# IMPACT OF FINANCIAL CRISIS OVER THE EVOLUTION OF BANKS FROM THE CAPITAL MARKET

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## 1. Introduction

The global economy is facing a financial crisis involving banking systems, stock markets and the flow of credit.

The financial crisis that began in the United States in the sub-prime mortgage market in 2007 and that spread quickly to Europe has become a global crisis, affecting both financial systems across the globe and economic activity in virtually all countries. A short period of apparent resilience to the global financial turmoil has given way to a deep crisis in several European emerging markets, though with substantial differentiation across the region. The crisis has put an increased premium on sound macroeconomic and macroprudential policies: countries with lower inflation, smaller current account deficits, and lower dependence on bank-related capital inflows in recent years have so far fared better. While the external environment and structural reform efforts will matter, the banking sector, which has played a central role in the run-up to the crisis, holds a key to the speed of recovery from the crisis. In the short term, bank recapitalizations seem unavoidable to prevent recessions from becoming protracted. In the medium term, recovery efforts need to be supported by a strengthening of financial stability arrangements, including for cross-border activities, and the introduction of more forward-looking provisioning policies.

Financial markets reacted adversely to external vulnerability indicators, over and above their reaction to the convergence criteria. The turmoil in European stock markets is beginning to have significant negative effects on the financial sector and on aggregate demand. For example, there is growing evidence that it has a negative effect on bank balance sheets and, if present trends continue, non-performing loans in the banking sector would likely increase, with dire consequences for financial stability in the region.

## 2. The methodology of research

The sample include 11 banks from different countries: Romania, France, Portugal, United Kingdom, Spain, Austria and Italy. We tried to identify the evolution of the banks on the capital markets during the period 2006 – the first semester of 2009. The indicators we used in our article are market capitalization, earnings per share, price earning ratio, price to book ratio and return on equity. The values of price per share are adjusted. To calculate the indicators we used the financial statements of the banks from Reuters or from the sites of the banks.

Banca Transilvania SA (BT) is a Romanian financial institution. Its

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subsidiaries include BT Securities SRL, BT Leasing SRL, BT Direct SRL, BT Asset Management SAI SA, BT Finop Leasing SRL and Medicredit Leasing IFN. Banca Transilvania opened a branch in Cyprus in October 2007. The Company operates nationally through its 63 branches.

Banca Comerciala Carpatica SA is a Romania-based financial institution. It operates nationally through 245 branches, agencies and representative offices. Banca Comerciala Carpatica SA has three subsidiaries, SSIF Carpatica Invest SA, Imobiliar Invest SA and SAI Carpatica Asset Management SA.

BRD-Groupe Societe Generale SA is a Romanian financial institution. As of December 31, 2007, the Company had three subsidiaries: BRD Securities Groupe Societe Generale SRL, BRD Corporate Finance SRL and BRD Sogelease IFN SA. The Bank offers its services through a network of 930 branches. As of December 31, 2008, Societe Generale France holds a 58.34% stake in BRD-Groupe Societe Generale SA.

Societe Generale SA is a France-based banking group. Societe Generale SA is present in 82 countries and operates a number of subsidiaries, including SG Immobel, Genefinance, Libecap, SG Hambros Bank Ltd. and SG Srbija, among others.

BNP Paribas SA is a France-based bank group with three core businesses: Retail Banking, Asset Management and Services, and Corporate and Investment Banking. In May 2009, BNP Paribas SA approved the transfer by SFPI, a wholly owned Belgian State company, of 54.55% of shares and voting rights of Fortis SA/NV to BNP Paribas SA.

Banco BPI SA (BPI) is a Portugal-based commercial bank. BPI operates 700 branches and 34 investment centers. The Bank operates in Portugal, the United States, Angola, Mozambique, the Cayman Islands and Luxembourg.

Banco Espirito Santo SA is a Portugal-based commercial bank. It operates through a network of 743 branches, 29 Private Banking Centers and 28 Corporate Centers. The Bank operates internationally in Angola, Brazil, France, Germany, Spain and the United States, among others. In 2008, Besleasing e Factoring became a subsidiary of Banco Espirito Santo SA.

The Royal Bank of Scotland Group plc is the holding company of a global banking and financial services group. The Company operates in the United Kingdom, the United States and internationally through its two principal subsidiaries.

Erste Group Bank AG is an Austria-based company, which offers a range of banking and other financial services. The Company divides its activities into three business segments: Retail and Small and Medium Enterprises (SME), Group Corporate and Investment Banking, and Group Markets.

Banco Santander, S.A. is a bank holding company. Santander operates principally in Spain. Santander is organized in three principal segments: Continental Europe, United Kingdom and Latin America.

Intesa Sanpaolo SpA is an Italy-based banking group. It provides banking services for private and corporate clients. The Company divides its activities into six main business units: Public Finance, Corporate and Investment Banking, Territorial Banks, Foreign Banks, Eurizon Capital and Banca Fideuram.

## 3. The impact of financial crisis over the banking system

Lehman collapse, old financial institution of 158 years, has scarred the basement of international stock markets and the shock wave arrived quickly in Bucharest too, where stocks, many of them considered cheap, after depreciation of more than a year from the triggering global financial crisis, its deep decrease. In just two days, the Romanian stock exchange lost 3.2 billion euros (www.zf.ro).

The Romanian banks hold required reserves at the central bank, until recently 20% of deposits in RON (currently 18%), and for those in foreign currency the reserve ratio is currently 40%. This shows that NBR has enough cash available to pump it gradually in the system in a case of a crisis of liquidity. Approximately 57% of loans are granted in foreign currency, making it sensitive to exchange rate fluctuations banks portfolio. Some macroeconomic indicators have worsening trends, which may cause instability in the external capital flows. The largest bank in the system, the BCR has been relegated by Standard & Poor's from BBB-to BB +, the trend can be maintained for other banks, too. The degree of concentration of banking activity in Romania, though declining, is a fairly high, in June 2008, the top 5 banks in the system focused over 50% of total banking activity, of which the first two, BCR and BRD-GSG, held 37.2% of total assets. The international situation, especially evolutions from foreign exchange markets in the region, make Romania to be vulnerable, especially in the speculative attacks. The public losses his confidence in the banking system due to unethical behavior of some banks, especially during the current period, rather tense (increase in interest rate and unreasonable fees, etc.).

The retail bank Northern Rock was the first major UK casualty of the financial crisis. On 13 September 2007 Northern Rock announced that it had received emergency financial support from the Bank of England. Following a run on Northern Rock's high-street branches, on 17 September the UK government announced a full guarantee of the bank's retail deposits.

During 2007 and 2008, the two largest Spanish banks, BBVA and Banco Santander, wrote off smaller proportions of their loans portfolios than many of their European competitors. However, a sharp downturn in the Spanish economy in 2008, coinciding with the collapse of a property market bubble, seemed certain to increase non-performing loans ratios and erode capital buffers. The Spanish government bailout in March 2009 of a smallmutually owned savings bank, CajaCastillaLaMancha, raised concerns that the fall-out fromthe propertymarket collapse could yet impact severely on the banking sector.

In France, the banking sector entered the financial crisis in a relatively healthy condition following several years of sustained growth and strong profitability. Subsequently, however, Societe Generale has been hit by exposure to subprime lending losses, and an alleged fraud on the part of one of its traders that became public knowledge in early 2008. In October 2008, the French government announced that it was setting aside € 40 bn for bank recapitalization and the purchase of assets. A fund to provide guarantees covering bank lending totalling € 320 bn was also established. Between October 2008 and March 2009, two tranches of € 10.5 bn were allocated to the six largest French banks in the form of subordinated debt, subject to obligations for the banks to sustain growth in lending.

Italy`s banks faced a lower subprime exposure than those in some other countries. In October 2008, the government established a € 40 bn swap facility for the conversion of bank debt into treasury bills. Five-year guarantees are available for all new bank bonds. In February 2009, a new measure was implemented for the government purchase of bank bonds.

In October 2008, Austria announced the allocation of € 100 bn in response to the crisis: € 15 bn for bank recapitalization; € 10 bn for increased limits for deposit guarantees and € 75 bn for guarantees on interbank lending. Austrian banks carry significant exposures in a number of countries in Central and Eastern Europe and South-Eastern Europe.

Finally, in October 2008, Portugal announced a € 20 bn package to guarantee new bank lending. The availability of public funds for bank recapitalization was announced in November, alongside plans to nationalize the troubled Banco Portugues de Negocios.

### 4. Stock market capitalization

Stock exchange capitalization is an indicator of the potential of a stock exchange.

Developments on the Romanian capital market are influenced by the rank of financial education of Romanian investors and namely that it is mostly a speculative side. Given that the current subcapitalization of the stock exchange is critical, with consequences that many Romanian assets, from the stock exchange, are significantly subestimated, on the Romanian stock market were some changes in investment behavior. Foreigners buy at very low prices and Romanians sell of fear, which can be explained just by the degree of reduced financial education of Romanian investors. From this reason, the Romanian stock market capitalization dropped 59% in 2008 compared to 2007. The other 6 countries from our sample had a decrease of market capitalization between 13% (Italy) and 23% (Austria) in the same period. Evolution of stock market capitalization is illustrated in table number 1.

**Table no.1**

| Market capitalization (mil. Euro) | | | |
|---|---|---|---|
| **Countries** | **2006** | **2007** | **2008** |
| **Romania** | **26,130.80** | **32,777.00** | **13,543.10** |
| **Austria** | **152,475.90** | **166,862.00** | **128,565.30** |
| **France** | **1,935,694.20** | **2,024,351.70** | **1,631,896.60** |
| **Italy** | **818,283.40** | **783,749.20** | **683,291.70** |
| **Portugal** | **83,053.50** | **96,548.20** | **81,092.50** |
| **Spain** | **1,058,471.80** | **1,314,070.90** | **1,047,978.30** |
| **United Kingdom** | **3,020,420.70** | **2,816,571.10** | **2,306,174.60** |

*Source: www.euromonitor.com*

### 4.1 The price of shares

The price of shares should be given only by the requirements of investors. Based on the information that they have in their possession or they buy it in the form of consulting or the investment profile and the experience gained by trading, investors take decisions to sell or buy. That is why the existence of unknown information to the majority (confidential information) and those are used in the market seriously distorts the price of a share until its publication. Easy, cheap and undifferentiated access to information is one that ensures market integrity, which virtually all market exchange can not develop. The evolution of market prices of 11 banks is presented in table number 2 (we took into account the adjusted prices).

**Table no.2**

| Price per share (euro) | | | | |
|---|---|---|---|---|
| **Banks** | **2006** | **2007** | **2008** | **S1 2009** |
| Banca Transilvania (RO) | 0.33 | 0.28 | 0.15 | 0.23 |
| BRD (RO) | 4.97 | 7.35 | 4.59 | 1.58 |
| Banca Comerciala Carpatica (RO) | 0.16 | 0.16 | 0.06 | 0.03 |
| Societe Generale (FR) | 113.45 | 118.17 | 58.98 | 34.41 |
| BNP Paribas (FR) | 70.29 | 74.26 | 55.65 | 38.31 |
| Banco BPI (PO) | 5.03 | 5.68 | 2.28 | 1.58 |
| Banco Espirito Santo (PO) | 10.74 | 13.56 | 8.61 | 3.95 |
| Royal Bank of Scotland (GB) | 8.84 | 8.73 | 2.98 | 0.35 |
| Erste Bank (AU) | 46.56 | 52.64 | 33.59 | 15.26 |
| Banco Santader (SP) | 8.19 | 9.96 | 8.27 | 6.35 |
| Intesa Sanpaolo (IT) | 3.98 | 4.91 | 3.55 | 2.27 |

Source: Author`s calculations based on the financial situations of the companies

The decrease of the price of profitable shares from the stock exchange is a consequence of the international economic crisis, which are felt by the listed companies, from autumn 2007, high inflationary pressures affecting performance of all companies, possibilities of financing the much more difficult business due the increasing of financing cost (in lei - as a result of increased interest in lei, euro - as a result of depreciation of Romanian currency and the increase of foreign exchange rates), a lower purchasing power of population, which will materialize in a lower consumer and, in small turnover of companies, the reducing of foreign investments in emerging markets (including Romania) etc. The price of many companies had felt to be even below the nominal value of shares (for example: Banca Transilvania).

The banks from our sample had a decrease of price per share between 17% (Banco Santander) and 66% (Royal Bank of Scotland) in 2008 compared to 2007. The depreciations of price per share of Romanian banks are: 46% (Banca Transilvania), 37% (BRD) and 62% (Banca Comerciala Carpatica).

### 4.2 EPS – earnings per share

Information on profit per share evaluates the theoretical value that will receive the holder of shares if we assume that the issuing company would distribute the profit to shareholders without anything to stop for investment and reserves capital. Basically this is the added value that a company generates in a year for each of its shares. A higher indicator reflects the confidence of investors in the company management. Instead, a lower level indicates a lack of confidence in current management of the company, also the company is facing financial problems.

Evolution of EPS is more useful in characterizing the progress of the company, rather than simply annual trend of profits. The multiple for the 11 banks is presented in table number 3.

**Table no.3**

| Earnings per share (euro) | | | | |
|---|---|---|---|---|
| **Banks** | **2006** | **2007** | **2008** | **S1 2009** |
| Banca Transilvania (RO) | 0.181 | 0.164 | 0.128 | 0.009 |
| BRD (RO) | 1.006 | 1.466 | 2.257 | 0.309 |
| Banca Comerciala Carpatica (RO) | 0.011 | 0.019 | -0.005 | 0.010 |
| Societe Generale (FR) | 11.269 | 9.812 | 3.450 | 0.084 |
| BNP Paribas (FR) | 7.355 | 7.620 | 2.255 | 2.556 |
| Banco BPI (PO) | 0.399 | 0.452 | 0.288 | 0.111 |
| Banco Espirito Santo (PO) | 0.631 | 0.772 | 0.629 | 0.176 |
| Royal Bank of Scotland (GB) | 0.544 | 0.647 | -0.375 | -0.016 |
| Erste Bank (AU) | 3.105 | 3.674 | 1.982 | 0.647 |
| Banco Santader (SP) | n.a | 1.109 | 1.162 | 0.305 |
| Intesa Sanpaolo (IT) | 0.248 | 0.249 | 0.197 | 0.055 |

*Source: Author`s calculations based on the financial situations of the banks*

Financial crisis has affected the earnings per share of listed banks on stock exchanges, the values of this multiple had decreased significantly. The Romanian Bank for Development and Banco Santader are the only exceptions from our sample. In 2008, on the Romanian stock market, the vast majority of companies have registered a subunitary result per share or even zero, because of the reduced profits and losses recorded by the entities.

### 4.3 PER - price earning ratio

Coefficient of the stock exchange capitalization measures how often investors are willing to pay the profit what return for a share. Benefit per share indicates the potential of growth and the risk of a company. For businesses with better prospects for sale (in economic conditions and constant risk), the coefficient of capital stock exchange will be higher. Lower values will be recorded in the case of hazardous activities, which are expected to decrease in profits.

PER coefficient is very important in the economic and financial analysis of multinational companies specialized in the expeditions field of goods, whereas it presents the number of years in which the investor recovers from income the amount of money that he has submitted to the acquisition of shares. If the coefficient is lower, the acquisition of these shares becomes more attractive for any investor. If the yield is the highest so PER is lower. Consequently, analysts recommend the buying of securities with lower PER (Ioan Nistor, 2004). PER multiple values are presented in Table 4.

**Table no.4**

| Price earnings ratio | | | | |
|---|---|---|---|---|
| **Banks** | **2006** | **2007** | **2008** | **S1 2009** |
| Banca Transilvania (RO) | 38.38 | 16.70 | 11.31 | 3.42 |
| BRD (RO) | 18.63 | 18.62 | 8.71 | 3.69 |
| Banca Comerciala Carpatica (RO) | 33.92 | 92.29 | 224.13 | 38.39 |
| Societe Generale (FR) | 10.42 | 59.56 | 18.00 | 73.12 |
| BNP Paribas (FR) | 9.21 | 9.01 | 17.70 | 15.58 |
| Banco BPI (PO) | 12.18 | 12.04 | 13.55 | 5.19 |
| Banco Espirito Santo (PO) | 20.02 | 17.59 | 24.91 | 16.37 |
| Royal Bank of Scotland (GB) | 10.66 | 9.45 | n.a | n.a |
| Erste Bank (AU) | 14.78 | 13.21 | 11.29 | 10.04 |
| Banco Santader (SP) | 7.31 | 7.45 | 7.53 | 6.04 |
| Intesa Sanpaolo (IT) | 19.88 | 8.37 | 17.75 | 28.04 |

*Source: Author`s calculations based on the financial situations of the banks*

Under the influence of financial crisis in 2008, some banks had recorded lower values of PER due to low prices of shares, other banks had higher values of price earnings ratio because of the lower prices of shares and a smaller net income than 2007 (for example: the net profit of Banca Comerciala Carpatica decreased 90%, the net income of Intesa Sanpaolo 65%, BNP Paribas 61%, Banco BPI 58%, Banco Espirito Santo 34%). Banco Santander had an increase of shares in 2008 with 20% comparative to 2007. In the first semester of 2009, Societe Generale and Intesa Sanpaolo presented higher values of PER than the values of 2008. The net income of Societe Generale decreased in the first semester of 2009 with 85% compared to 2008. In the case of Intesa Sanpaolo, the net income decreased with 59% in the same period.

### *4.4 PBR (price-to-book ratio)*

The indicator measures the value that the market adds to the management and organization way of the company, these two elements are factors that influence the business growth. The indicator is calculated as the ratio between the stock price and value of shares. A well managed company with a strong management and an organization that works efficiently, it will have a greater market value than the historical value of its assets.

A greater value of *price-to-book ratio* is considered positive. A subunitary value indicates an underestimation of company shares, a price of shares which does not even cover the amount of equity. A supraunitary value shows a strong management team, an efficient organizational structure and opportunities for growth. If the values of the indicator are above 3, it means that these companies are recording significant increases in profits and turnover. In table 5 we presented the PBR in the period 2006-S1 2009.

**Table no.5**

| Price to book ratio | | | | |
|---|---|---|---|---|
| **Banks** | **2006** | **2007** | **2008** | **S1 2009** |
| **Banca Transilvania (RO)** | **6.57** | **4.69** | **2.62** | **0.61** |
| **BRD (RO)** | **5.24** | **4.94** | **2.68** | **1.08** |
| **Banca Comerciala Carpatica (RO)** | **4.12** | **3.83** | **1.73** | **0.89** |
| **Societe Generale (FR)** | **0.05** | **2.07** | **1.00** | **0.58** |
| **BNP Paribas (FR)** | **1.36** | **1.31** | **1.00** | **0.65** |
| **Banco BPI (PO)** | **2.59** | **2.61** | **1.36** | **0.84** |
| **Banco Espirito Santo (PO)** | **1.78** | **2.03** | **2.23** | **0.76** |
| **Royal Bank of Scotland (GB)** | **1.50** | **1.34** | **1.59** | **0.32** |
| **Erste Bank (AU)** | **1.73** | **1.84** | **1.20** | **0.48** |
| **Banco Santader (SP)** | **1.24** | **1.22** | **1.16** | **0.82** |
| **Intesa Sanpaolo (IT)** | **2.80** | **1.18** | **0.93** | **0.57** |

*Source: Author`s calculations based on the financial situations of the banks*

In 2008, PBR multiplier of analyzed banks had declined (there are two exceptions: Banco Espirito Santo and Royal Bank of Scotland), the reduced values were given by the low prices of shares of the banks in that period. Banco Espirito Santo had registred a higher value, because the number of shares of the bank increased in 2008 with 43% comparative with 2007. In the case of Royal Bank of Scotland, the explication of the higher value of the indicator is the same: the number of shares increased from 11.96 billion shares in 2007 to 39.46 billion shares in 2008.

**4.5 Return on equity (ROE)**

The financial rate shall be determined by reporting the net profit to shareholders' equity of the company. ROE focuses on the efficiency of invested capital by shareholders. A low rate may lead to dissatisfaction for shareholders that enables the distribution of dividends on expectations, but may also express any overcapitalization. Another interpretation of the low level of this indicator may be the policy of the profits reinvested in increasing assets and future revenue flows.

If you take into account that many of these investments are made in research and development activities, that will bring profits, but not in the short term, it is possible that in the future to increase ROE, giving satisfaction to shareholders. On the other hand, a rate too high indicates a subcapitalization and therefore a high degree of indebtedness.

The profit, important source of financing the development of an activity, is an undertaking part of the capital of a company, paying, first, the shareholders participation through dividends. An increase of this indicator shows an efficient activity in terms of equity fructification. The rate values of return on equity registered by our banks are presented in table number 6.

**Table no. 6**

| Return on equity | | | | |
|---|---|---|---|---|
| **Banks** | **2006** | **2007** | **2008** | **S1 2009** |
| Banca Transilvania (RO) | 17.12% | 28.10% | 23.16% | 17.83% |
| BRD (RO) | 28.12% | 26.53% | 30.78% | 29.30% |
| Banca Comerciala Carpatica (RO) | 12.14% | 4.15% | 0.34% | 2.32% |
| Societe Generale (FR) | 0.49% | 0.08% | 2.62% | 0.79% |
| BNP Paribas (FR) | 14.76% | 14.54% | 5.68% | 4.16% |
| Banco BPI (PO) | 21.29% | 21.72% | 10.03% | 16.10% |
| Banco Espirito Santo (PO) | 8.88% | 11.51% | 8.94% | 4.65% |
| Royal Bank of Scotland (GB) | 14.05% | 14.23% | n.a | n.a |
| Erste Bank (AU) | 11.68% | 13.90% | 10.64% | 4.78% |
| Banco Santader (SP) | 16.94% | 16.41% | 15.41% | 13.50% |
| Intesa Sanpaolo (IT) | 14.09% | 14.06% | 5.22% | 2.04% |

*Source: Author`s calculations based on the financial situations of the banks*

The ROE indicator presented oscillating values in 2008 compared to previous years. Banks such as Banca Comerciala Carpatica, PNB Paribas and Intesa Sanpaolo presented lower values of ROE with negative impact on the level of dividends to be granted. Royal Bank of Scotland had negative values of profit, inducing a zero level of the indicator. Only BRD and Societe Generale had higher values of ROE compared to previous years in 2008, which shows that companies produce an efficient activity for equity fructification. The profit of BRD increased in 2008 with 48% comparative to 2007 and the equity increased with 27% in the same period. Societe Generale had a better performance in 2008: the profit grow with 112% and the equity with 32% comparative with 2007.

In the first semester of 2009, only Banca Comerciala Carpatica and Banco BPI presented higher values of ROE than the values of 2008. The net profit of Banca Comerciala Carpatica had increased from 0.8 mil. RON in 2008 to 5.7 mil. RON in the first semester of 2009. In the case of Banco BPI, the net income increased with 81% and the equity with 13% in the same period.

## 5. Conclusions

The financial crash of 2007-2008 was the result of the interaction of several different factors, some of which had been building for many years. While market corrections and crashes are nothing new, indeed they are an inherent part of the capitalist system, it behoves governments, regulators and market participants to take the appropriate steps in response to ensure that the impact of the next correction is minimised. It is not universally agreed that one result of the financial crisis has been to generate a paradigm shift in the way the banking business model is structured. However there is no doubt that banks will need to modify their strategies and structures in response to the events of 2007-2008.

In the first instance, banks and regulators, recognising that a business cycle is an inherent part of the economic system, need to implement “counter-cyclical” capital and supervision regimes. In other words, capital should be built up during a bull market to, when it is easier to raise, to cover for the impact of a bear market. One approach here would be to raise “contingent capital”, for example debt that can be converted to equity when required. A trigger could be when the equity value falls to a specified point. Regulators must also stress supervisory oversight even during a bull market, when it tends to be relaxed.

Banks must look to running a strategy that is sustainable over the business cycle. This will mean lower return on capital targets, which shareholders will need to accept. A long-run average of 10%-12% is more realistic than the recent 18%-22% that was targeted by the large banks.

As a result of the intensified financial turmoil, the profitability of european banks fell significantly in the second half of 2008. Net profits decreased strongly year on year, and some banks even posted outright losses. In a remarkable development, the decline in quarterly earnings accelerated over the last quarters of 2008. This drop can be traced back mainly to write-downs of exposures to securities affected by the financial market turmoil and losses by proprietary trading units as well as to rising loan loss provisions.

The great problem of emerging capital markets, such as Romanian market, was the withdrawal of foreign investors, investors who went in search of better returns.

In the actual context investors are very careful in investing their capital, and the market has no longer the attraction of taking into account the negative economic data that they present.

Given the conditions in which the current subcapitalization of stock exchange is critical, in consequence many assets are significantly underrated, also on the stock markets there were seized some changes in investment behaviors.

In 2008, the majority of companies have registered a subunitary EPS or even zero, because of reduced profits and losses recorded by the entity. Consequently, the PER values of banks declined significantly, too. Also, the profitability indicators have worsened, which shows a decrease in capacity management companies to make profit.

The multipliers had decreased significantly as a result of decreasing the market price, the price of many shares was overvalued before the global financial crisis and following the events the price of securities listed on stock exchanges have become to their true values, then from 2008, the price of shares has depreciated significantly.

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