

# Capital Markets – Post-crisis Development Expectations

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# GLOBAL FINANCIAL CRISIS

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# The global crisis and the SEE countries

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part 1.

- Pull- out by the foreign investors;
- Postponement of the planned IPO's of companies for some future period with better market conditions;
- Decrease of the activity of public companies in regard to new issues of securities (capital increase, bonds, etc.)
- Decrease of the activity of the banks as issuers;
- Decrease of the activity of the institutional investors;
- Low liquidity and low exchange turnover;
- Restriction of the activity of the investment intermediaries;
- Panic among the small individual investors, and others.



# The global crisis and the SEE countries

part 2.

**SOFIX - 70%**

**BET - 72%,**

**AHTEX 20 - 67%**

**MBI10 - 63.47%**

**SASX-10 - 74.17%**

**CROBEX - 60%**

**ISE 100 – 60%**



# The global crisis and the SEE countries

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part 3.

## Main effects from the financial crisis:

- global change in the politics, linked to foreign investments;
- change in the conditions for financing business and households;
- delay in the realization of business plans of local producers;
- unfavorable conditions for starting a new business;
- change in the level of consumption, the quality and standard of living;
- synchronization of financial regulations in the world, and others.



# **Business environment in Bulgaria**



**Expected current account deficit – 24% of GDP**

**Expected inflation rate – between 7 and 8%**



**10% Corporate income tax (one of the lowest in Europe);**

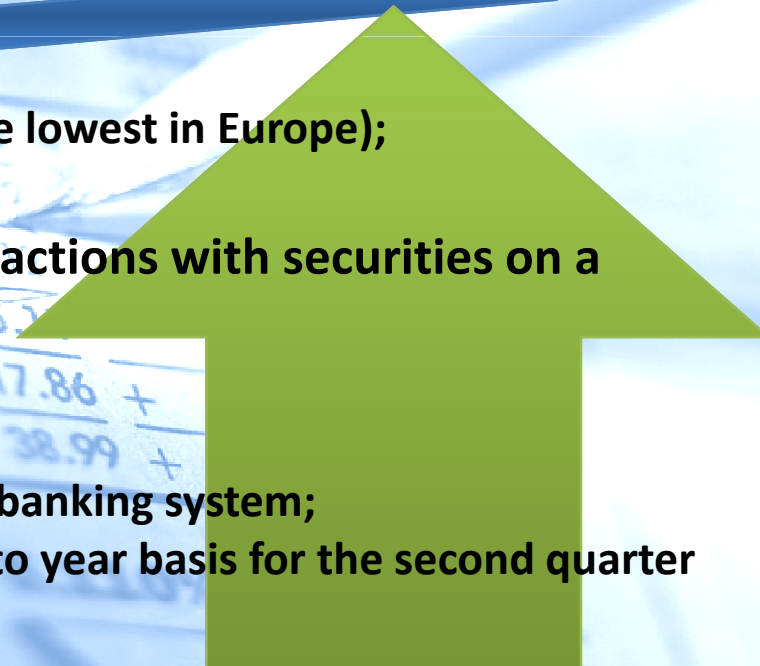
**10% flat personal income tax;**

**0% tax on capital gains from transactions with securities on a regulated market;**

**5% tax on dividends;**

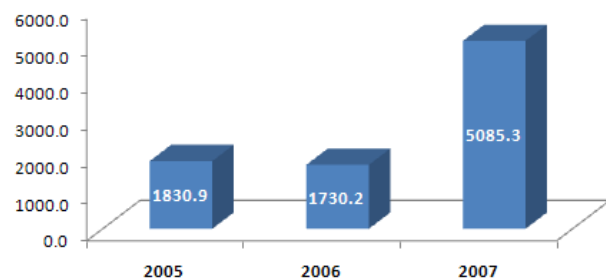
**Stable, well capitalized and regulated banking system;**

**7,1% increase of the GDP on an year-to year basis for the second quarter of 2008**

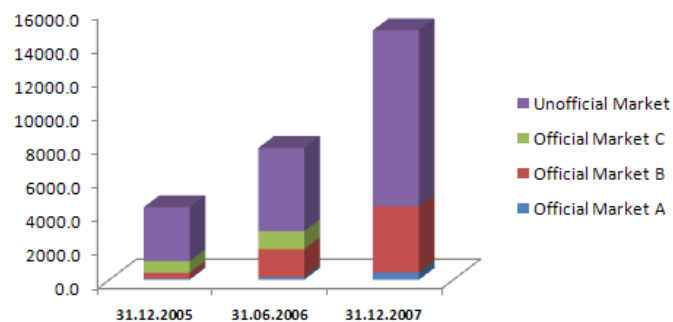


# Bulgarian capital market in 2007

Turnover (mln. Euro)

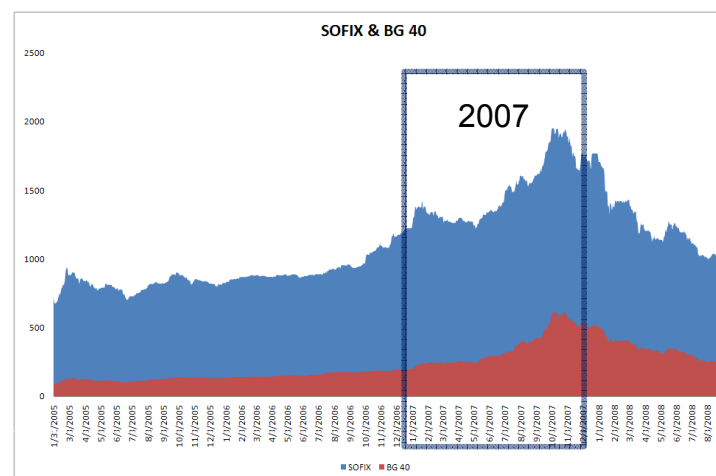


Market Capitalization (mln. Euro)



Market capitalization (BSE - Sofia) / GDP

2005	2006	2007
19.71%	31.20%	55.46%



Raised capital through the capital market (mln. Euro)

	2006	2007
Public Offering	27,88	156,55
Increase of Capital	202,74	215,52
Total Raised Capital	230,62	372,07

81 new issues admitted to trading  
9 Initial Public Offerings



# Confidence and capital market





# Government and capital market

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## **The Bulgarian government should continue to support the capital market**

- Preferential treatment and advantages for the public companies
- privatization of majority state-owned stakes through the Exchange
- realization of big infrastructure projects by raising capital through public offerings on the stock exchange

# **Main Priorities of BSE-Sofia**

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- Active support for the publicly traded companies.
- Attracting new issuers and the popularization of the benefits and advantages of the public status among the private sector.
- Financing small and medium-sized companies through the Exchange.
- Introduction of new financial instruments.
- Attracting foreign issuers for dual listings.
- Attracting foreign investors.
- Continuation of the active dialogue with all market participants.
- Extend the co-operation, the dialogue and strategic partnerships with the exchanges in our region and in Europe as a whole.



Thank you!

