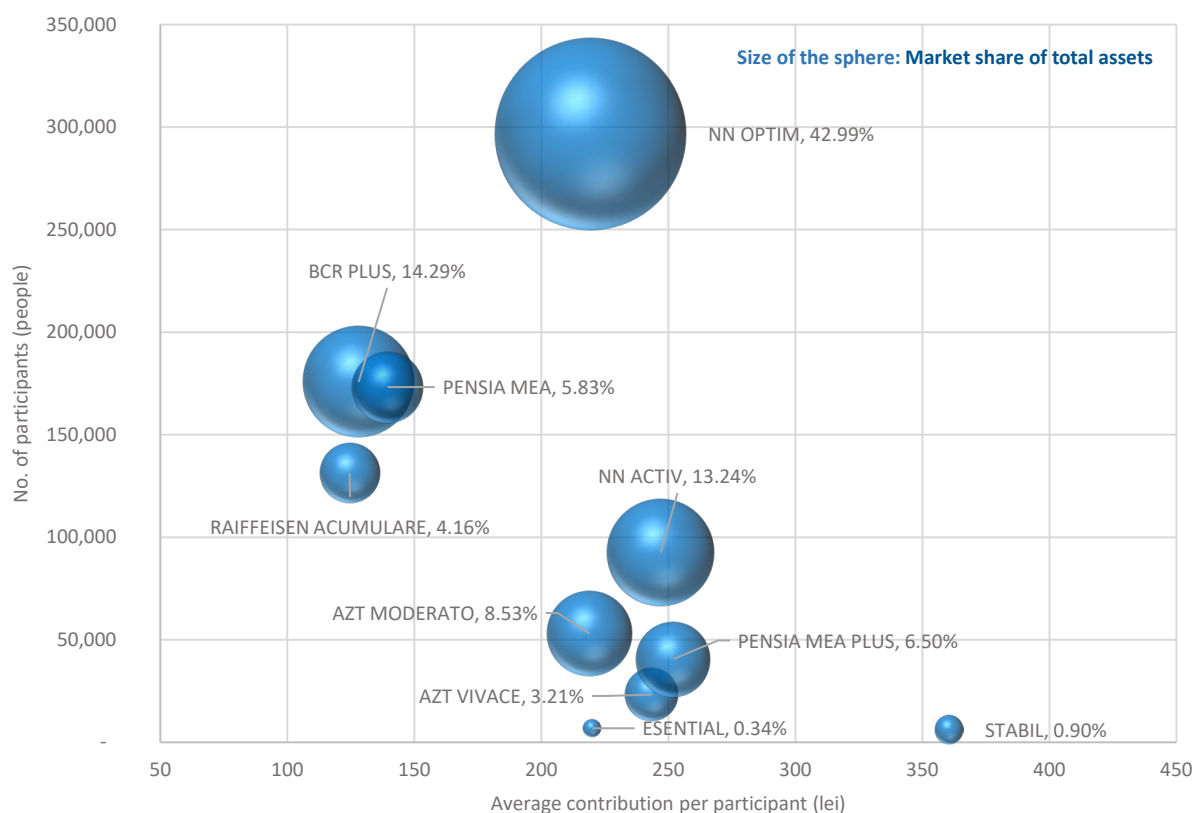
Figure 57 Distribution of privately managed pension funds by average contribution per participant, total number of participants and market share as at 31 December 2025



Source: ASF processing

As regards voluntary pension funds, the average contribution per participant in December 2025 was approximately 181 lei, down by 1.7% compared with the same period in 2024. The voluntary pension fund with the highest number of participants is FPF NN Optim, which also holds the largest market share by total assets (43.4%). The highest average contribution per participant was at FPF Stabil, at 360 lei.

Figure 58 Distribution of voluntary pension funds by average contribution per participant, total number of participants and market share as at 31 December 2025



Source: ASF processing

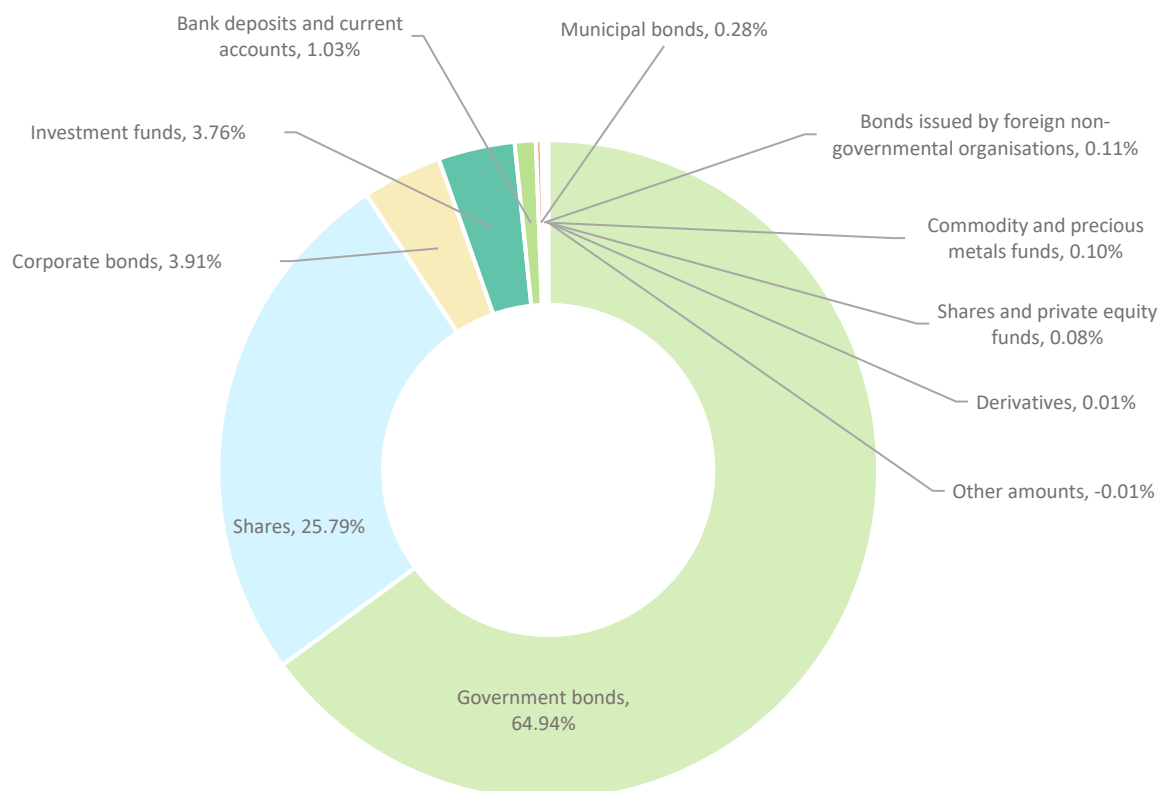
Private pension funds have a moderate risk profile, investing predominantly in securities issued by the Romanian state, followed by companies listed on the local capital market, which are liquid and subject to corporate governance requirements, thereby stimulating the development of the primary and secondary capital markets.

The investment policy is based on the diversification of private pension fund portfolios, mitigating systemic market risk during periods of financial market volatility. Private pension funds invest in a mix of assets such as shares, corporate bonds, municipal bonds, supranational bonds, government securities, units in UCITS funds, and bank deposits. At the same time, the private pension system has consistently adhered to legal requirements regarding prudential standards and portfolio security, in order to ensure the quality, liquidity and profitability of assets.

The largest share in private pension fund portfolios has consistently been held by fixed-income financial instruments (particularly government bonds and corporate bonds). As at 31 December 2025, fixed-income instruments accounted for approximately 69% of private pension fund portfolios, and 64.5% of assets were invested in securities issued by the Romanian government. Since the establishment of private pension funds, their investments have been made predominantly in Romanian issuers; by the end of December 2025, 93.85% of pension fund investments were made locally, Romanian instruments consist of

government securities, shares listed on the Bucharest Stock Exchange, corporate bonds, investment funds and bank deposits.

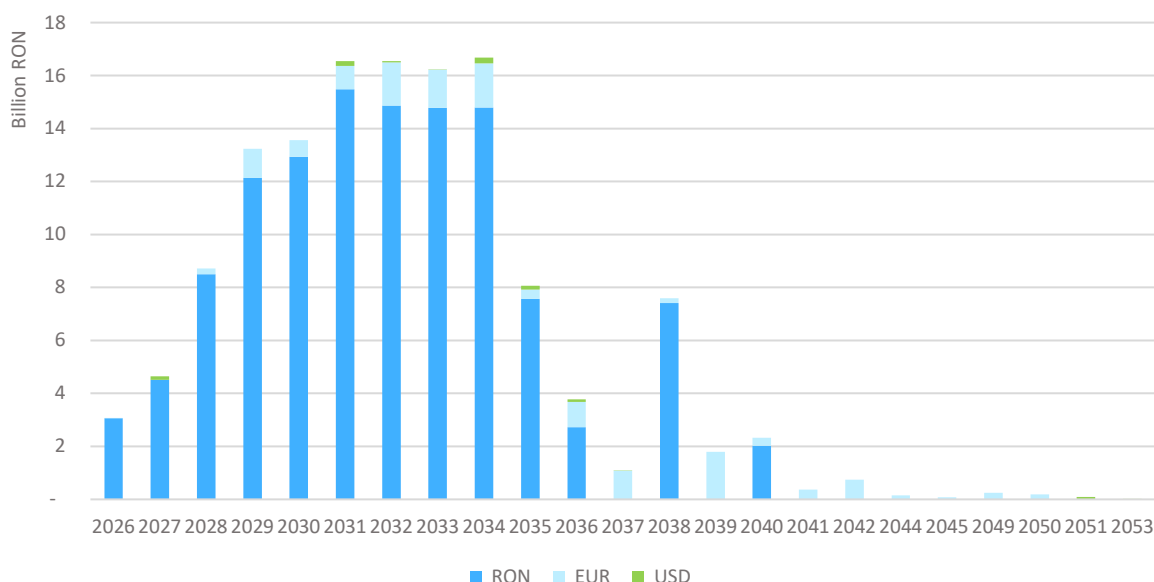
Figure 59 Breakdown of assets in private pension funds (Pillar II and Pillar III) as at 31 December 2025



Source: ASF processing

Government bonds in private pension fund portfolios are issued by the Romanian state and are denominated in RON (89%), EUR (10.3%) and USD (0.7%). In terms of investment horizon, the majority are held on a medium-term basis, with a maturity date up to 2034 (approximately 86% of total government bonds), the remainder being long-term issues with a maturity date up to 2053.

Figure 60 Maturity year of government bonds in private pension fund portfolios as at 31 December 2025



Source: ASF processing

Private pension funds are significant institutional investors in the capital market, investing in issuers that adhere to corporate governance and have a high degree of transparency. As at 31 December 2025, the private pension system in Romania held 25.6% of its investments in shares, with 89% of this figure accounted for by 10 companies, which are among the most traded on the main segment of the Bucharest Stock Exchange (BVB).

Table 18 Main equity investments of private pension funds (P II + P III) as at 31 December 2025

Issuer name	Value of holdings (lei)	% of total listed share portfolio
OMV Petrom SA	9,321,009,622	17.3%
Banca Transilvania SA	8,654,386,095	16.1
Romgaz SA	7,470,479,273	13.9
Hidroelectrica SA	7,247,362,864	13.4
BRD - Groupe Societe Generale SA	3,995,924,280	7.4
Transgaz SA	2,789,800,847	5.2%
Electrica SA	2,526,814,700	4.7
Med Life SA	2,451,940,882	4.5
Digi Communications NV	1,881,702,027	3.5
Nuclearelectrica SA	1,635,204,900	3.0
Other issuers	5,937,043,862	11.0
Total	53,911,669,350	100.0

Source: ASF processing

Of the total investments in shares, 0.6% is accounted for by three listed issuers specialising in real estate, with a total value of 327 million lei (0.2% of total assets in Pillars II and III).

Pension funds' investments in corporate bonds accounted for 3.91% of the total assets of the private pension system, with investments made both domestically and abroad, predominantly in financial or banking groups. A large proportion of the corporate bonds were issued in Romania (67.9%), the US (14.2%) and Spain (8.9%).

Table 19 Investments in corporate bonds by private pension funds (P II + P III) as at 31 December 2025

Issuer name	Issuer country	Value of holdings	% of total corporate bond portfolio
Banca Comercială Română	RO	2,449,390,928	30.0%
Raiffeisen Bank SA	RO	1,300,841,027	15.9%
Banco Santander SA	ES	729,752,253	8.9%
Romgaz SA	RO	667,874,978	8.2%
Citigroup Inc	US	546,571,688	6.7
Citigroup Global Markets Holdings Inc	US	447,172,494	5.5%
Unicredit Bank SA	RO	412,760,626	5.1%
BNP Paribas	FR	377,031,815	4.6%
CEC Bank SA	RO	299,329,331	3.7
Banca Transilvania SA	RO	271,589,339	3.3
Other issuers		664,058,040	8.1
Total		8,166,372,519	100.0

Source: ASF processing

Pension fund investments in undertakings for collective investment in transferable securities accounted for 3.76% of the total assets of the private pension system. Private pension funds invested in UCITS issued predominantly in Luxembourg (46.8%), Ireland (44.3%) and Romania (6.6%), with the remaining 2.2% issued in the United Kingdom and Germany. Investments in funds and precious metals amounted to approximately 206 million lei (0.1% of total assets) and were backed by gold.

Table 20 Investments in undertakings for collective investment in transferable securities by private pension funds (P II + P III) as at 31 December 2025

UCITS name / Administrator	UCITS country	Value of holdings	% of total UCITS portfolio
Xtrackers Euro Stoxx 50 UCITS ETF 1C / Xtrackers	LU	2,540,475,074	32.3%
iShares Europe ex - UK Index Fund (IE) / BlackRock Inc	IE	849,733,657	10.8
iShares S&P 500 Information Technology Sector UCITS ETF USD (Acc) / BlackRock Inc	IE	837,798,610	10.7
iShares Core S&P 500 UCITS ETF USD (Acc) / BlackRock Inc	IE	535,139,520	6.8
Amundi Euro Stoxx 50 UCITS ETF DR - EUR (C) / Amundi Index Solutions SICAV	LU	408,174,428	5.2%
Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C / Xtrackers (IE) PLC	IE	367,623,457	4.7%
Xtrackers DAX UCITS ETF 1C / Xtrackers	LU	229,002,521	2.9
iShares US Index Fund (IE) - USD Acc / BlackRock Inc	IE	209,624,152	2.7%
BT Bonds / BT Asset Management	RO	190,405,340	2.4
iShares Core EURO STOXX 50 UCITS ETF EUR (Acc) / iShares VII Plc	IE	168,489,033	2.1
Other UCITS		1,523,390,595	19.4
Total		7,859,856,387	100.0

Source: ASF processing

Investments in bank deposits and current accounts by private pension funds accounted for 1.03% of total assets and were made exclusively with banks in Romania. Of these, deposits in lei accounted for 81.01%, those in euros for 18.97%, with the remaining 0.02% denominated in US dollars and other currencies. Amounts deposited with BRD GSG, ING Bank Romania and Banca Comercială Română accounted for 91% of deposits and current accounts.

Table 21 Investments of private pension funds (P II + P III) in bank deposits as at 31 December 2025

Bank name	Value (RON)	% of total deposits and current accounts
BRD - Groupe Societe Generale SA	970,241,767	45.1%
ING Bank Romania	593,157,993	27.6
Banca Comerciala Romana	398,596,119	18.5
Citibank Romania	122,271,147	5.7
Raiffeisen Bank SA	59,725,008	2.8
Unicredit Bank SA	3,368,326	0.2
Exim Banca Romaneasca SA	2,453,086	0.1
Garanti Bank SA	4,767	0.0%
Intesa SanPaolo	3,573	0.0%
Banca Transilvania SA	3,554	0.0
<i>Other banks</i>	<i>1,072</i>	<i>0.0</i>
Total	2,149,826,412	100.0

Source: ASF processing

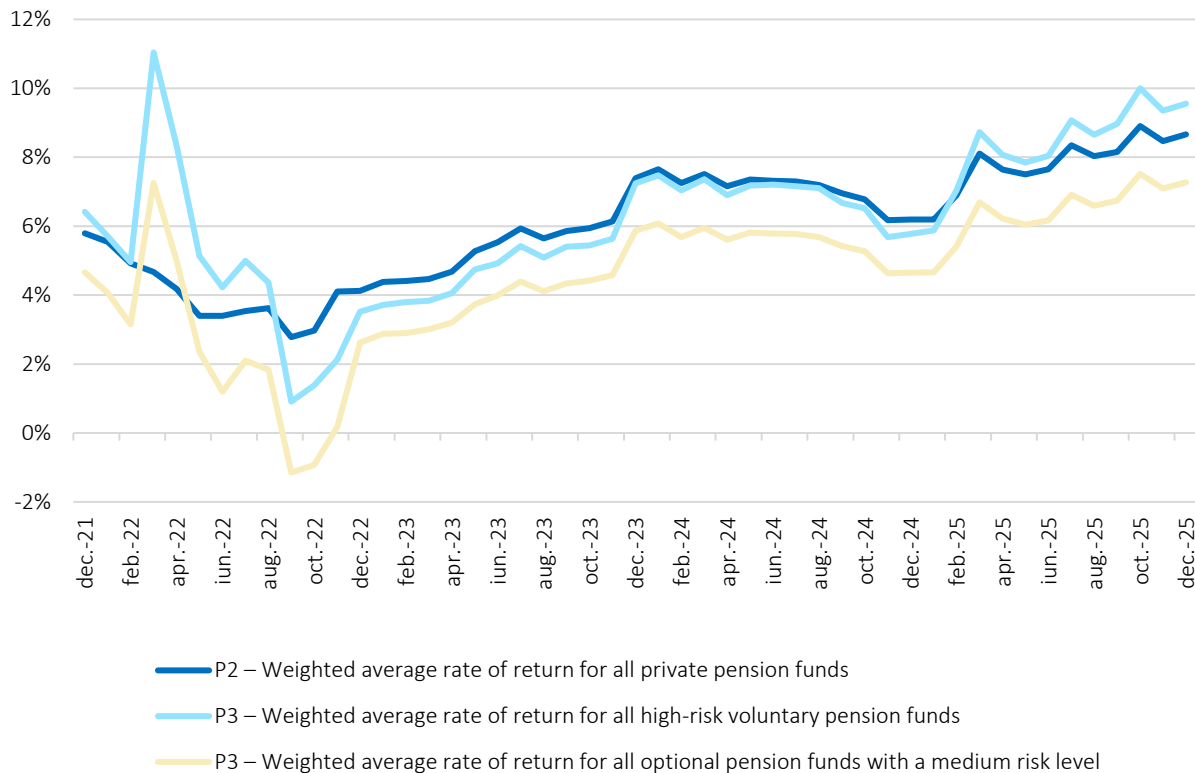
Investments by private pension funds in municipal bonds accounted for 0.28% of total assets, amounting to 596 million lei, and were made in Romanian issuers, the majority of which were issued by the Municipality of Bucharest. Investments in supranational bonds accounted for 0.11% of total assets (239 million lei), issued by the Black Sea Trade and Development Bank.

The investments of private pension funds in private equity amounted to approximately 173 million lei (0.1% of total assets) and were made through private equity shares (36 million lei) and private equity funds (136 million lei), in issuers based in Luxembourg.

Fund unit returns

As at 31 December 2025, the weighted average rate of return for all privately managed pension funds (Pillar II) was 8.6618%, and as regards voluntary pension funds (Pillar III), the weighted average rate of return for all high-risk voluntary pension funds was 9.5512%, whilst the weighted average rate of return for all medium-risk voluntary pension funds was 7.2678%.

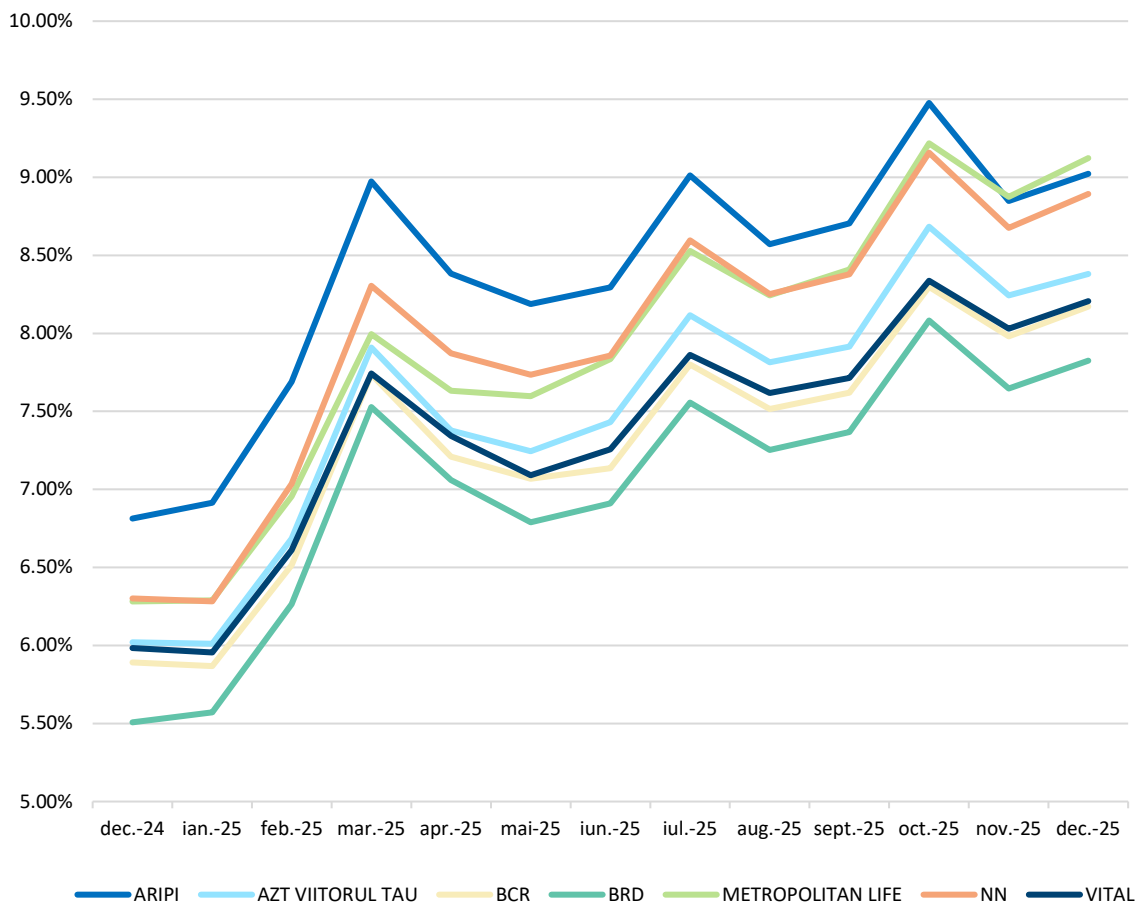
Figure 61 Evolution of average rates of return for private pension funds



Source: ASF processing

The rate of return of a privately managed pension fund (Pillar II) over a period represents the difference between the fund unit value on the last working day of the period and the fund unit value on the last working day preceding that period, all relative to the fund unit value on the last working day preceding that period. The annualised rate of return of a privately managed pension fund is measured over the 60-month period preceding the calculation.

Figure 62 Evolution of the annualised rates of return of privately managed pension funds



Source: ASF processing

In the long term, the annualised return²⁰ of private pension funds in Pillar II over their entire period of operation has remained at a high level.

Table 22 Annualized return on NAV in Pillar II from inception through the end of December 2025 (calculated as compared to 21 May 2008)

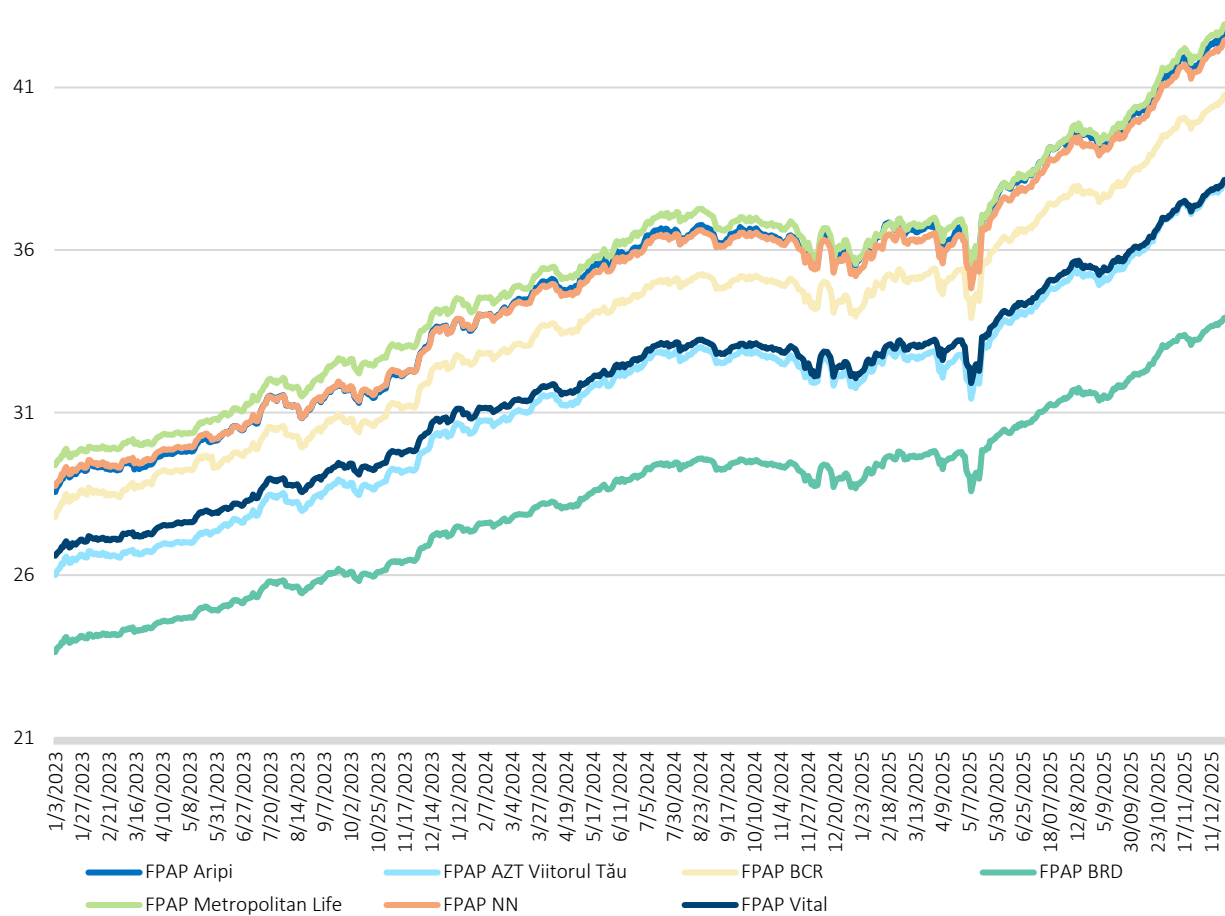
FPAP Arip	FPAP AZT Viitorul Tău	FPAP BCR	FPAP BRD	FPAP Metropolitan Life	FPAP NN	FPAP Vital
8.62%	7.91%	8.33%	7.20%	8.64%	8.57%	7.92%

Source: ASF processing

The net asset value per unit (NAV) is the ratio between the net asset value of the pension fund on a given date and the total number of units in the fund on the same date.

²⁰ The annualised return is the long-term average annual return calculated from the establishment of the private pension system to the present

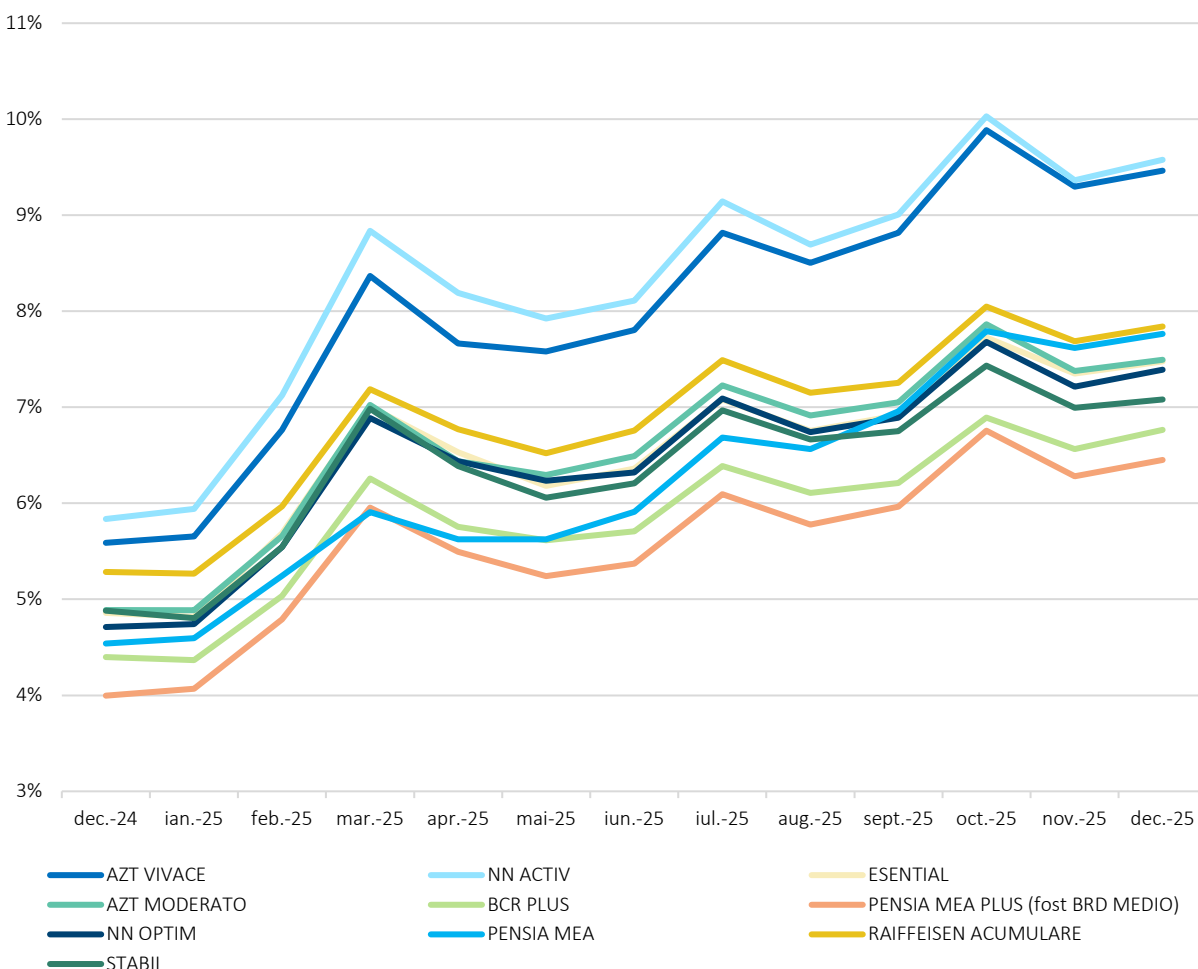
Figure 63 Trend in the Net Asset Value per Unit of Pillar II pension funds (lei)



Source: ASF processing

The rate of return for voluntary pension funds represents the annualised rate of daily returns, measured over a period of 60 months.

Figure 64 Evolution of the annualised rates of return of voluntary pension funds



Source: ASF processing

In the long term, the annualised return²¹ of voluntary pension funds in Pillar III over their entire period of operation has remained positive, albeit slightly lower than in Pillar II.

Table 23 Annualised return on NAV in Pillar III from inception to end of the month June 2025 (calculated based on the launch date of each voluntary pension fund)

FPF Esențial	FPF AZT Moderato	FPF AZT Vivace	FPF BCR Plus	FPF Pensia Mea Plus	FPF NN Activ	FPF NN Optim	FPF Pensia Mea	FPF Raiffeisen Acumulare	FPF Stabil
5.44%	6.60%	7.14%	6.07%	5.41%	7.56%	7.01%	5.86%	7.72%	6.46%

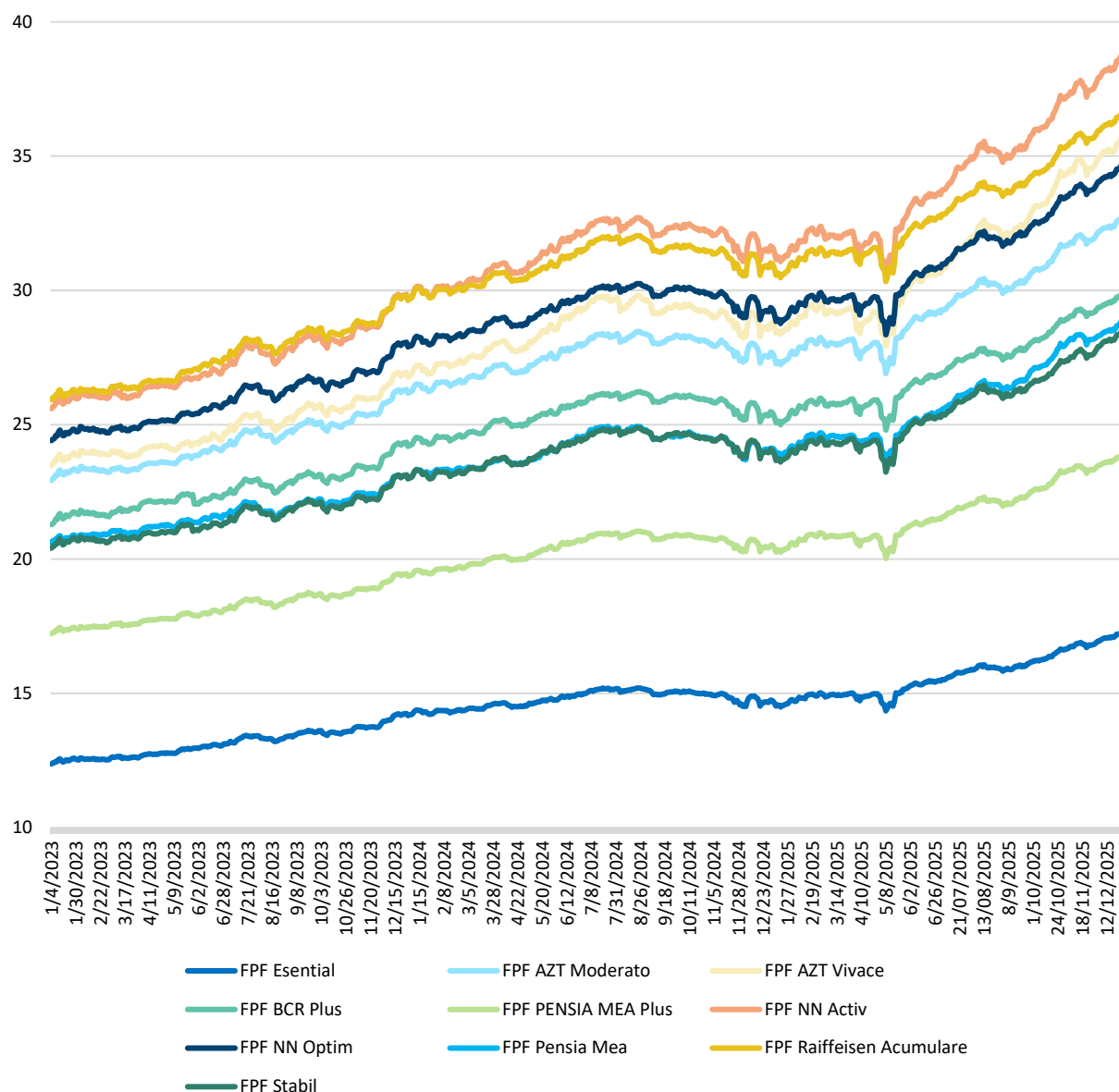
Source: ASF processing

Due to the similar structure of investments, the performance of fund units relating to voluntary pension funds under Pillar III follows the same trend as that shown in for Pillar II funds, with the caveat that some

²¹ The annualised return is the long-term average annual return, calculated from the establishment of each voluntary pension fund to the present

funds were launched more recently and therefore their long-term performance history differs. In the short term, however, the trends in returns are similar across the entire market for private pension funds.

Figure 65 Evolution of the Net Asset Value per Unit of Pillar III pension funds



Source: ASF processing

5.4. Risks and vulnerabilities in the private pension market

Macroeconomic and financial context

The outlook for the global economy for the period 2025–2027 remains moderate but vulnerable to shocks, against a backdrop of geopolitical uncertainty and persistent inflationary pressures. The escalation of the conflict in the Middle East introduces significant systemic risks to macroeconomic stability via energy markets.

The global economy appears to be undergoing a period of profound readjustment, against a backdrop of persistent structural trade uncertainties and escalating geopolitical tensions. The latest report from the International Monetary Fund (IMF) — World Economic Outlook Update, January 2026 — projects global growth of 3.3% in 2026 and 3.2% in 2027, rates that have been revised slightly upwards compared with the October 2025 forecasts, but below the 2000–2019 historical average of 3.7%. Europe continues to make moderate progress, against a backdrop of persistent budget deficits in the EU and the euro area and high energy costs. The European Commission's (EC) autumn 2025 forecasts project EU GDP growth of 1.4% in 2025 and 2026, with a modest acceleration to 1.5% in 2027. The euro area remains below the 1.5% threshold, reflecting concerns regarding competitiveness in the global market and the pace of technological progress compared to other major players. The European economy benefits from a number of favourable factors, but is hampered by persistent structural vulnerabilities. On the positive side, the labour market remains robust, with low unemployment, and inflation is approaching the ECB's 2% target, seemingly allowing the monetary easing cycle to continue. However, the competitiveness of European industry is affected by dependence on imports of energy and critical raw materials, and by competitive pressure from China in high value-added sectors (electric vehicles, green technology, electronic equipment).

The European Commission has halved its growth forecasts compared to the spring 2025 forecast, now estimating growth of just 0.7% in 2025 and 1.1% in 2026 – the lowest rates in the EU – as a result of the Union's largest budget deficit and the subsequent contractionary fiscal consolidation. From the perspective of macroeconomic balances, the position is vulnerable. The budget deficit of 9.3% of GDP recorded in 2024 forced the government to adopt a significant fiscal consolidation package, with immediate restrictive effects on economic growth. Romania's macroeconomic performance in the period 2025–2026 is tempered by the interaction of several self-reinforcing factors. The fiscal package adopted in the summer and autumn of 2025, including a VAT increase, a broadening of the health contribution base, rises in excise duties and property taxes, alongside a nominal freeze on public sector wages and pensions, exerts a direct contractionary effect on aggregate domestic demand. The removal, in July 2025, of the cap on household electricity prices triggered a sharp rise in inflation, the highest level in the EU, further eroding the population's real purchasing power and foreshadowing a contraction in private consumption in 2026. At the same time, the absorption of European funds through the PNRR continues to play a particularly important role, supporting investment and acting as a partial counterbalance to the economic slowdown.

In an already vulnerable context, the military escalation in the Middle East, manifested in the US and Israeli attacks on Iran at the end of February 2026, is generating major systemic risks. The price of Brent crude rose sharply in the first week of March 2026, threatening the process of global disinflation, with the risk of

delaying monetary policy easing cycles. Depending on how the conflict unfolds, the possibility of a stagflationary shock with significant asymmetric effects on energy-importing economies, including Romania, cannot be ruled out. The negative impact on shipping traffic through the Strait of Hormuz, through which approximately 20% of global oil transport passes, is particularly significant in transmitting shocks and increasing production and transport costs, which may lead to competitiveness adjustments in external markets for several industrialised, energy-importing countries. Europe is relatively more exposed to these risks, due to its energy dependence and already moderate economic growth, whilst Romania, although benefiting from European investment and a relatively diversified economic structure, remains vulnerable to energy inflation and global financial conditions.

Overall, the outlook for risks to the global and European economy remains negative, and the evolution of geopolitical conflicts will be a determining factor for economic growth dynamics and the stability of financial markets in the coming period.

Strategic portfolio allocation

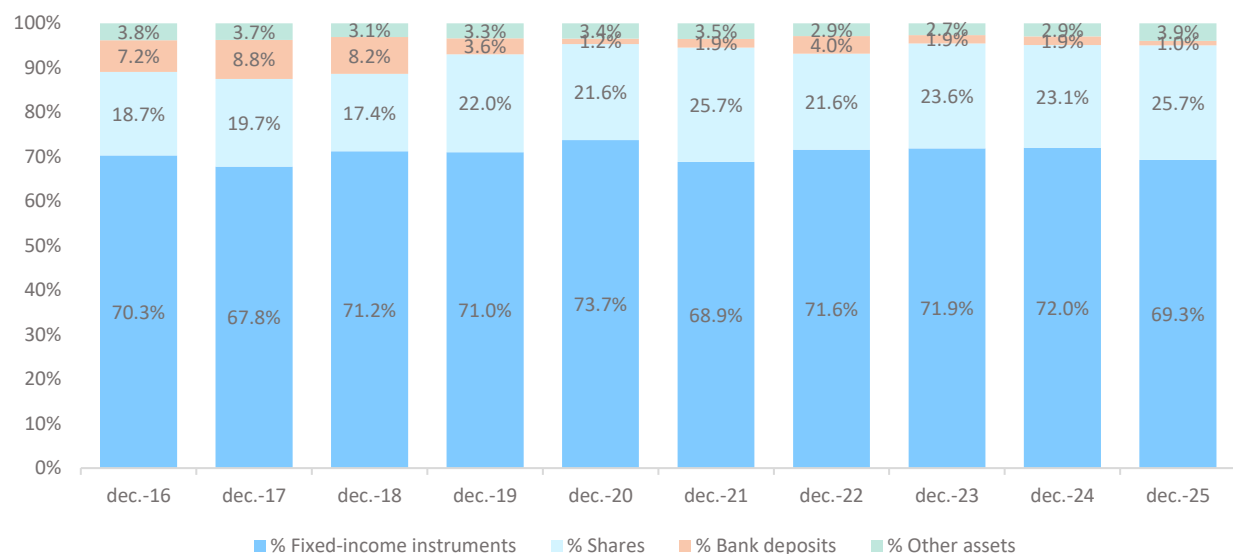
Investments by private pension funds are based on the principle of prudent management, so as to ensure the security, diversification, quality, liquidity and profitability of the private pension fund's assets, and the legal framework sets maximum limits on fund portfolios, both by asset class and for individual holdings, to allow for risk diversification and to avoid concentration on a single issuer. The investment portfolios of private pension funds comprise a mix of financial assets such as shares, corporate bonds, municipal bonds, bonds issued by foreign non-governmental entities, government securities, investments in mutual funds, bank deposits, commodity and precious metal funds, derivatives, etc. Administrators are also required to comply with the investment policy authorised by ASF.

Private pension funds must, upon establishment, opt via a prospectus for a risk category, expressed in terms of investment policy, within which they must remain: low risk, medium risk and high risk. Generally, a low-risk category implies a risk-averse investment policy, with lower exposure to shares and other more volatile instruments. In this case, expected returns are also lower, being correlated with the level of risk assumed. At the other end of the spectrum, a high-risk category implies a greater appetite for shares or other investments that can offer higher returns. Within Pillar II, there are six pension funds in the medium-risk category and one fund in the high-risk category (FPAP Aripa managed by Generali SAFPP SA). In Pillar III, there are eight voluntary pension funds in the medium-risk category and two in the high-risk category (NN Activ managed by NN Asigurări de Viață SA and AZT Vivace managed by ALLIANZ-ȚIRIAC Pensii Private SAFPP SA).

Given that there is a limited number of pension funds in Pillar II and Pillar III, a somewhat similar approach has been observed over time on the part of fund administrators regarding the strategic allocation of the investment portfolio, characterised by moderate risk exposure and, at the same time, a preference for securities issued by the Romanian state. Private pension funds that opted for the high-risk category generally had higher equity exposures.

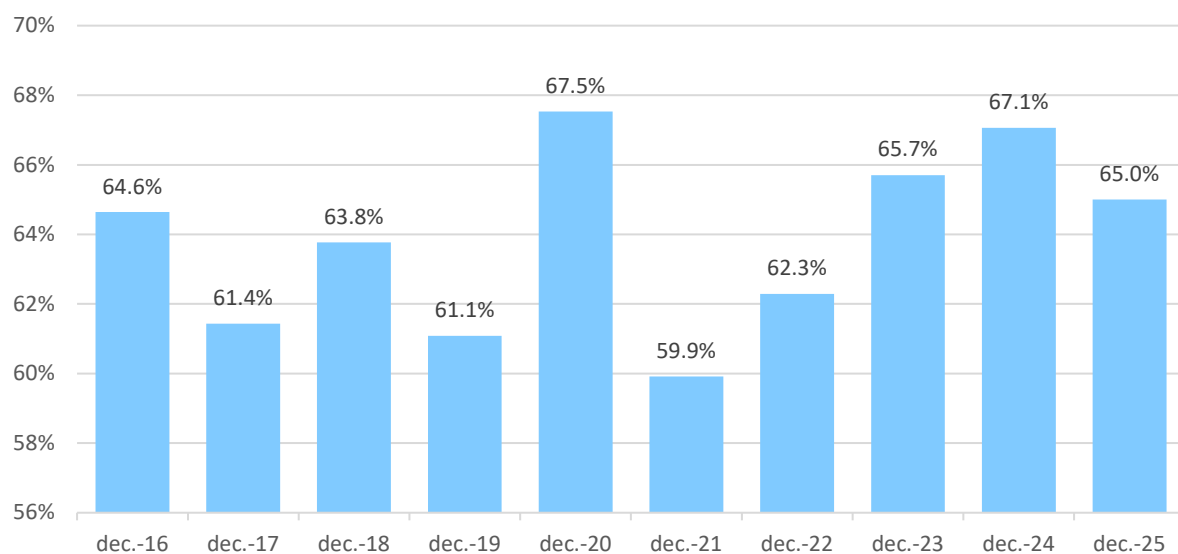
In 2025, the proportion allocated to shares increased, at the expense of fixed-income instruments and bank deposits, in both Pillar II and Pillar III, against the backdrop of the Bucharest Stock Exchange indices achieving record returns in 2025.

Figure 66 Evolution of the Strategic Asset Allocation of Pillar II Pension Funds



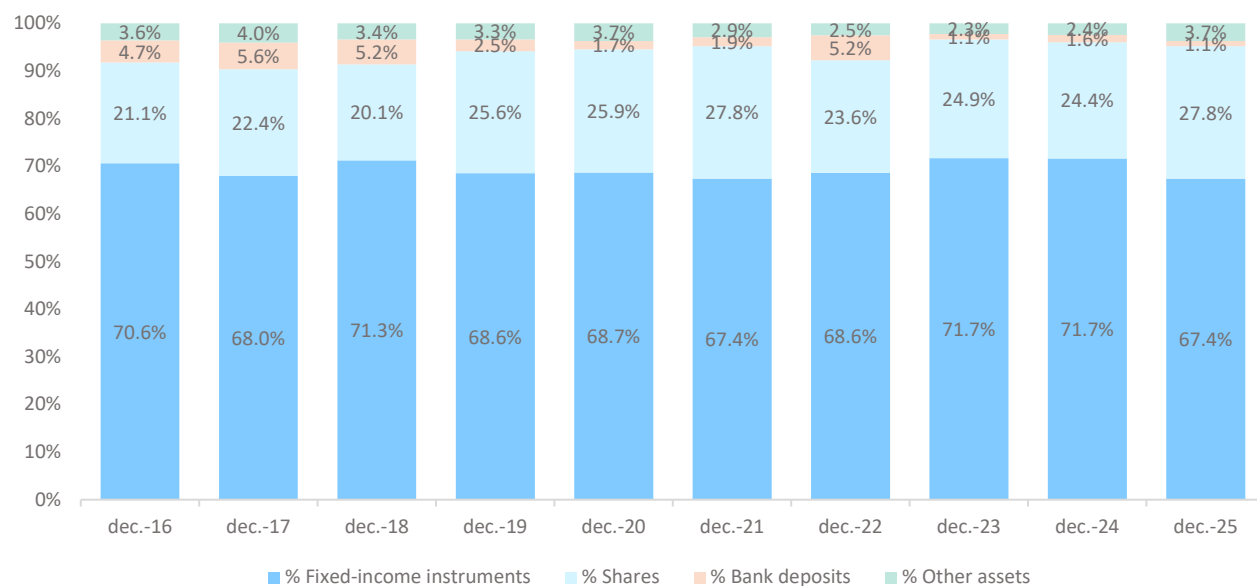
Source: ASF calculations

Figure 67 Evolution of the percentage invested in government securities in Pillar II



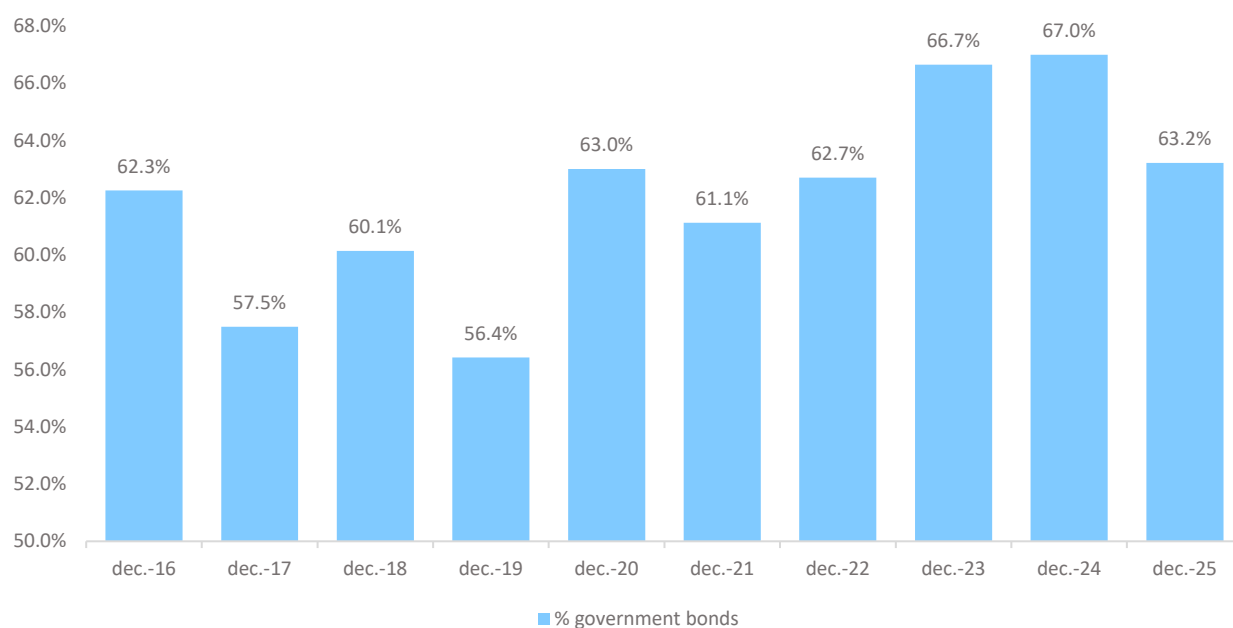
Source: ASF calculations

Figure 68 Evolution of the Strategic Asset Allocation of Pillar III Pension Funds



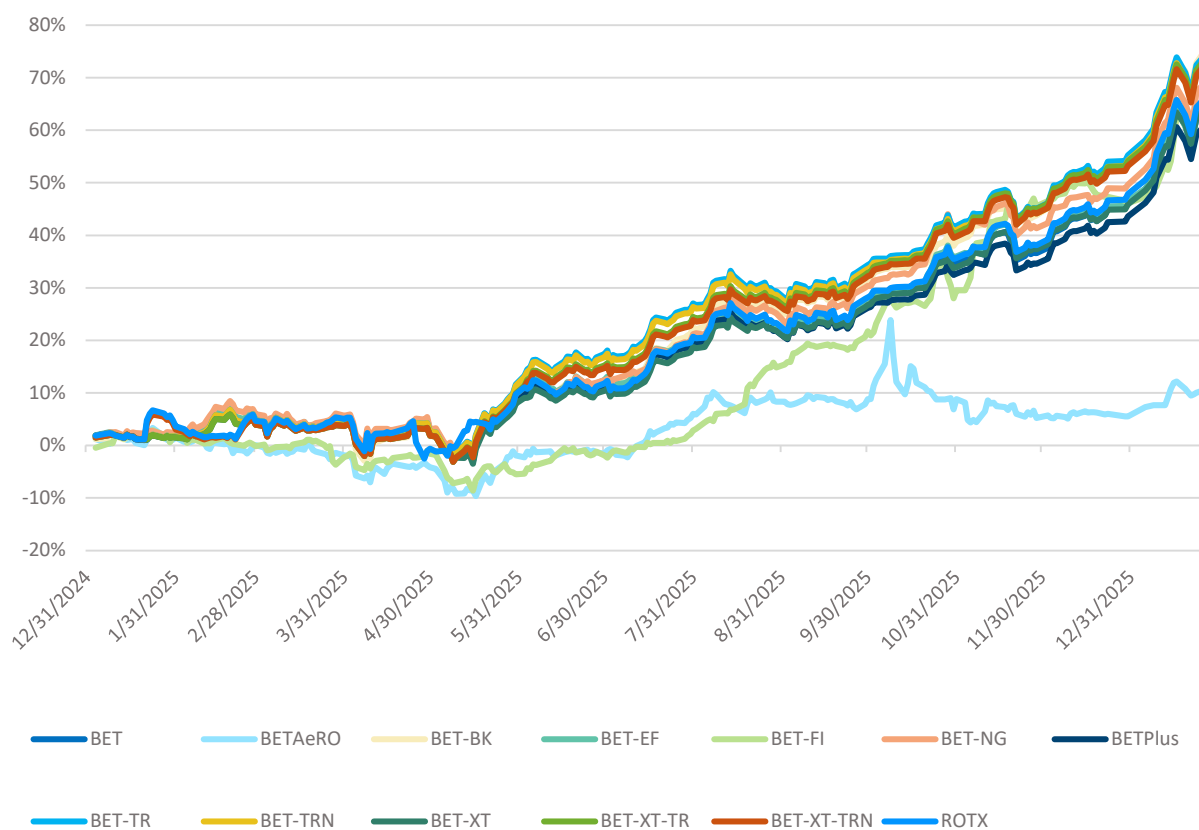
Source: ASF calculations

Figure 69 Evolution of the percentages invested in government securities in Pillar III



Source: ASF calculations

Figure 70 Evolution of BVB stock market indices in 2025 (2024 = 100)

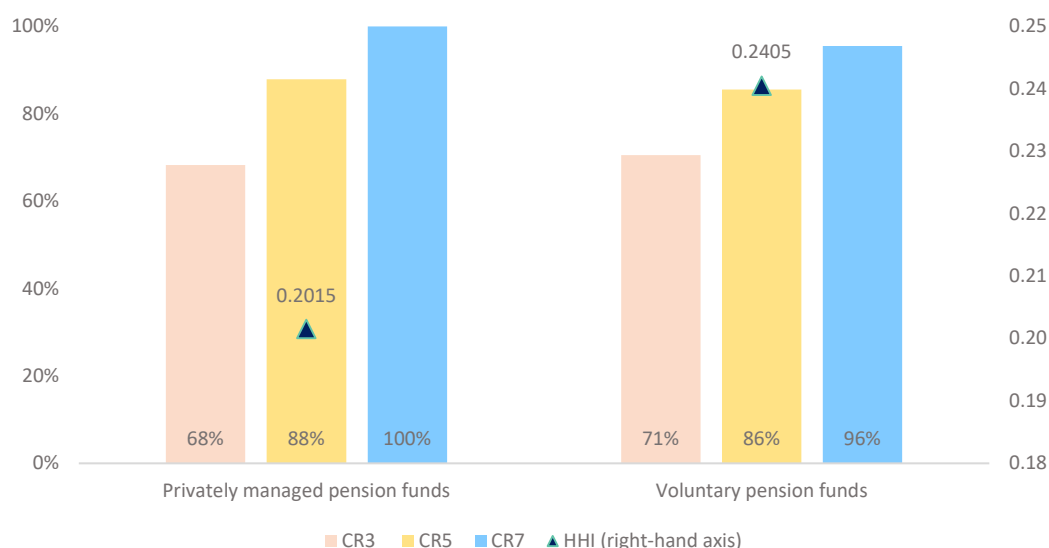


Source: BVB, ASF calculations

Degree of concentration

The privately managed pension market (Pillar II) is highly concentrated, with the top three pension funds accounting for 68% of assets at the end of December 2025. The concentration is similar in the case of voluntary pension funds (Pillar III), with the top three funds accounting for 71% of assets. This situation can be explained by factors related to the market structure, the small number of private pension funds, and the random allocation mechanism under Pillar II, whereby the majority of new entrants are distributed in equal shares among all Pillar II pension fund administrators.

Figure 71 Concentration of private pension funds (based on total assets at the end of December 2025, calculated using the indicators employed by the Competition Council)²²



Source: ASF processing

Participants' contributions to private pension funds are paid directly into the pension fund's account held with the depositary bank, which is authorised, regulated, supervised and controlled by the National Bank of Romania. Depositaries are jointly and severally liable, together with the administrators of private pension funds, for the safe custody of the assets of private pension funds, for verifying compliance with legal requirements regarding asset transactions and the daily calculation of the net asset value per unit, as well as for notifying ASF of any irregularities or errors identified. At the end of December 2025, asset custody services were provided by three credit institutions authorised by the National Bank of Romania (BNR): BRD-GSG, which holds the largest share of assets, at approximately 81.8%, Raiffeisen, 13.6%, and BCR, 4.6%.

Table 24 Market share of private pension fund depositaries as at 31 December 2025

Depositary	Value of assets in custody (billion lei)	% of total assets
BRD GSG SA	171.0	81.8%
Raiffeisen Bank SA	28.4	13.6%
BCR SA	9.6	4.6%
Total	209.0	100.0%

Source: ASF processing

²² CR3, CR5 and CR7 represent the market share of the top three, five and seven private pension funds, respectively, in each pillar, whilst the HHI represents the Herfindahl-Hirschman Index, calculated as the sum of the squares of the market shares of the pension funds in each pillar; the higher the HHI value, the greater the degree of concentration.

The market for custody services for private pension funds is *highly concentrated*. Furthermore, the complexity and importance of custody mechanisms for the proper functioning of these markets mean that the risk of substitution is high for the entity with the largest market share in this segment, namely BRD – Groupe Societe Generale. It is subject to prudential supervision by the National Bank of Romania and is already included in the category of other systemically important institutions in Romania (with an additional capital buffer imposed as a result of its inclusion in this category based on the score calculated in accordance with the methodology harmonised with the European Banking Authority's guidelines).

Market and currency risk

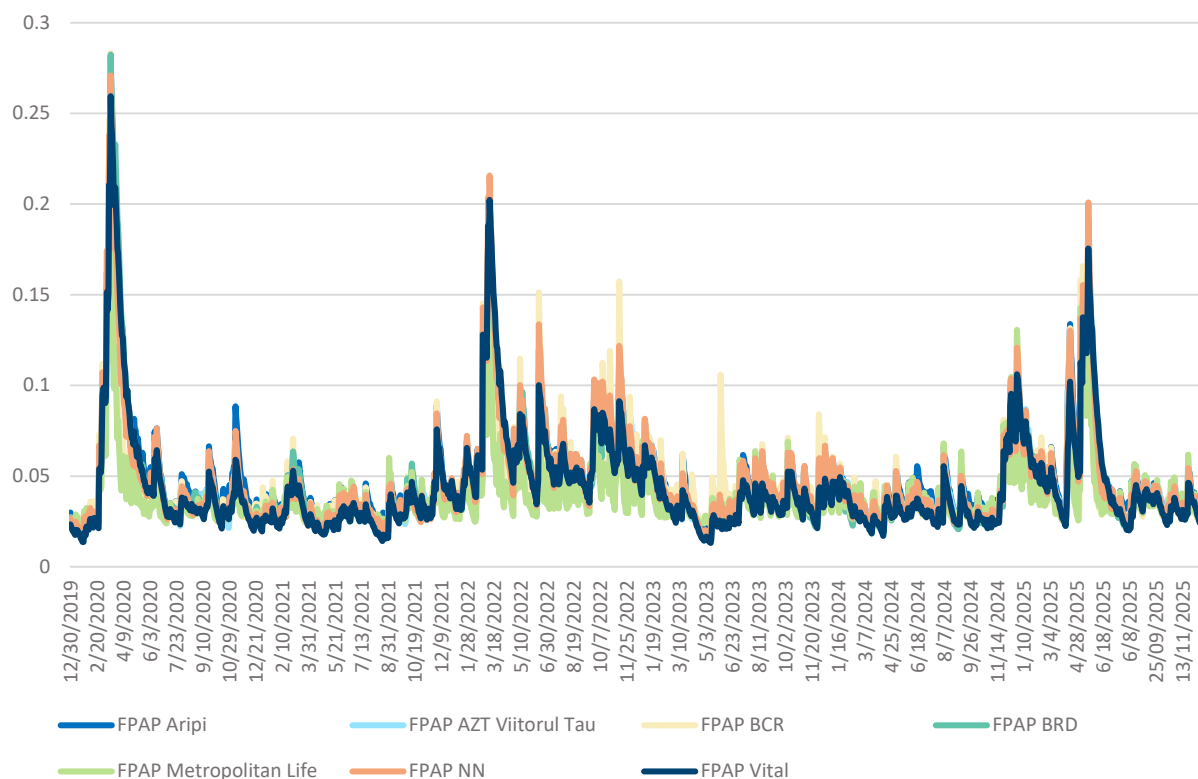
Market risk represents the risk of loss resulting from unfavourable fluctuations in the market prices of assets, interest rates or exchange rates. This is generally managed by the management through diversification, aiming to reduce the systemic risk component, but also by monitoring individual positions and risk indicators, alongside the possibility of actively managing portfolios in the short term. The uncertainty surrounding external events and geopolitical relations, against the backdrop of a new armed conflict in the Middle East, coupled with the trend towards a contraction in local economic activity following the fiscal measures implemented to reduce the budget deficit, increases macroeconomic risks, which may have a significant impact on the volatility and contagion of financial markets, triggering major corrections.

At the end of December 2025, private pension funds had invested the majority of their assets in financial instruments denominated in local currency (87.3%), followed by financial instruments denominated in euros (12.1%) and in US dollars (0.6%). Given the limited exposure to financial instruments denominated in foreign currency, currency risk was low, with some fund administrators using *forward* contracts—derivative financial instruments concluded on the banking market—for hedging purposes and to preserve the value of their euro-denominated holdings.

Periods of volatility in the financial market are reflected in the short term on the assets of private pension funds, which may experience periods of decline, their performance depending on the macro-financial context. Nevertheless, the assets of pension funds continued to grow following temporary periods of decline.

In December 2025, the volatility of the net unit assets of private pension funds returned to a moderate level, following a period of increased volatility in May 2025, when local financial markets experienced tensions in the context of the local presidential elections.

Figure 72 Evolution of the annualised daily volatility of Pillar II pension funds – GARCH (1, 1)

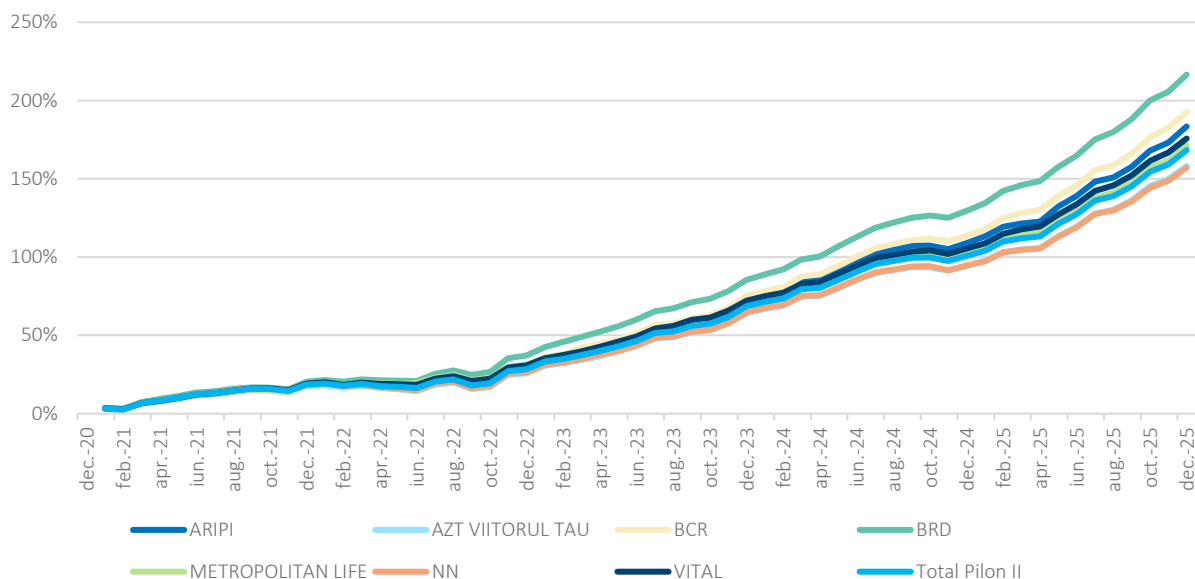


Source: ASF calculations (GARCH model, normal distribution for residuals)

The total value of assets held by privately managed pension funds (Pillar II) increased by more than 168% between the end of 2020 and the end of 2025, with the private pension system still in its accumulation phase and payments remaining at a low but rising level. The most pronounced growth in assets can be observed in the case of FPAP BRD and FPAP BCR. The increase in total assets is the result of contributions received and investment returns, from which payments made to participants for retirement, death or disability are deducted, as well as statutory fees charged against the fund's assets (the fee charged by the administrator from net assets and the fund's audit costs²³).

²³ in accordance with Article 86(1) and Article 108(2) of Law 411/2004, as republished, on privately managed pension funds.

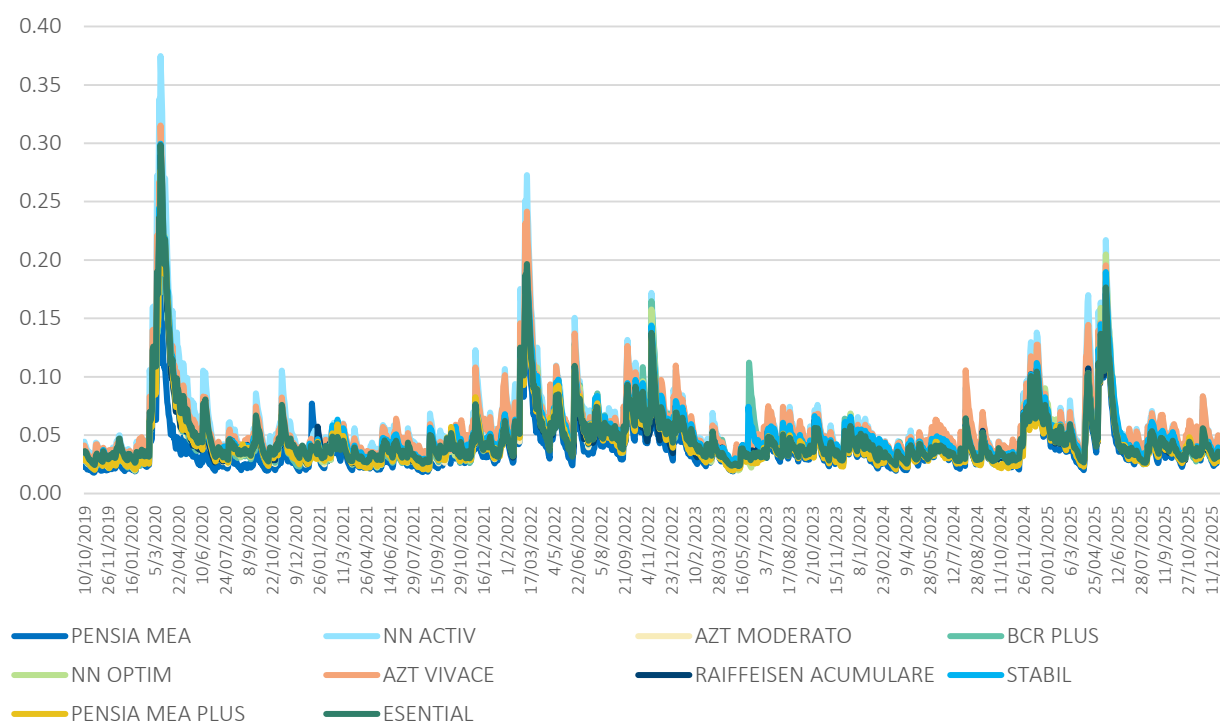
Figure 73 Evolution of total assets of privately managed pension funds (Dec. 2020=100%)



Source: ASF processing

The annualised volatility of Pillar III fund units follows the same trend as that recorded for Pillar II.

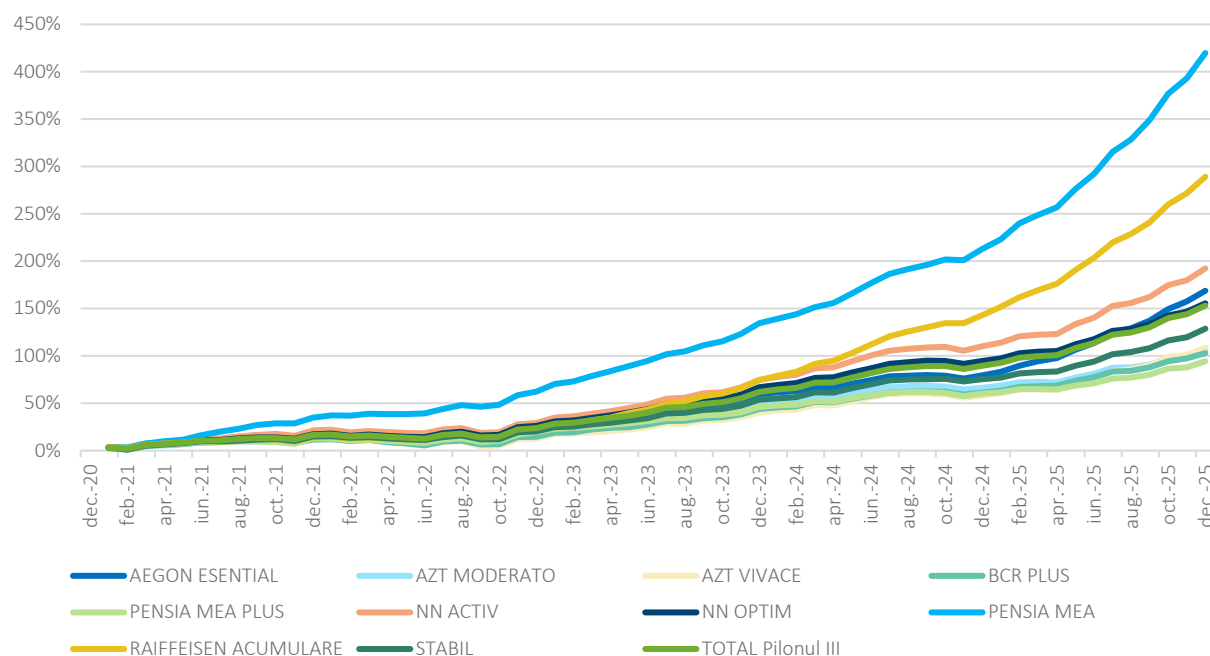
Figure 74 Evolution of the annualised daily volatility of Pillar III pension funds – GARCH (1, 1)



Source: ASF calculations (GARCH model)

Voluntary pension funds also recorded major increases in assets from December 2020 to the end of 2025, of over 153%. The most pronounced growth was recorded by FPF Pensia Mea and FPF Raiffeisen Acumulare. The increase in total assets is the result of contributions received and investment returns, from which payments made to participants for retirement, death or disability are deducted, as well as statutory expenses incurred from the fund's assets (management, custody, trading and banking fees, and the fund's audit fees²⁴).

Figure 75 Evolution of total assets of voluntary pension funds (Dec. 2020 = 100%)



Source: ASF processing

Given the uncertainty surrounding the macro-financial outlook, as well as the likelihood of market risks, including systemic risks, materialising, the performance of private pension funds' assets could be subject to temporary corrections in the coming period, although, by their very nature, private pension funds are long-term investors. To date, private pension funds have demonstrated the ability to successfully navigate periods of financial market vulnerability, maintaining an upward trend in total assets.

²⁴ in accordance with Article 47(3) of Law 204/2006 on voluntary pensions.

Credit risk

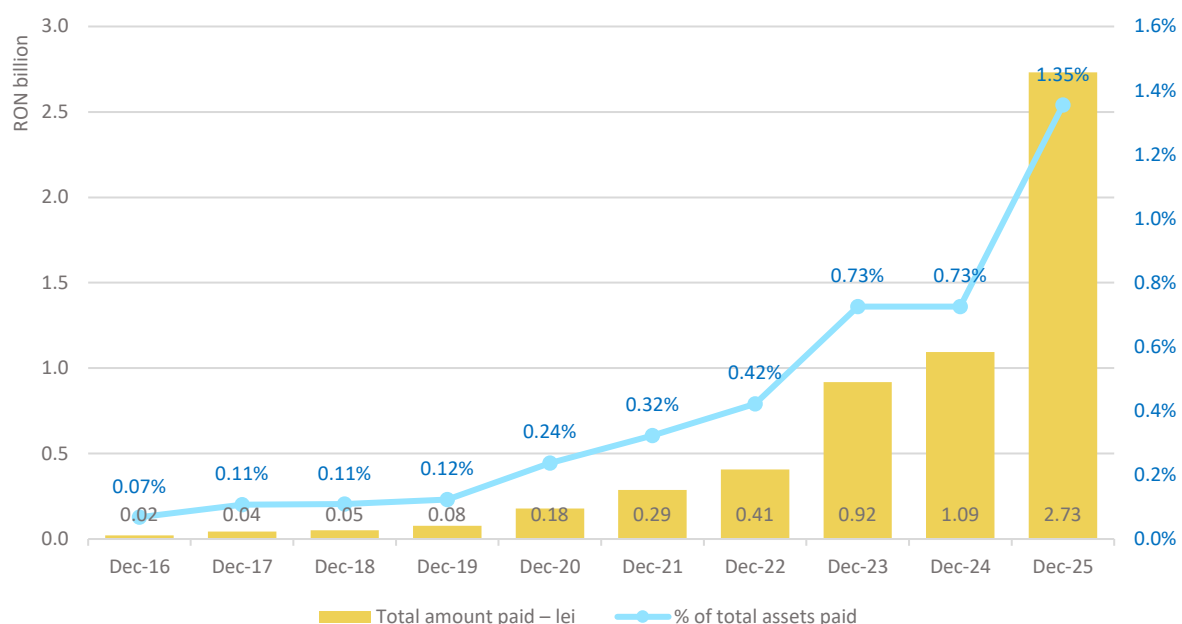
Given that there are quality requirements applicable to issuers of fixed-income instruments eligible for inclusion in private pension fund portfolios, *credit risk* remains low, but is on the rise, against a backdrop of increasing vulnerabilities and uncertainties regarding potential economic destabilisation, following heightened global geopolitical and trade tensions, which may affect the solvency of bond issuers.

Liquidity risk

Liquidity risk is at a low level, with 1.03% of private pension fund assets held in current accounts and short-term deposits. In terms of liquidity, the private pension system is currently resilient to claims for payment of assets, as it is in the accumulation phase (with funds receiving monthly contributions), and outflows from the system (due to death, disability, retirement, or transfer) are low relative to total assets, but are rising sharply each year.

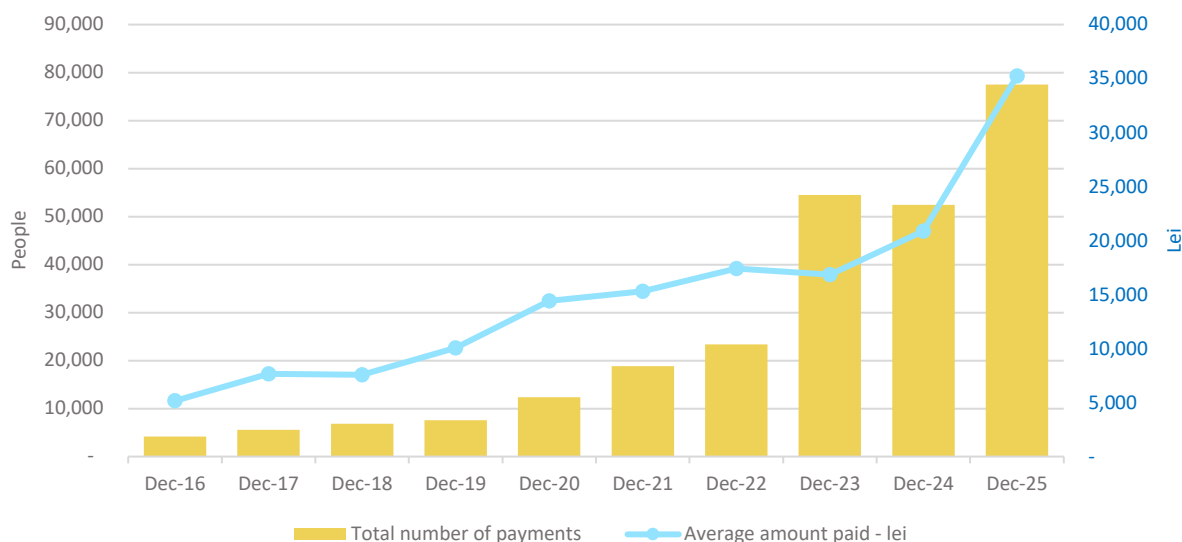
Under Pillar II, during 2025, payments of net personal assets amounting to approximately 2.73 billion lei were made to 77,503 participants or beneficiaries. Of the total value of payments made, 81% relates to the commencement of pension entitlement, 7.4% to the death of the participant and 11.6% to disability. The level of payments made in 2025 represented 1.35% of total assets at the end of December 2025.

Figure 76 Trend in annual payments from Pillar II and their share of total assets at the end of each year



Source: ASF processing

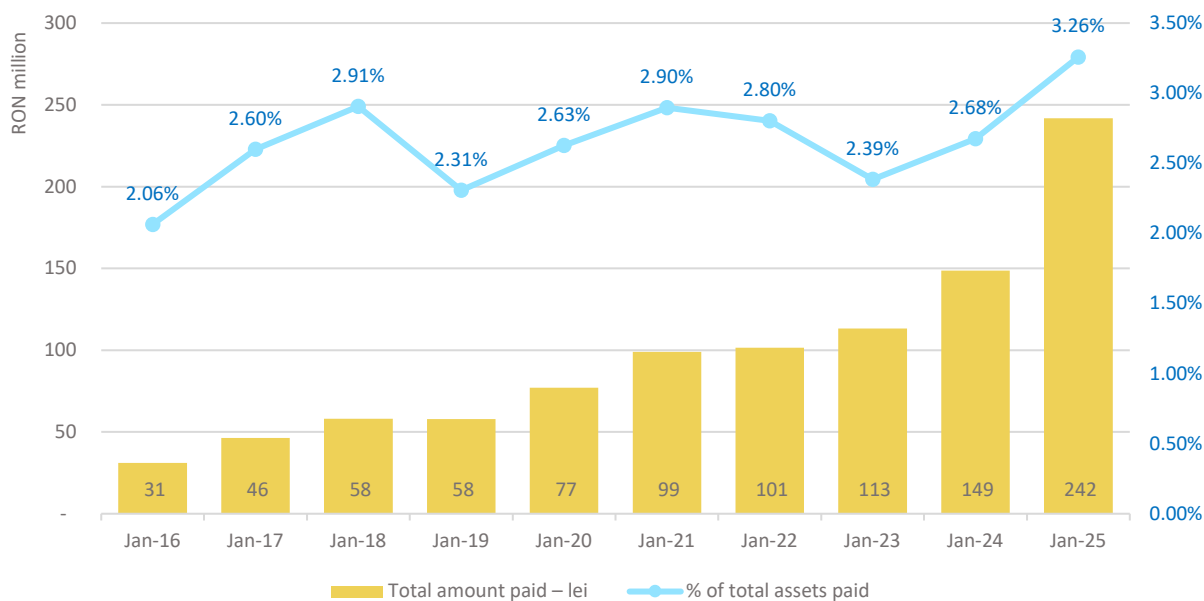
Figure 77 Trend in the number of payments in Pillar II and average amounts paid per person



Source: ASF processing

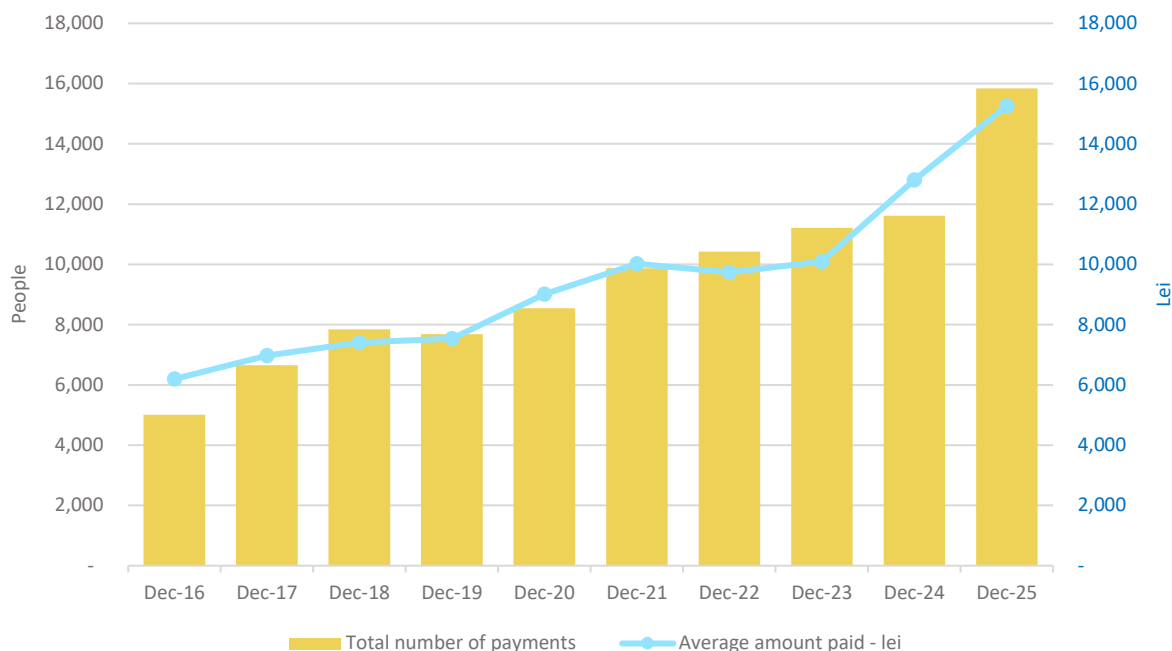
Under Pillar III, payments of net personal assets amounting to approximately 242 million lei were made to 15,842 participants or beneficiaries. Of the total value of payments made, 92.7% relates to the commencement of pension entitlement, 3.9% to the death of the participant and 3.4% to disability. The level of payments made in 2025 represented 3.26% of total assets at the end of December 2025.

Figure 78 Trend in annual payments from Pillar III and their share of total assets at the end of each year



Source: ASF processing

Figure 79 Evolution of the number of payments in Pillar III and the average amounts paid per person



Source: ASF processing

Solvency risk

To cover the minimum guaranteed value, the administrators of privately managed pension funds are required to set aside a technical provision from their own funds in accordance with the provisions of *Regulation No. 13/2012 on the actuarial calculation of the technical provision for privately managed pension funds*. The technical provision is established to cover the risks associated with the mandatory minimum investment guarantee set out in *Law No. 411/2004* and is used in the event that the value of a participant's personal assets falls below the value of the contributions paid to the participant, throughout the active period, less transfer penalties and statutory fees. Optionally, Pillar III administrators may offer guarantees similar to those in Pillar II. There are currently three voluntary pension funds that guarantee participants the sum of their net contributions.

The total value of the assets covering the technical provision set aside by administrators stood at 1.38 billion lei at the end of December 2025, and these assets were invested in securities issued by the Romanian state (89.5%) and bank deposits with depositary banks (10.5%). Of these, 1.33 billion lei were in Pillar II and 54 million lei in Pillar III.

The Private Pension System Rights Guarantee Fund was established as a further safety net for the private pension system. We therefore consider that *the solvency risk* of private pension funds remains at a low level.

Operational risk

Operational risk is at a low but rising level, against the backdrop of an increase in large-scale cyber attacks. Pension fund administrators are required to continuously monitor and assess operational processes to mitigate this risk. In this regard, *ASF Regulation No. 6/2015 on the management of operational risks arising from IT systems used by entities regulated, authorised and/or supervised by ASF* is applied. To date, no cyber attacks on the pension fund industry have been reported.

Other mechanisms for protecting participants

Given the mandatory nature of the privately managed pension system in Romania, several mechanisms to protect participants have been established by law, including a minimum rate of return for each risk category of private pension funds. A situation in which a fund were to consistently achieve rates of return below the minimum rate would trigger the application of special supervisory measures to remedy the situation. None of the existing private pension funds has recorded rates of return below the minimum thresholds.

The structure of the private pension system in Romania provides for multiple mechanisms to protect participants' rights, including: segregation of assets between administrators and funds, additional checks and validations by depositaries, technical provisions set aside by administrators, enhanced reporting and transparency requirements, to which is added the Private Pension System Rights Guarantee Fund (FGDSPP). This market structure, together with all the mechanisms for protecting the rights of individuals enrolled in the system, is designed to mitigate risks to the stability of the private pension market in Romania.

5.5. Private pensions: institutional investors in the capital market

Against the backdrop of demographic pressures and the need to strengthen the sustainability of pension systems, private pension funds are an essential component of the financial architecture in many European countries. Through their accumulation and investment mechanisms in the capital market, these funds not only provide additional income for contributors' future pensions, but also contribute to the financial development of local and regional markets by increasing the depth, liquidity and diversification of the instruments available to institutional investors. Private pension systems also represent an essential mechanism for long-term fiscal sustainability.

Significant demographic challenges, characterised by rapid population ageing, falling birth rates and rising life expectancy, are placing considerable pressure on public pension systems.

In this context, several countries in Central and Eastern Europe have implemented comprehensive pension reforms, moving from an exclusively public *pay-as-you-go* pension system to multi-pillar systems. This transition has led to an increase in long-term investment funds and supported the development of local capital markets.

This analysis examines the evolution and characteristics of private pension systems in seven Central and Eastern European (CEE) Member States of the European Union: Romania, Bulgaria, Poland, Slovakia, Slovenia, Croatia and the Czech Republic, and how they contribute to capital market growth. These countries have distinctive features regarding the architecture of their private pension systems, their degree of maturity and their impact on capital markets.

From the perspective of capital market development, private pension funds play a crucial role as institutional investors with long-term investment horizons. The assets accumulated in these funds have shown steady growth, reaching significant levels relative to national GDP in most of the countries analysed. This growth has contributed to an increase in market capitalisation and liquidity in local capital markets, the development of the government and corporate bond segment as an alternative source of financing, the improvement of corporate governance, and the facilitation of financing for the real economy through the capital market channel.

From the perspective of financial stability, private pension funds have distinctive characteristics that contribute positively to the resilience of the financial system:

- Long-term investment horizon: unlike other institutional investors, private pension funds can adopt investment strategies with a long-term horizon, reducing volatility and procyclical behaviour in capital markets.
- Diversification of funding sources: through the capital markets, pension funds offer companies and the state funding alternatives to the banking sector, thereby reducing risk concentration.
- Development of capital market infrastructure: The presence of significant institutional investors stimulates the development of market infrastructure (trading systems, clearing/settlement, custody) and raises standards of transparency and corporate governance.

- Financial education and openness to investment: participation in a private pension system helps to increase the population's financial literacy and foster a culture of saving and long-term investment.

At the same time, the scale of private pension schemes also poses certain challenges from a financial stability perspective, which require appropriate supervision and regulation: investment risks and the protection of participants, managing retirement in conditions of market volatility, interconnection with other segments of the financial system, and the impact of investment concentration on certain asset classes.

Characteristics of private pension systems in CEE countries

The private pension fund system in **Romania**, through its components – mandatory private pensions (Pillar II), voluntary pensions (Pillar III) and occupational pensions (Pillar IV), together with the public system (Pillar I), completes the architecture of the Romanian pension system, with the aim of providing an adequate replacement income for future pensioners. Pillar II operates with a contribution of 4.75% of gross salary, allocated from the social insurance contribution. Pillar III allows for tax deductibility of up to 400 euros annually. Throughout the operation of private pension funds, the administrator invests their assets solely in the instruments provided for by Law No. 411/2004 on privately managed pension funds and, respectively, by Law No. 204/2006 on voluntary pensions, in compliance with the limits set for each asset class. Thus, exposure may be up to 50% in shares (for both Pillar II and Pillar III), up to 70% in government bonds for Pillar II and up to 100% for Pillar III.

The private pension system differs fundamentally from the public pension system, a system based on redistribution and solidarity between and within generations, in which the working generation supports, through both personal and employer contributions, the payment of pensions for those who have ceased working. The main shortcoming of the redistributive pension system is that it depends essentially on there being at least a balance between the number of employees and contributors and the number of pensioners.

The multi-pillar pension system model implemented in Romania has been the subject of reforms in several European countries: Bulgaria, Croatia, Latvia, Estonia, Poland and Hungary (in the latter two countries, the reforms have been reversed through nationalisation).

In **Bulgaria**, the private pension system comprises Pillar II, which is mandatory for people born after 1959 and was introduced around the year 2000, and Pillar III, which is voluntary; both are defined-contribution schemes managed by private providers. The contribution to Pillar II is 5% of gross income, transferred from the public system. Contributions to Pillar III are tax-exempt up to a certain limit, offering tax incentives for additional saving. According to the latest information from the OECD, by the end of 2024, the investment limits for Pillar II are 25–27% for shares and 100% for government bonds. In the case of Pillar III, the maximum limit that can be invested in shares or government bonds is 100%.

Poland has a three-pillar pension system: Pillar I (national PAYG accounts), Pillar II (defined-contribution, voluntary since 2014, introduced in 1999) and Pillar III (voluntary). Pillar II, represented by Open Pension Funds (OFE – Otwarte Fundusze Emerytalne), has undergone major changes over the last decade. Initially

compulsory for most employees, the system was substantially reformed in 2014, when more than half of OFE assets were transferred to the public system (ZUS). Currently, participation in the OFE is voluntary, and the contribution to this pillar is 2.92% of gross monthly salary.

The main recent reform is the introduction of Employee Capital Plans (PPK – Pracownicze Plany Kapitałowe) in 2019, which operate as an automatic enrolment scheme in the occupational Pillar III. The PPK is quasi-mandatory for employers (with certain exceptions) and provides for minimum contributions of 1.5% of salary from the employer (up to a maximum of 4%) and 2% from the employee (up to a maximum of 4%).

The investment limit for Pillar II pension funds is 100% for shares, whilst exposure to government bonds is prohibited. In the case of Employee Pension Schemes (PPE – Pracownicze Programy Emerytalne), investment vehicles under Pillar III, the investment limit for equities is 100% and the same applies to sovereign bonds. On the other hand, for PPK there are specific rules regarding asset allocation based on the participant's age (life-cycle funds), with greater exposure to shares for younger participants and a gradual shift towards more conservative investments as they approach retirement age, with limits of a maximum of 80% in shares and a maximum of 100% in government bonds.

Slovakia operates a three-pillar pension system: Pillar I (a PAYG scheme), Pillar II (introduced in 2005, which became mandatory through automatic enrolment for workers under 40) and Pillar III (voluntary). The contribution to Pillar II is 4% of gross salary. Pillar III allows for flexible contributions with tax incentives.

Bond-guaranteed pension funds under Pillar II cannot invest in shares, and investments in government bonds and other public debt instruments are permitted up to a limit of 100%. In contrast, non-guaranteed index-linked funds may invest up to 100% in shares and a maximum of 5% in government bonds. Other types of private pension funds under Pillar II have maximum limits depending on the type of fund. Voluntary pension funds under Pillar III may invest up to 100% in both shares and government bonds.

In **Slovenia**, the pension system comprises Pillar I (mandatory, PAYG), Pillar II (occupational, mandatory for certain sectors – public, banking, etc. – and voluntary for others, reformed in 2000) and Pillar III (voluntary personal). Occupational pension schemes (Pillar II) involve a monthly contribution of up to 5.84% of gross salary. There is no mandatory contribution level for voluntary schemes (Pillar III), but these are tax-exempt up to a certain level. Companies and mutual pension funds may invest up to 100% in shares and up to 100% in government bonds, subject to certain conditions.

The Czech Republic has a pension system based primarily on two pillars: the mandatory state PAYG scheme (Pillar I) and supplementary voluntary schemes (Pillar III). Pillar II was introduced on a trial basis in 2013 but was abolished in 2016 due to low public interest. Funds accumulated with s were transferred back to the public system or into personal accounts. Pillar III includes the DPS (Supplementary Pension Savings) with a monthly state subsidy and significant tax benefits, as well as the DIP (Long-Term Investment Product) introduced in 2024, which offers more flexible investment options. Voluntary pension schemes can invest up to 100% in both shares and government bonds, depending on the type of fund and strategy.

Croatia has a three-pillar system: Pillar I (a defined-benefit PAYG scheme), Pillar II (a mandatory defined-contribution scheme, introduced in 2002) and Pillar III (voluntary). Pillar II is mandatory for people who were under 40 in 2002, with contributions amounting to 5% of gross salary. Pillar III, which is voluntary, offers tax incentives for participants: employer contributions are tax-free up to EUR 67 per month, and the state provides a bonus of 15% of total annual contributions.

Mandatory pension funds in category A (higher-risk funds) may invest up to 65% in shares and up to 100% in government bonds; those in category B (moderate-risk funds) may invest up to 40% in shares and up to 100% in government bonds, and those in category C (conservative funds) may invest up to 100% in government bonds, whilst investments in shares are not permitted.

With regard to Pillar III, open-ended voluntary pension funds have an investment limit of 100% for both shares and government bonds. For closed-ended, defined-contribution funds, the investment limit for shares may be a maximum of 70%, whilst for government bonds it is 100%. In the case of closed-end voluntary pension funds (with defined benefits), the investment limit for shares is 20%, and for government bonds it is a maximum of 100%.

Trends in private pension scheme assets

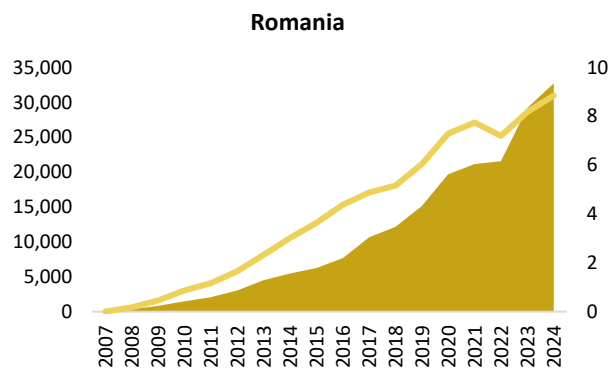
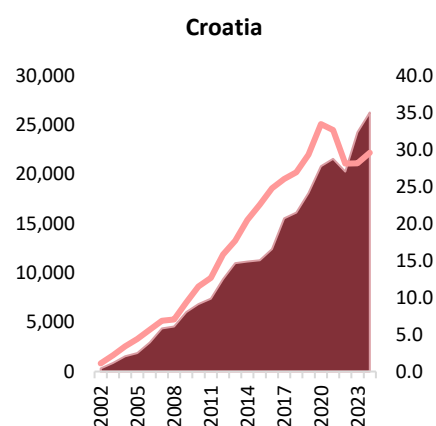
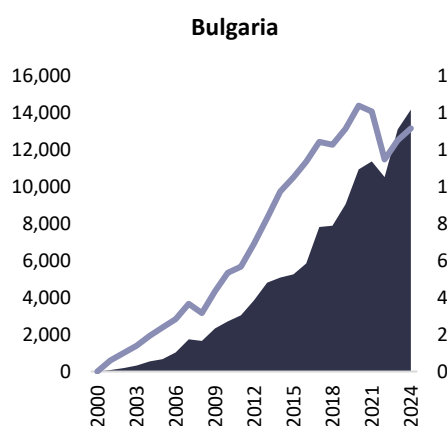
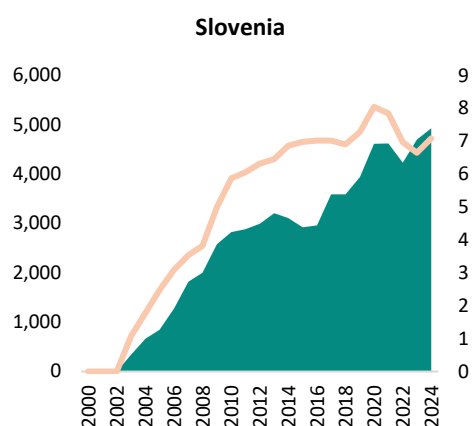
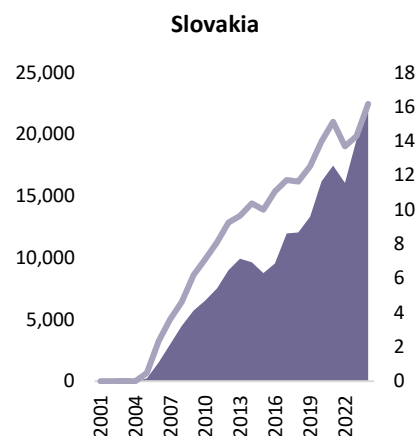
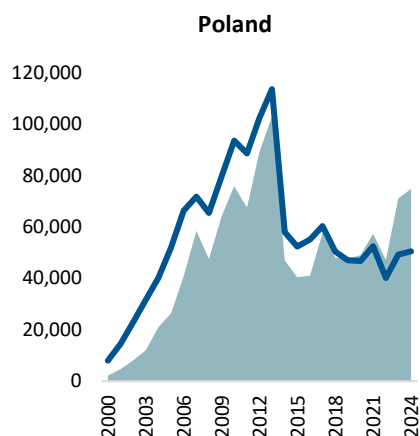
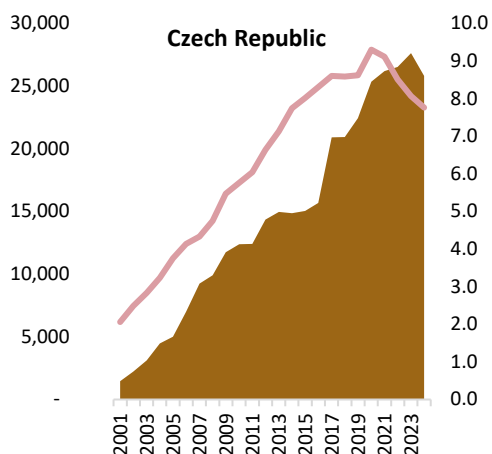
The assets of private pension funds in the countries analysed recorded significant growth between 2000 and 2024, reflecting the maturation of these systems and their consolidation as an important source of long-term savings.

Poland shows the most impressive growth, with assets rising from USD 2.22 billion in 2000 to USD 74.72 billion in 2024, representing a solid expansion. This performance reflects both the major structural reforms of the Polish system and the size of the country's economy and population.

Croatia and Slovakia, although starting from very low initial levels, have shown remarkable growth following the introduction of the mandatory Pillar II. Croatia has grown from USD 327 million in 2002 to USD 26.26 billion in 2024, whilst Slovakia has risen to USD 22.01 billion by the end of 2024. The Czech Republic shows a positive trajectory, with steady growth until 2023 (when it reached USD 27.63 billion), followed by a sharp decline to USD 25.80 billion the following year. Bulgaria has shown a gradual but steady increase, from USD 84 million in 2001 to USD 14.16 billion in 2024, reflecting the stability of the legislative framework. Slovenia remains at modest levels (USD 4.93 billion in 2024), a consequence of the absence of a mandatory pillar, with the system relying predominantly on public pensions and limited occupational schemes.

Romania has seen rapid growth following the introduction of Pillar II in 2008, with assets rising from negligible levels to USD 32.75 billion by the end of 2024. Of all the countries analysed, Romania has shown a consistent upward trend. The growth in assets was driven mainly by high levels of contributions to the private pension system, which is currently in the accumulation phase.

Figure 80 Evolution of private pension fund assets in selected countries, 2000–2024

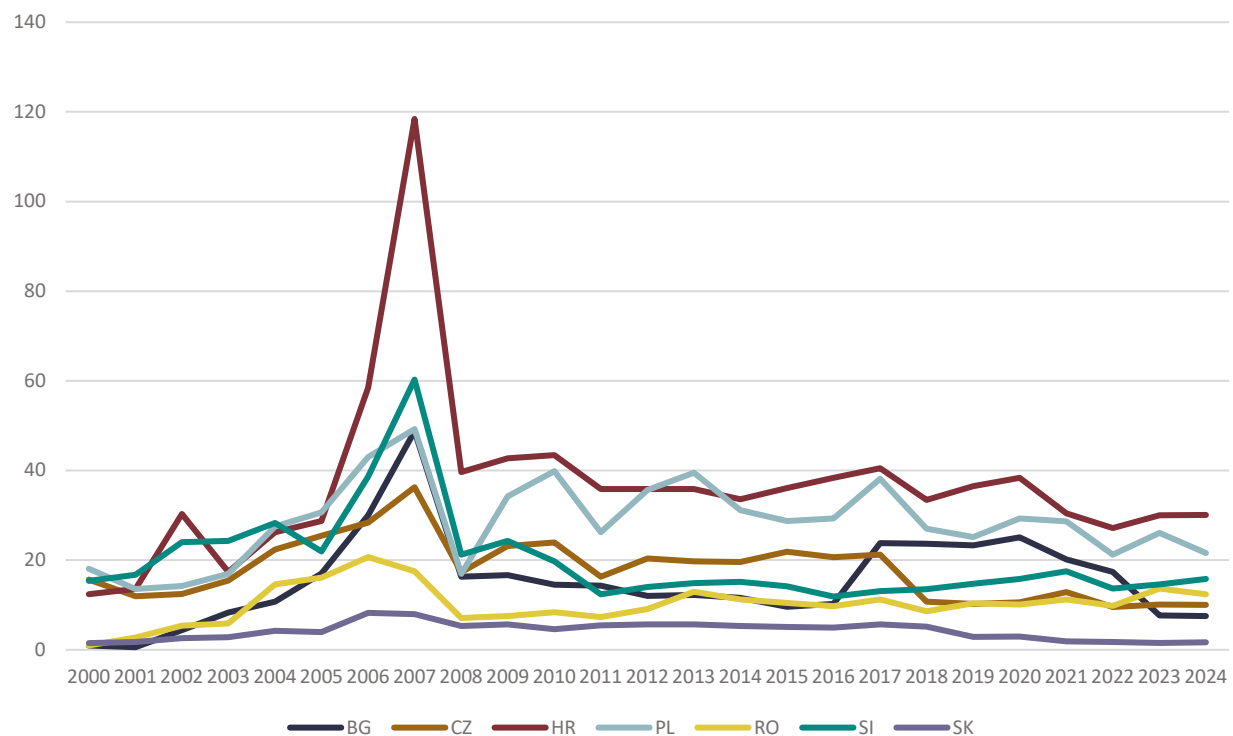


Source: OECD; the left-hand axis represents private pension scheme assets in millions of USD; the right-hand axis represents private pension scheme assets as a percentage of GDP

Capital market trends in CEE countries

The chart below illustrates the evolution of market capitalisation as a percentage of GDP for Central and Eastern European countries: Bulgaria (BG), Croatia (HR), Romania (RO), Slovakia (SK), the Czech Republic (CZ), Poland (PL) and Slovenia (SI), between 2000 and 2024. The data reflect a common trajectory marked by the boom prior to the financial crisis and the major correction in 2008–2009. Subsequently, the data indicate a lower volatility regime for all the countries analysed.

Figure 81 Evolution of market capitalisation (% of GDP)



Source: World Bank, ASF processing

Until 2007–2008, all markets experienced rapid growth, fuelled by inflows of foreign capital, privatisations and the high valuations typical of emerging markets. Croatia saw the most dramatic rise, reaching a peak of around 120% of GDP in 2007. This rise was the result of a combination of economic and structural factors: massive listings, market consolidation through the merger of two stock exchanges, a credit boom and enthusiasm among foreign investors.

The financial crisis triggered a uniform contraction, of 30–60% in most cases, followed by stability at levels significantly lower than the 2007 peaks. Between 2015 and 2024, Poland remains at relatively high and stable levels (approx. 20–30% of GDP), reflecting a deeper and more diversified market. Over the last decade, Croatia has stood out for having the highest level of market capitalisation as a percentage of GDP. The Czech Republic, Romania and Slovenia are hovering around the 10–15% of GDP range, whilst Bulgaria's market capitalisation has fallen to 7.5% of GDP in 2024, following a five-year period in which

the level reached over 20%. Slovakia remains at a modest level of market capitalisation, at around 1.65% of GDP.

Most of the countries analysed introduced Pillar II between 2000 and 2008 (Croatia – 2002; Poland, Bulgaria, Slovakia, Romania – 2008), with the explicit aim of reducing pressure on public budgets, a subsequent objective being to channel long-term savings into local capital markets. Empirical studies on EU Member States in Central and Eastern Europe confirm a positive effect of private pension fund assets on market capitalisation, both in the short term (increased demand for shares and bonds) and in the long term (improved liquidity and diversification).

As demonstrated by Khan, Li and Zhao (2025) in their paper ‘Pension Reform and Stock Market Development’, a one-percentage-point increase in contributions to FICMI ⁽²⁵⁾ pensions (as a percentage of GDP) is associated with an increase of approximately 2 percentage points in market capitalisation (as a percentage of GDP). At the same time, the same increase is associated with a decrease of approximately 1.8 percentage points in bank credit relative to GDP, indicating a shift from debt financing to equity financing.

In Poland, open-ended pension funds account for a significant share of the capital market structure. At an aggregate level, in 2022, they accounted for approximately 21% of total market capitalisation and over 43% of the free float of companies listed on the Warsaw Stock Exchange. Open-ended pension funds are shareholders in around 50% of the companies listed on the Polish stock exchange. Between 2014 and 2022, there was, on the one hand, a downward trend in the percentage of listed companies in which pension funds hold stakes and, on the other hand, a steady increase in the share of pension funds in both the total market capitalisation and the free float of the market. As a consequence of these changes, there has been an increase in the size of the stakes held by pension funds in the companies in their portfolios.²⁶

Romania has experienced a similar effect since 2008: Pillar II assets have grown rapidly, and private pension funds are among the most significant investors on the Bucharest Stock Exchange, often holding significant positions in Romanian stock indices. This steady flow of capital has supported new listings and improved the liquidity of the Romanian capital market. As at 30 June 2025, the private pension system in Romania had 23.74% of its investments in shares, with 86% of this figure accounted for by 10 companies, which are among the most traded on the main segment of the Bucharest Stock Exchange (BVB).

In conclusion, the chart highlights that the evolution of market capitalisation in the region has been dominated by global economic cycles, yet private pension funds have played a key catalytic role in some countries. In Poland, although Pillar II (OFE) is no longer mandatory following the 2014 reform, private pension funds, through their accumulated assets, continue to represent a dominant institutional investor on the Polish stock market, holding over 20% of total market capitalisation and over 43% of the free float. In Romania, the mandatory nature of Pillar II continues to generate steady capital inflows into the local market. In both cases, private pension funds have contributed to a better allocation of domestic savings

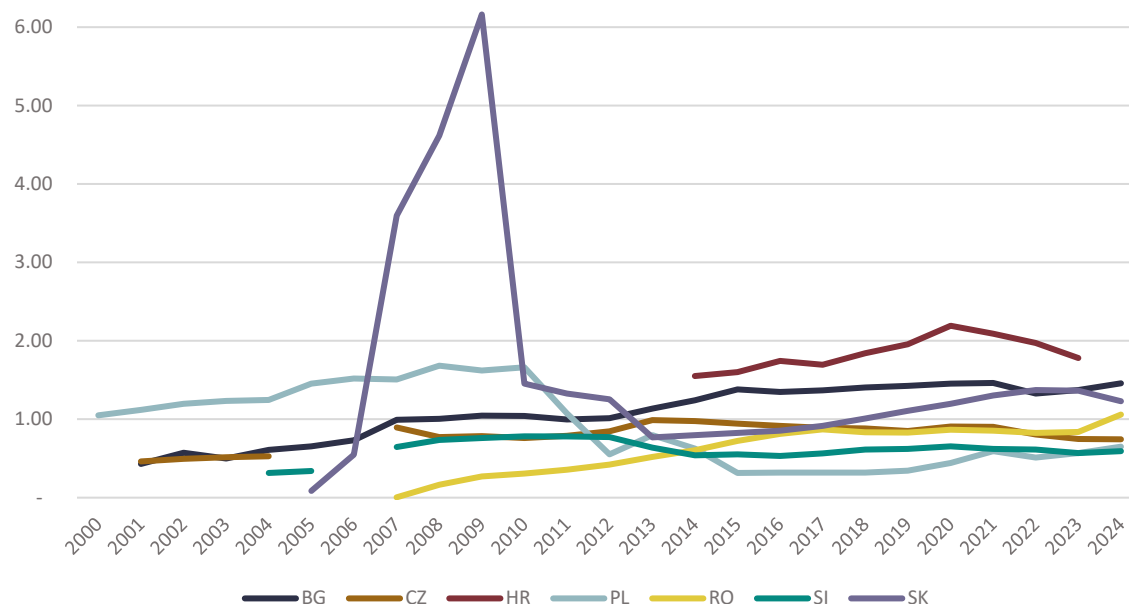
²⁵ fully-funded, individually-owned, collectively-managed, mandatory/incentivised

²⁶ Alina SZEWC-ROGALSKA and Marek WĄSACZ 2024, The role of pension funds in corporate governance of portfolio companies

towards the long-term financing of the economy, reducing dependence on volatile foreign capital, which is an essential element for medium- and long-term financial stability.

Contributions to pension schemes in CEE countries

Figure 82 Trends in contributions to private pension funds (% of GDP)



Source: OECD, ASF processing

The figure above illustrates the evolution of annual contributions to private pension funds as a percentage of GDP for the period 2000–2024 in the seven countries analysed. The data reflect the inflow of new resources allocated to private pension systems, which are essential for providing supplementary retirement income, whilst also bringing significant benefits for the long-term financing of the economy and the development of the capital market.

In most of the countries analysed, there is a general trend of gradual growth in contributions, excluding the extreme levels during the crisis, which reflects the progressive maturing of private pension systems and the gradual accumulation of assets within these systems. However, contribution levels remain relatively moderate, generally ranging between 0.5% and 2% of GDP.

Romania has shown an upward trend since the introduction of the private pension system, with relatively rapid growth in the early years of operation, followed by a stabilisation at levels close to 1% of GDP. This trend reflects both the gradual increase in contributions to Pillar II (2.0% – 2008, 2.5% – 2009, 3.0% – 2010, 3.5% – 2012, 4.0% – 2013, 4.5% – 2014, 5.0% – 2015, 5.1% – 2016, 3.75% – 2018, 4.75% – 2024), as well as the influence of legislative changes on the system’s growth rate.

In contrast, Poland recorded a high initial level compared to the other countries, at 1.1% in 2000, followed by a substantial decline to 0.7% of GDP in 2024. The decline in the contribution rate is mainly due to the 2014 reform, when more than half of the OFE assets were transferred to the public system.

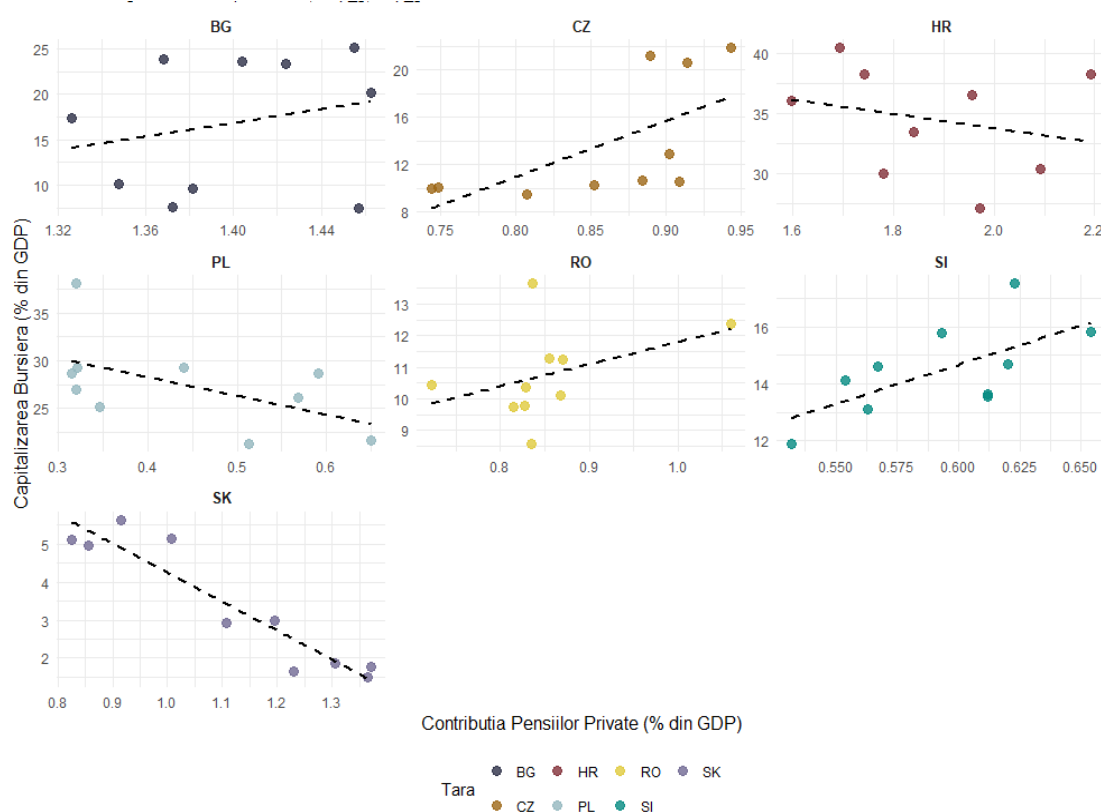
Slovakia shows an atypical trend, starting from very low levels in 2003, reaching a peak of 6.2% of GDP in 2009 and falling to 1.2% of GDP in 2024. Bulgaria shows an upward trend in the level of contributions relative to GDP, rising from 0.4% in 2001 to 1.5% of GDP in 2024. Based on available data, Croatia has the highest contributions relative to GDP, at around 2%. Slovenia and the Czech Republic recorded figures below 1% of GDP for contributions to private pension funds.

The significant differences between countries reflect not only different economic cycles, but also fundamental public policy choices regarding the balance between redistributive public pension systems and capital-accumulation-based private systems. Romania, in particular, is in a phase of consolidation and expansion of its privately managed pension system, with total assets representing 10.27% of GDP at the end of the third quarter of 2025.

The link between private pension funds and the capital market

The chart highlights the relationship between contributions to private pension funds (% of GDP) and market capitalisation (% of GDP) for a selected group of economies in Central and Eastern Europe, over the period 2015–2024.

Figure 83 Correlation between contributions to private pensions (% of GDP) and market capitalisation (% of GDP) for the period 2015–2024



At the aggregate level, the correlation calculated for the entire sample is positive, but of low strength (Pearson correlation coefficient of approximately 0.25). This value suggests the existence of a positive association between contributions to the private pension system and capital market development, but also indicates significant heterogeneity across countries, driven by structural, institutional and macroeconomic characteristics.

In Romania and Slovenia, the analysis suggests a positive association between contributions to private pensions and market capitalisation during the period analysed. In these cases, the gradual increase in contributions to private pension funds is associated with a rise in capital market capitalisation, suggesting a possible complementarity between the development of institutional investors and the deepening of the stock market.

The Czech Republic also shows a positive relationship, albeit a more dispersed one, which may reflect the influence of additional factors, such as the structure of pension fund portfolios or the relatively small size of the domestic stock market.

Bulgaria shows a weak positive relationship, with significant variations in market capitalisation for relatively similar levels of private pension contributions. This result reflects the relative immaturity of both markets (the private pension market and the capital market) and specific structural factors rather than a direct causality between the two variables.

Poland, Croatia and Slovakia show a negative or inverse relationship over the period analysed. In these cases, the increase in contributions to private pension funds was not accompanied by an expansion in market capitalisation, which may reflect specific factors such as: pension system reforms that affected flows to the capital market or a decline in the number of issuers or the free float on local stock markets.

Overall, the results support the view that private pension funds represent a potential driver of capital market development, but their effects are not automatic and require an appropriate institutional and regulatory framework.

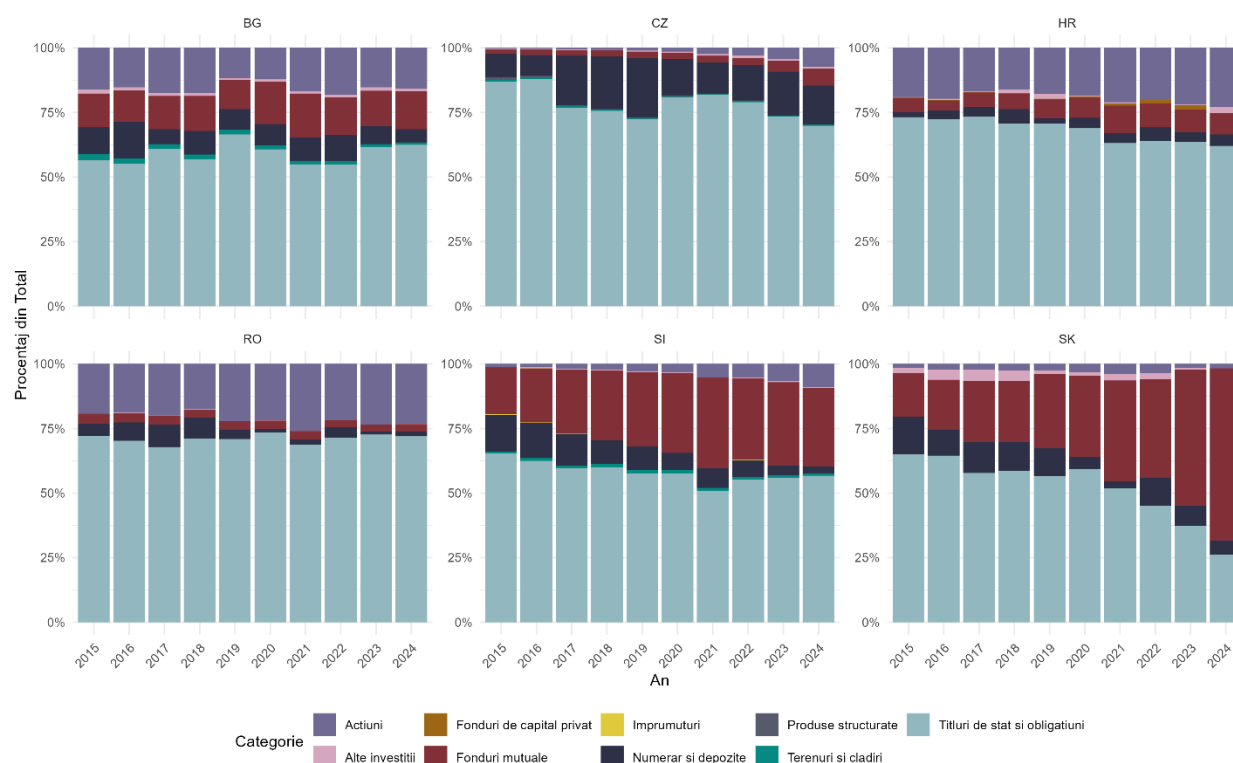
Investments by private pension funds

An analysis of the investment structure of pension funds over the period 2015–2024 highlights significant differences between the economies studied, reflecting institutional, regulatory and local financial market development characteristics. Overall, the portfolios of pension funds in the region are characterised by a high proportion of investments in fixed-income instruments (bonds and government securities), thereby reinforcing the prudential profile of these institutional investors and ensuring the primary objective of protecting participants.

In most of the countries analysed (Romania, the Czech Republic, Bulgaria and Croatia), government bonds and bonds represent the main asset class, with shares generally exceeding 60% of total portfolios. In emerging economies and those with less developed capital markets, pension funds tend to hold portfolios concentrated in low-risk, highly liquid instruments, particularly government debt. This orientation is also linked to the specific nature of private pension funds, whose main objective is to provide additional income to participants upon retirement.

The share of equity investments varies considerably between countries. In Romania, equity investments remain moderate, reflecting the limited size and liquidity of the local capital market.

Figure 84 Investment structure of private pension funds for the period 2015–2024



Source: OECD, ASF calculations

On the other hand, Poland has invested over 80% in equities following the 2014 reform, under which all Polish government bonds in the portfolios of OFE (Open Pension Funds) were transferred to the public pension institution (ZUS). The reform introduced a mandatory minimum equity exposure of at least 75% in 2014, with this threshold being gradually reduced in subsequent years.

Investments in cash and bank deposits account for a relatively small share in most countries, indicating limited use of these instruments as a strategic allocation, as they are predominantly used for liquidity management. Other asset classes, such as loans, private equity funds or real estate investments, have marginal shares in the analysed portfolios, reflecting both regulatory constraints and the need to direct assets towards less risky investments in order to protect participants' personal assets, with a view to ensuring the main objective of private pension funds – supplementing contributors' income upon retirement.

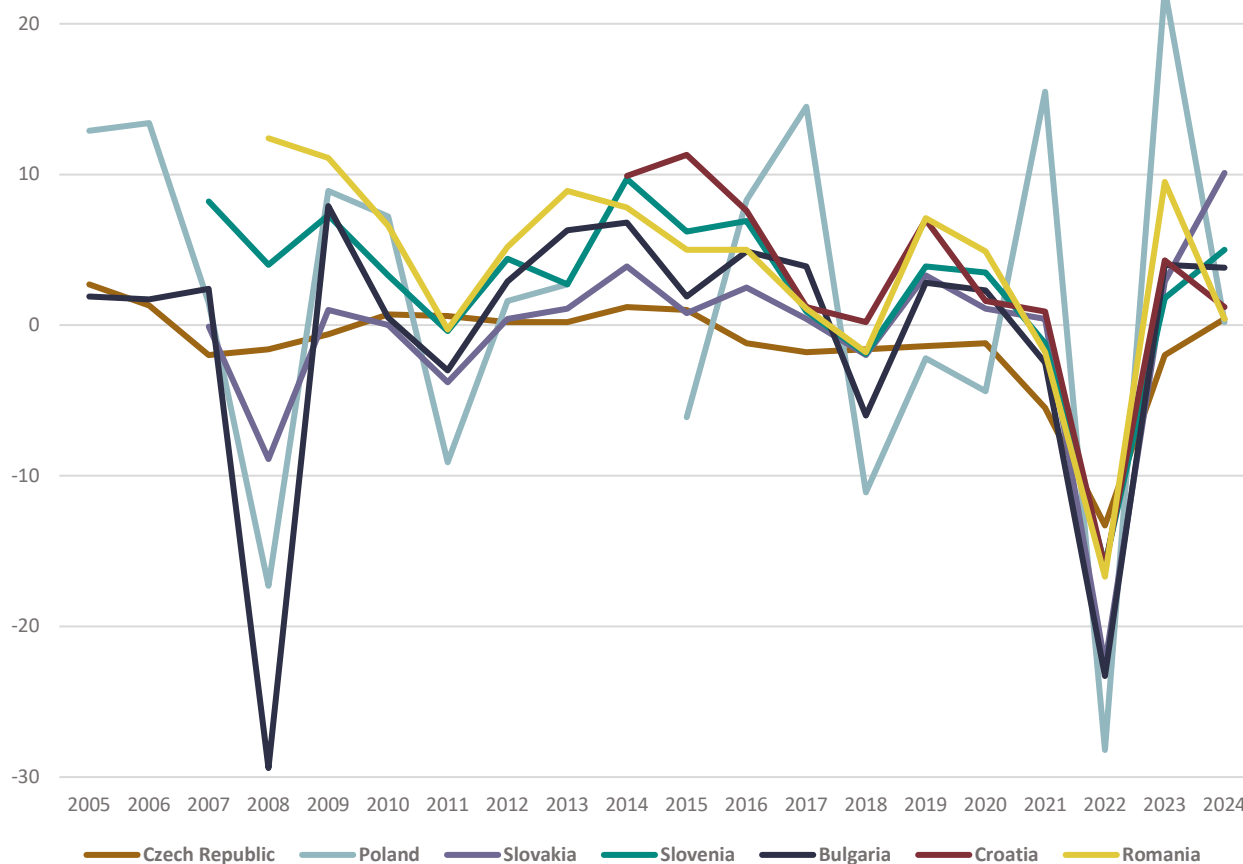
The investment structure observed in Central and Eastern European countries suggests that, although private pension funds play an important role as stable institutional investors, their contribution to the development of the capital market depends essentially on the degree of portfolio diversification and the proportion of investments directed towards market instruments.

Returns on private pension funds

The data presented illustrates the evolution of the real rate of return on investments by private pension schemes in the seven CEE countries, according to the Pension Markets in Focus reports published by the OECD. The period analysed highlights both the volatility characteristic of financial markets and the specific challenges facing pension systems in the region. We can identify two episodes of massive declines in real rates of return, in 2008 and in 2022.

The global financial crisis of 2008 represented a period of volatility for private pension funds in the CEE region. According to the OECD, private pension schemes in OECD countries lost, on average, 23% of their asset value in 2008, exposing defined-contribution schemes to the volatility of financial markets. Bulgaria recorded a real rate of return of -29.4% in 2008, marking the sharpest decline among the countries analysed. Poland and Slovakia also suffered significant losses over the same period, of -17.3% and -8.9% respectively, illustrating the vulnerability of private pension systems to external shocks.

Figure 85 Real annual rate of return on investment for the period 2005–2024 (%)



Source: OECD, ASF processing; the real rate of return on investments is calculated using nominal rates of return and the change in the consumer price index over the relevant period; the nominal rate of return on investments represents the ratio of net investment income at the end of the year to the average level of assets over the course of the year

The year 2022 was marked by sharp declines in real rates of return for the private pension funds analysed. The simultaneous fall in bond and share prices, the two main instruments in pension scheme portfolios, led to nominal investment losses, according to the OECD's *Pension Market in Focus 2023* report. High inflation rates exacerbated these dynamics. However, investment gains achieved in previous years have cushioned the impact of these negative rates of return on the long-term investment performance of pension systems, as highlighted in the OECD report.

Slovakia recorded the highest real rate of return on investments in 2024, with over 60% of assets invested in equities, reflecting superior short-term performance. However, the OECD notes that in several jurisdictions, including Bulgaria, the Czech Republic and Slovakia, long-term real returns were close to 0.

Romania exhibits a return profile characterised by controlled volatility over the period analysed, with lower fluctuations compared to other countries in the region. Romania had predominantly positive real rates of return on investment, with the exception of 2022, when most markets recorded losses due to rising interest rates and falling share prices.

Poland has experienced the most pronounced volatility in the region. Following losses in 2008–2011, Polish private pension funds recorded one of the highest rates of return in 2023, at 22.3%, benefiting from the rise in the Warsaw stock market and recouping the losses incurred in 2022. Nevertheless, in the following year, Poland recorded a real rate of return on investment of just 0.2%, the lowest in the region under review.

Overall, private pension schemes in the Central and Eastern European region are subject to structural vulnerabilities arising from exposure to financial cycles, the transmission of the effects of global economic crises, and the need to maintain a balance between asset security and the achievement of adequate returns. According to the OECD, private pension schemes with higher equity allocations recorded some of the strongest investment performances in 2024. However, long-term results remain moderate in some jurisdictions. Although private pension fund assets have followed an upward trend in the long term, episodes of significant market corrections, such as those in 2008 and 2022, highlight the essential role of prudent portfolio diversification and appropriate risk management in ensuring the sustainability of these systems.

Conclusions and recommendations

The comparative analysis shows that private pension funds are key institutional investors for the development of capital markets in Central and Eastern Europe. They contribute to increasing liquidity, ensuring constant demand for financial instruments and expanding the base of long-term investors. In several CEE countries, the introduction of private pension systems and subsequent reforms have aimed to diversify sources of savings by complementing pay-as-you-go systems with schemes based on the accumulation of financial assets, with the primary objective of providing additional income for contributors' future pensions, as well as developing domestic financial markets.

Private pension funds have a long-term investment horizon, which promotes stable financing of the real economy and reduces the volatility generated by short-term investors. International literature suggests that the expansion of pension fund assets can contribute to the development of capital markets, including by increasing market capitalisation, improving liquidity and supporting corporate financing, effects also observed in emerging economies.

However, regional experience also highlights vulnerabilities. Frequent regulatory changes, reductions in contributions or the transfer of assets to public systems have, in some countries, affected the role of private pension funds as market investors.

The real rates of return on investments in private pension schemes vary from country to country. Although private pension funds with large equity investments outperform in the short term, the OECD notes that, in the long term, their returns are very low. We therefore believe that the development of the private pension market must be based on prudent investment principles. Excessive exposure to risky assets can create significant volatility in returns and undermine public confidence in the private pension system. Investment strategies should prioritise long-term stability by balancing the investment portfolio (equities, fixed-income instruments or other assets considered risky).

Recommendations for expanding the capital market through private pensions

- **Strengthening the stability and predictability of the legislative framework** – regional experience shows that the stability of contributions and operating rules is essential for asset accumulation and long-term investment planning. Frequent reforms reduce the appetite for investment in the local market and may lead to capital outflows.
- **Diversifying the range of financial instruments on the local market** – the development of the capital market also depends on the range of financial instruments available. The authorities can support the listing of state-owned companies and the development of the corporate bond market to create suitable opportunities for pension fund portfolios. Furthermore, increasing the free float for already listed companies is also a mechanism for attracting private pension funds as potential investors.
- **The introduction of life-cycle funds** – models used in Poland demonstrate the usefulness of pension funds structured according to the participant's age, which automatically adjust the risk- e profile according to age. These funds reduce exposure to risky assets as the participant approaches retirement, protecting accumulated capital and reducing the volatility of returns.

- **Building participant confidence** – transparent communication on risks and returns helps to build participants' confidence and maintain long-term participation in the system.

In CEE countries, private pensions are a fundamental mechanism for strengthening capital markets and financing economic development. Legislative stability, the expansion of local investment opportunities and the development of life cycle funds are key directions for the sustainable growth of capital markets, whilst upholding the principle of prudent investment.

6. Sustainable finance

6.1. Losses caused by natural disasters globally

According to data published by Munich Re, natural disasters caused losses amounting to approximately USD 224 billion, of which USD 108 billion was insured. Weather-related disasters accounted for 92% of total losses in 2025 and 97% of insured losses.

The overall picture was alarming in terms of floods, severe storms and wildfires in 2025. An increasing long-term impact is attributed to such off-peak risks, which led to total losses of USD 166 billion last year – of which approximately USD 98 billion were insured losses.

Overall, global losses caused by natural disasters in 2025 were below the inflation-adjusted averages of the past 10 years (USD 266 billion). In contrast, total and insured losses in 2025 substantially exceeded the 30-year inflation-adjusted averages.

The costliest natural disaster was the wildfires in Los Angeles. Total losses amounted to approximately USD 53 billion, including insured losses of approximately USD 40 billion. It is the costliest wildfire disaster to date.

The second most costly natural disaster of the year, in terms of total losses, was a severe 7.7-magnitude earthquake in Myanmar. This was primarily a humanitarian tragedy, with approximately 4,500 deaths. Of the total losses, which amounted to approximately USD 12 billion, only a small portion was insured.

In terms of insured losses, the severe storms that lasted several days and affected the central and southern states of the US in March resulted in the second most costly natural disaster of 2025. Over 100 tornadoes were identified – including several with wind speeds well over 200 km/h. Losses amounted to approximately USD 9.4 billion, of which USD 7 billion was insured.

In Europe, losses from natural disasters were much lower, amounting to approximately USD 11 billion, of which about half was insured. The costliest events in Europe included a severe cold snap in Turkey (total losses of USD 2 billion, USD 0.6 billion insured) and hailstorms in France, Austria and Germany (USD 1.2 billion/USD 0.8 billion).

In Spain, the heatwave and drought in August were followed by the worst wildfires in recent years. According to data from the European Forest Fire Information Systems (EFFIS), nearly 400,000 hectares of land were burned during the year – almost five times the annual average between 2006 and 2024 and far more than the record for the same period.

6.2. EIOPA's assessment of the insurance protection gap for natural disasters

According [to the European Scorecard on the insurance protection gap for natural disasters²⁷](#), published annually by EIOPA, protection gaps vary significantly between Member States, as well as across different risks.

The smallest protection gap at present is observed for storms (all countries have a score of 2 or less). Storms are generally a well-insured risk, particularly in countries where there is a high risk. Coastal flooding is a risk that could become more relevant in the context of climate change. Currently, one country (the Netherlands) shows a protection deficit (score ≥ 3) and one country (Germany) should be monitored (score = 2.5). Natural (vegetation) fires are also heavily affected by climate change. Currently, two countries, Portugal and Greece, show a protection deficit (score ≥ 3). Three countries, Austria, Croatia and Cyprus, should be monitored (score = 2.5). For floods²⁸, two countries have a protection deficit: Romania and Croatia. Seven countries should be closely monitored: Austria, Bulgaria, the Czech Republic, Germany, Italy, the Netherlands, Poland and Slovenia. Earthquakes are the hazard where the protection deficit score is highest for both Greece and Italy (score = 4 – very high protection deficit). Four other countries also currently have a protection gap: Bulgaria, Croatia, Romania and Slovenia (score ≥ 3). In addition, two countries should be monitored: Cyprus and Portugal (score = 2.5).

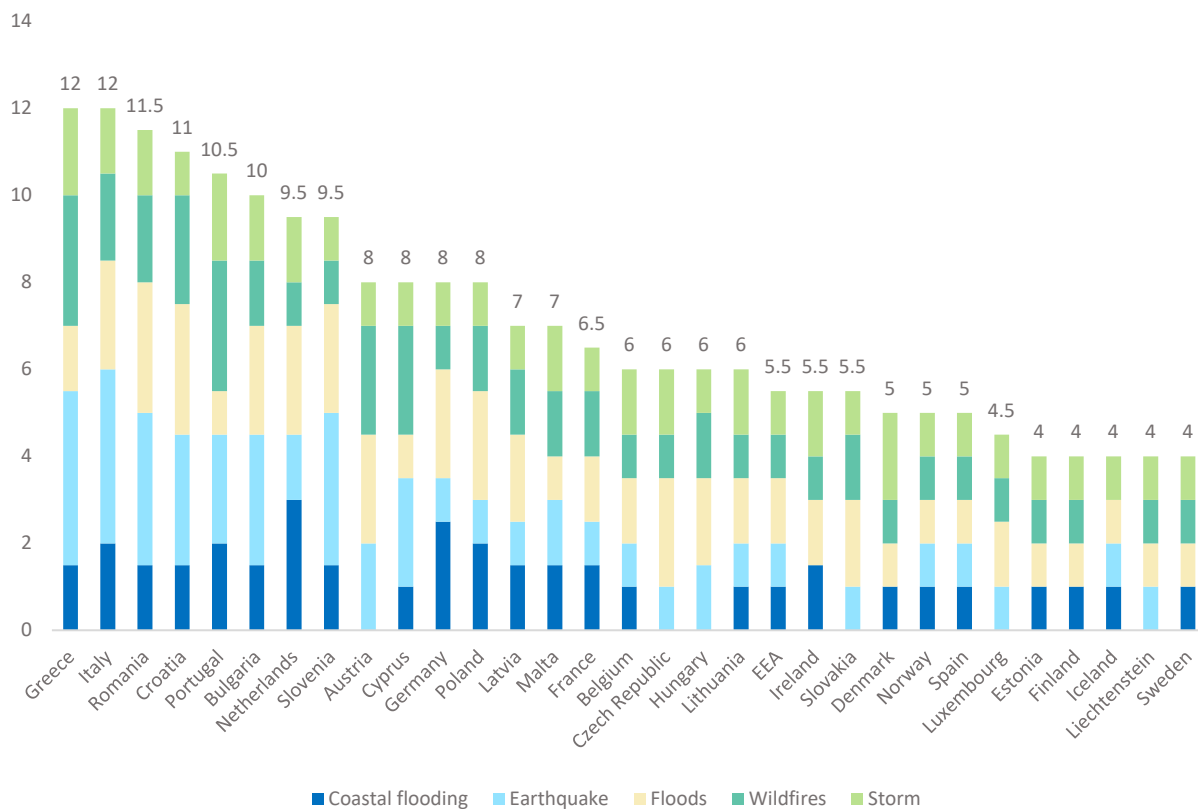
Figure 86 shows the aggregate value of the current protection gap score for each country, according to information published by EIOPA. Greece, Italy and Romania are the countries with the highest current total protection gap score for natural disaster insurance. These three countries face high risks from this perspective and have low insurance penetration, particularly in the case of earthquakes.

According [to the European Scorecard on the insurance protection gap for natural disasters](#) published by EIOPA, only a quarter of losses have been insured in the past (1980–2024) in Europe. The largest uninsured losses are found in three regions: Italy (earthquakes), Italy (floods) and Germany (floods), with these three accounting for approximately 43% of uninsured losses in Europe. For all three countries/hazards, insurance penetration was very low (98%, 97% and 74% of these historical losses were uninsured for each hazard/region).

²⁷ https://www.eiopa.europa.eu/tools-and-data/dashboard-insurance-protection-gap-natural-catastrophes_en

²⁸ Rain- and river-induced floods, excluding coastal floods.

Figure 86 Total current protection gap score by country and natural disaster in 2025



Source: EIOPA, European Scorecard on the insurance protection gap for natural disasters

Table 25 Current insurance protection gap for natural disasters in European Economic Area (EEA) countries for the period 2022–2025

Country	2022	2023	2024	2025
Greece	12	12	12	12
Italy	12	12	12	12
Romania	10.5	11.5	11.5	11.5
Croatia	10.5	10.5	10.5	11
Portugal	10.5	10.5	10.5	10.5
Bulgaria	10	10	10	10
Netherlands	10	9.5	9.5	9.5
Slovenia	8	10	10	9.5
Austria	8	8	8	8
Cyprus	8	8	8	8
Germany	8.5	8	8	8
Poland	8	8	8	8
Latvia	7	7	7	7
Malta	7	7	7	7
France	5.5	6.5	6.5	6.5
Belgium	6	6	6	6
Czech Republic	6	6	6	6
Hungary	6	6	6	6

Country	2022	2023	2024	2025
Lithuania	6	6	6	6
EEA	6	6.5	6.5	5.5
Ireland	5	5.5	5.5	5.5
Slovakia	8	7.5	7.5	5.5
Denmark	5	5	5	5
Norway	5	5	5	5
Spain	5	6	6	5
Luxembourg	4.5	5.5	5.5	4.5
Estonia	4	4	4	4
Finland	4	4	4	4
Iceland	4	4	4	4
Liechtenstein	4	4	4	4
Sweden	4	4	4	4

Source: EIOPA, *European Scorecard on the insurance protection gap for natural disasters*

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