

PRESS RELEASE  
MARCH 10, 2017**WHAT IS THE COST OF POOR FINANCIAL EDUCATION? FUNDS MANAGERS: RON 55 BILLION STAY IN OVERNIGHT DEPOSITS WITHOUT PRODUCING ENOUGH VALUE**

- **Mihai Purcarea, BRD AM: According to BNR, RON 55 billion is kept in short-term deposits. This money does not produce enough value**
- **Dragos Manolescu, OTP AM: I strongly believe BVB will report returns on dividends among the highest in the world this year also and in the years to come**
- **Lucian Anghel, BVB: Romania has been reporting positive returns in EUR for 5 years in a row. Those who invested in the capital market doubled their investment in euro-equivalent**

Romanians keep over RON 55 billion in very short-term deposits, which lack bringing consistent benefits for the savers or the economy, said the representatives of the largest investment funds operating in Romania at the "Investment Spring" event organized by the [Bucharest Stock Exchange \(BVB\)](http://www.bvb.ro). According to the data of the National Bank of Romania (BNR), the value of the very short-term deposits went up by almost 39 percent last year to RON 55.4 billion from RON 39.9 billion in 2015.

"Individuals increased their deposits last year by nearly RON 15 billion which went to overnight deposits (i.e. deposits having the maturity the following working day). This money does not produce enough value for the clients and it is next to nothing for the economy, so there is no win-win situation here," said BRD Asset Management's CEO Mihai Purcarea. Poor financial education is one of the reasons explaining why Romanians prefer to have their money in deposits instead of putting it in investment funds, in the capital market or in other financial instruments, the investment funds managers explained.

"Family and friends are the first sources to which Romanians resort when asking a piece of advice when it comes to how they should manage their money, according to an IMAS survey. More than half of women (55%) and nearly 40% of men admitted to having based their savings policy what famil and friends said. Unfortunately, Romania has the lowest financial literacy rate within the European Union, according to a study of Standard & Poor's, and therefore Romanians are more prone to receive inappropriate financial guidance from close acquaintances when it comes to investing the money they earned so hard," said Lucian Anghel, Chairman of the Board of the Bucharest Stock Exchange.

That is why BVB has focused more on individual investors when it comes to financial education. "Through BVB's established projects such as the Individual Investors Forum, online-based educational platforms and transactional tools dedicated to retail investors, we have formed an ecosystem unrivalled in South-Eastern Europe. BVB is the most dynamic stock exchange in the region," said BVB's CEO Ludwik Sobolewski.

Modest financial literacy is deeply present among the population of Romania, according to Dragos Manolescu, who acts as Deputy General Manager at OTP Asset Management. "Leaving aside the deposits, we must also take into account that 90% of the population savings is found in quasi-deposits, those bond funds which have better returns over a standard bank deposit. However, on the long run, they cannot mirror the economic growth," Manolescu stated.

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"When clients think bonds they think bank deposits. Only a few of them take into account the possible variation should an increase of the interest rate occur. When I look at the level of dividends and see the clients are accustomed to taking into account the volatility of equities, I believe the equities do not come with high risks. As long as the client understands the risk and is willing to take it, there is a potential to grow," added Aurel Bernat, Deputy General Manager at BT Asset Management.

However, there is little traffic on the road to investment funds, showed Dragos Neacsu, the Chairman of Erste Asset Management. "Should a Romanian win EUR 100,000 tomorrow, one would first invest the money in a business (15.5%), go on a trip (15.1%) or head for real estate (14.2%). Only 1.5% of Romanians would direct their money in an investment fund," Neacsu said when quoting a sociological survey made nationwide by D&D Research in May last year for Erste Asset Management.

"I believe a portfolio should be diversified in order to bring positive returns, but we also have to relate the expectations to a certain time frame. Nobody invests in equities for a 3-month period," considered Razvan Szilagyi, General Manager at Raiffeisen Asset Management.

Diversification is the key word, pointed out Milan Prusan, Managing Director of NN Investment Partners. "There is no easy task [for an asset manager] to apply this diversification process and it is even harder [for clients] to keep the psychological factors under control," he declared during the "Investment Spring" event hosted by BVB. "One thing is clear, though", Prusan continued, "we need a strong message, very well promoted and documented if we want to attract new clients."

Dividends is the answer for the clients who wonder why they should invest in equities this year even more than before, according to the investment funds managers. "Dividends are far more appealing than interests. The main theme at BVB is the dividend and I strongly believe that BVB will report returns on dividends among the highest in the world this year also and in the years to come," Manolescu further said.

The Romanian capital market has another significant characteristic which adds up to strengthen the investor confidence. "Romania has been reporting positive returns in EUR for 5 years in a row. As opposed to other stock markets, the returns on the local capital market have always been in the black between 2012 and 2016 in euro-equivalent and have gone up by 97% during this time. Basically, those who invested in the capital market five years ago doubled their investment in euro-equivalent," BVB's Chairman explained.

"Investment Spring" is an event organized by BVB aimed at revealing the investment opportunities. Top managers from Romania's largest 6 investment funds, which manage RON 23.4 billion and retain a market share of 97%, were the key speakers at the event: Erste Asset Management – Dragos Neacsu, President/CEO; Raiffeisen Asset Management – Razvan Szilagyi, General Director; BT Asset Management – Aurel Bernat, Deputy General Manager; BRD Asset Management – Mihai Purcarea, CEO; NN Investment Partners – Milan Prusan, Managing Partner; OTP Asset Management – Dragos Manolescu, Deputy General Manager.

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