

# Investing in Bulgaria

The strategic business destination in Central and Eastern Europe



## Government Keynote Address

**Stoyan Mavrodiev**  
Chairman  
**Financial Supervisory Committee**

*Investing in your future*



EUROPEAN UNION  
European Regional Development Fund



NATIONAL STRATEGIC REFERENCE FRAMEWORK 2007 – 2013



OP "Development of the Competitiveness of the Bulgarian Economy" 2007-2013



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FINANCIAL SUPERVISION COMMISSION



# Investing in Bulgaria

London  
6<sup>th</sup> December, 2012

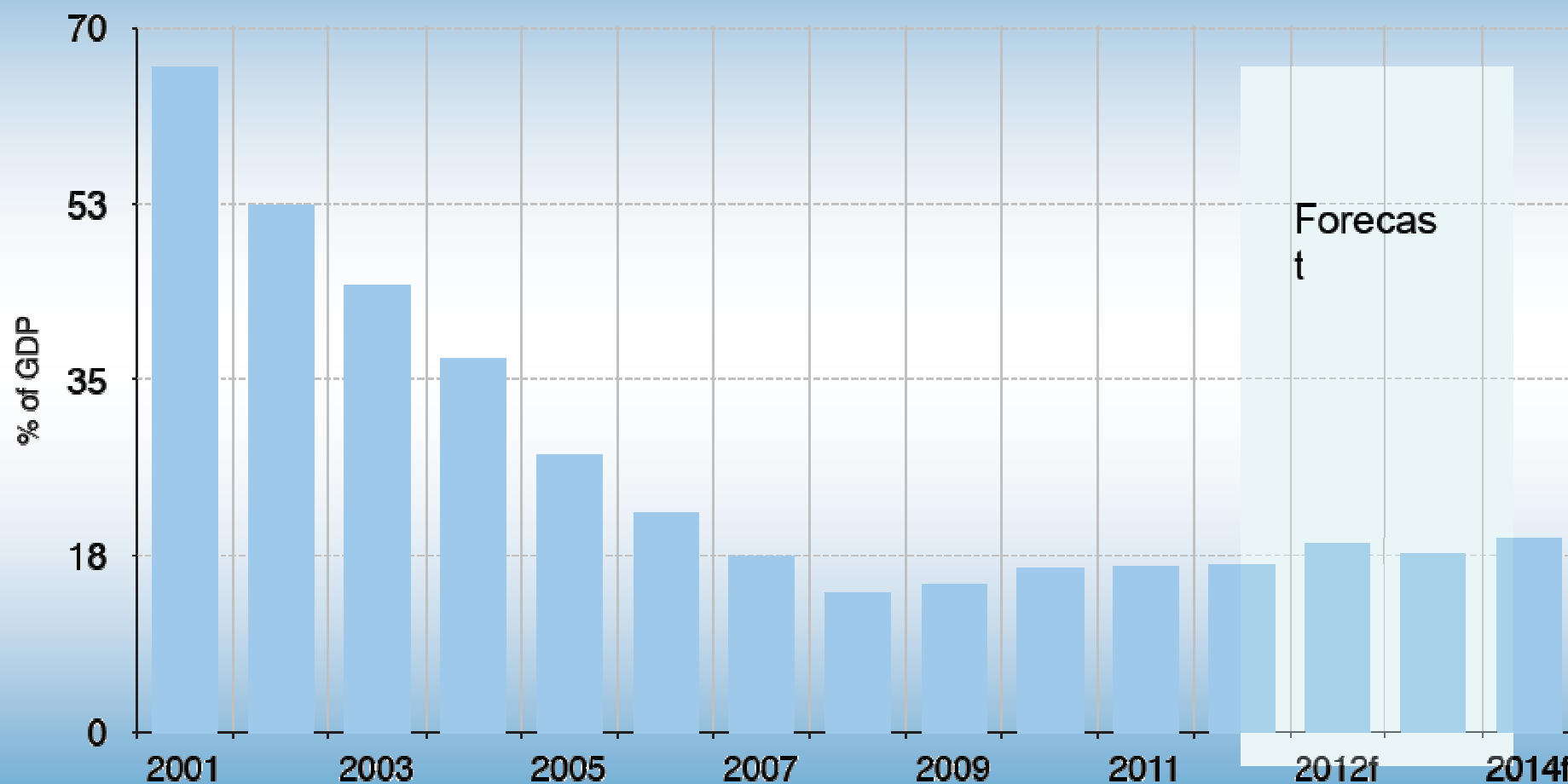
STOYAN MAVRODIEV, CHAIRMAN  
FINANCIAL SUPERVISION COMMISSION

# In times of deep financial crisis, Bulgaria stands stable...

- Zero currency risk (Bulgarian Lev is pegged to Euro)
- Low Debt to GDP Ratio: **20 %**
- GDP Growth: **1.4 %**
- Constantly low budget deficit: **1.4 %**



# General Government Gross Debt, % of GDP

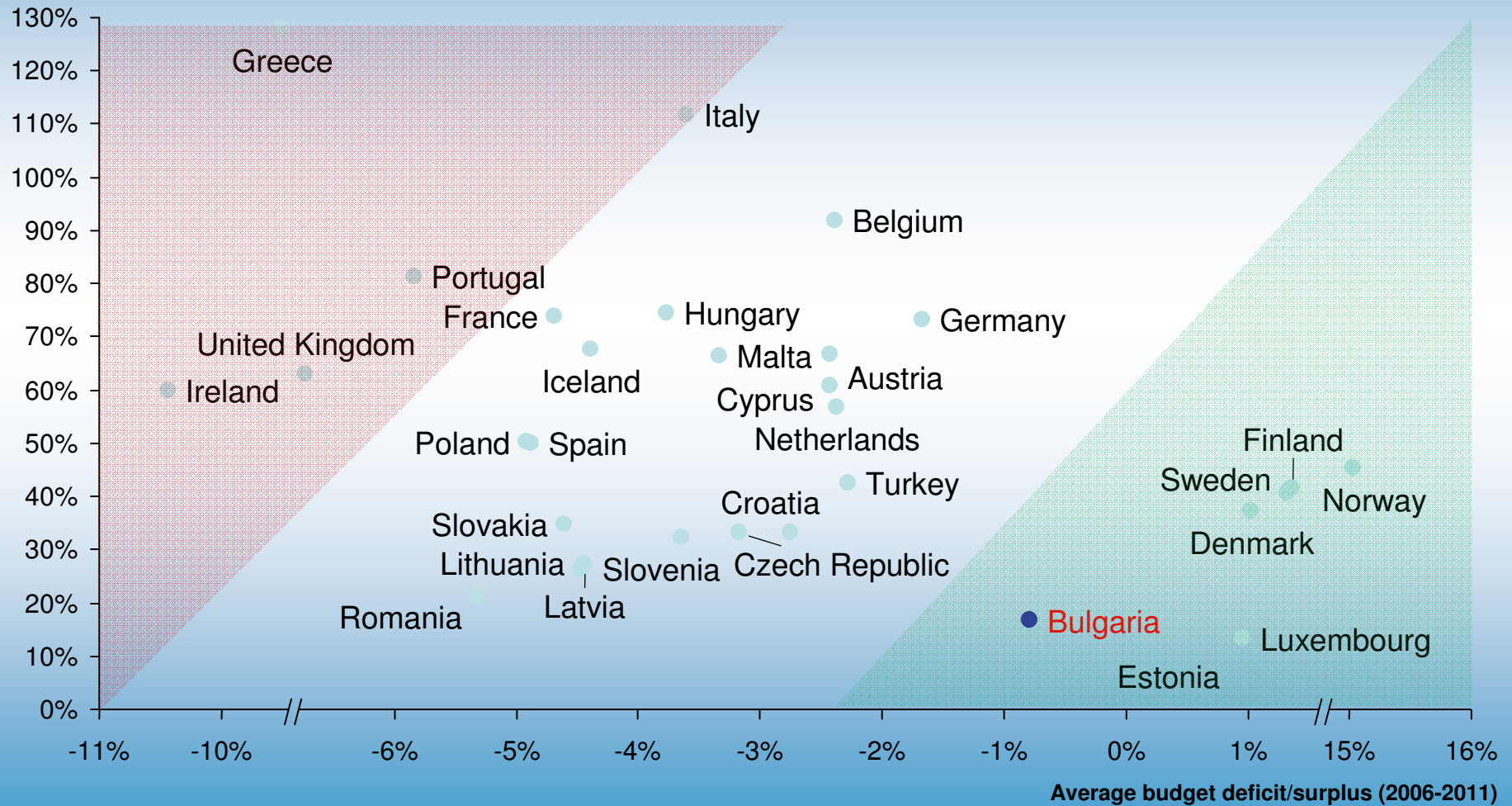


Sources: NSI, BNB

■ General Government Debt, % of GDP

# In times of deep financial crisis, Bulgaria stands stable...

Average government debt (2006-2011)



Source: Eurostat

# In times of deep financial crisis, Bulgaria stands stable...

- The current market turbulences have had a limited impact on Bulgarian insurance companies and pension funds
- None Bulgarian financial institution has faced insolvency or has asked for state financial aid

# In times of deep financial crisis, Bulgaria stands stable...

<b>CRs for LT debt</b>	<b>Current</b>	<b>Perspective</b>	<b>Comment</b>
S&P	BBB	stable	CR for Lt debt was confirmed, for ST debt raised to A-2 in July 2012
Moody's	Baa2	stable	CR was increased in July 2011
Fitch	BBB-	stable	CR was confirmed in July 2012

# Advantages of investing in Bulgaria.

## Tax point of view



➤ Bulgaria against the Financial Transaction Tax

- 10 % corporate income tax
- 0 % tax on capital gains from transactions with securities on a regulated market
- 5 % tax on dividends



# Advantages of investing in Bulgaria. Highly efficient financial supervision

- Powerful tool against the financial crisis – consolidated supervision over the capital, insurance and social insurance market
- Full harmonization with Acquis Communautaire
- Full implementation of ESMA and EIOPA Guidelines boosting market integrity on EU level



# Non-banking financial sector participants

- Bulgarian Stock Exchange
- Central Securities Depository
- Investment intermediaries – 80
- Public companies and other issuers of securities – 442
- Management companies – 31
- Collective investment schemes – 106
- Insurance, reinsurance and health insurance companies – 53
- Supplementary pension insurance companies – 9  
(managing 29 funds)

# The banking sector at a glance

## 31 credit institutions:

- banks: 24
- bank branches: 7

## Market shares (% of assets, Sept 2012):

- Subsidiaries of EU banks: 67.6%
  - branches of banks licensed in the EU: 4.04%
  - subsidiaries & branches of non-EU parents: 2.29%
  - Bulgarian-owned banks: 26.07%
- Total from EU: 71.64%  
 Total foreign: 73.93%

## Banking system indicators (%)

	2008	2009	2010	2011	June 2012	September 2012
Return on assets (ROA)	2.12	1.08	0.84	0.63	0.83	0.85
Return on equity (ROE)	20.26	8.95	6.55	4.93	6.49	6.78
Capital adequacy	14.93	17.04	17.39	17.55	16.74	16.59
Tier I capital adequacy	11.16	14.03	15.16	15.73	15.19	15.12
NPL net (more than 90 days overdue)	1.63	4.14	8.02	9.6	11.28	11.6
Liquidity	21.65	21.9	24.35	25.53	26.21	26.11
Credit growth (Y-O-Y)	32.2	4.5	2.68	4.09	4.13	3.99

# Advantages of investing in Bulgaria.

## Access to capital

*Many big institutional investors with very few investment opportunities*



- Net assets of pension insurance funds (as of 30 Sept) – € 2.8 bn.
  - Investment potential – € 1.6 bn.
- Net assets of insurance companies (as of 30 Sept) – € 1.5 bn.
  - Investment potential – € 1.0 bn.

# Investing in market infrastructure upgrades

- No clearing house or CCP acting presently on the Bulgarian market
- No regulated derivatives market, i.e. virtually all derivatives contracts are traded OTC
- The new EU legislation (EMIR) imposes an obligation for clearing of standardized OTC derivatives contracts through a CCP

The establishment of CCP offering services on the Bulgarian market will be highly beneficial both for the market participants and for the investors in infrastructure.

# Many leading multinational companies have already chosen Bulgaria...

Banking financial sector

Nonbanking financial sector

IT & BPO

Telecom and Media

Energy

Mechanical and Electrical Engineering





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# Welcome to Bulgaria