

# Credit institutions and insurance in the new Member States and Candidate Countries

## Statistics in focus

### INDUSTRY, TRADE AND SERVICES

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## Contents

Highest credit institutions' balance in the Czech Republic 1

Most credit institutions located in Hungary, but Romania ahead for employment..... 2

Highest interest income recorded in Estonia, Bulgaria and Romania ..... 3

Small credit institutions dominate in all countries except Estonia ..... 4

Insurance services less important in the Baltic area and Bulgaria..... 4

Only in Hungary and Poland life-insurance enterprises invested more than non-life ones..... 6



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This publication provides an overview on some activities relating to financial intermediation in the new Member States and two Candidate Countries (Bulgaria and Romania).

Credit institutions and insurance enterprises are included in Section J of the NACE Rev. 1 classification. This publication is made up of two parts, as follows:

- the first part refers to credit institutions, which comprise the NACE Rev. 1 classes 65.12 (Other monetary intermediation) and part of 65.22 (Other credit granting);
- the second part provides information on insurance enterprises, which relate to the NACE Rev. 1 classes 66.01 (life insurance) and 66.03 (non-life insurance).

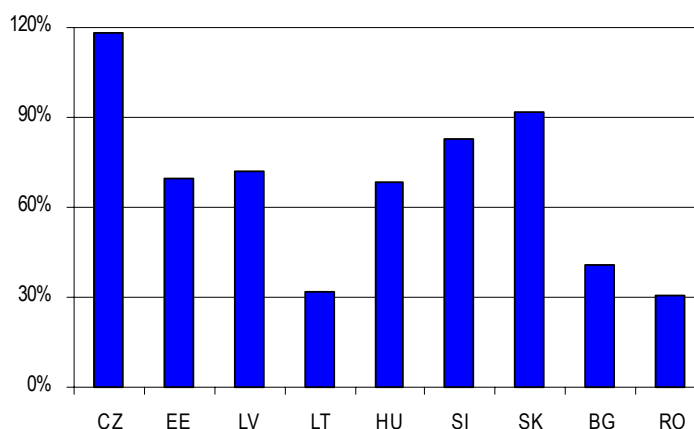
### Highest credit institutions' balance in the Czech Republic

Graph 1 below shows the importance of the banking sector (credit institutions) in terms of balance sheet as a percentage of GDP, which in 2001 varied considerably from country to country.

The Czech Republic stood well above the other countries, with total balance sheet reaching nearly 80 400 million euro and corresponding to 118% of the country's GDP.

The lowest proportions - between 30%-40% - were recorded in Lithuania (about 4 300 million euro in absolute terms), Bulgaria (6 300 million), and Romania (13 600 million), while in the other countries (for which data are available) the proportions ranged from 68% to 92%.

Graph 1: Balance sheet of credit institutions as % of total GDP, 2001



CZ, LV: provisional data.

## Most credit institutions located in Hungary, but Romania ahead for employment

Although Hungary was not among the countries where the balance sheet of credit institutions accounted for a very high proportion of the GDP, in 2001 it stood out for the high number of credit institutions: there were 233 enterprises with 2 836 local units, which employed nearly 34 500 people (Table 1). Most of the Hungarian credit institutions are co-operative enterprises, which are, in general, small in terms of balance sheet total. Only in Romania credit institutions employed more persons (41 238), which represents 0.48% of total employment. Despite the high number of local units (over 2 500), in this country the banking sector was concentrated in 41 institutions. In the other countries except Estonia employment in credit institutions varied from 8 551 people (Latvia) to 21 371 (Slovakia), while the number of local units stood between 209 (Lithuania) and 672 (Bulgaria). In Slovenia employment in the banking sector was relatively most important: the number of persons employed in banks represented 1.25% of total employment.

Estonia recorded not only the lowest employment (3 751 persons) but also only 7 enterprises. However, there were nearly 200 local units, which corresponded to almost 15 units every 100 000 inhabitants (Graph 2). Only in Latvia (17.2 local units per 100 000 inhabitants), Hungary (27.8), and Slovenia (32.3) the density of local units was higher. The lowest density of local units - about 6 units every 100 000 inhabitants - was recorded in Lithuania and Slovakia.

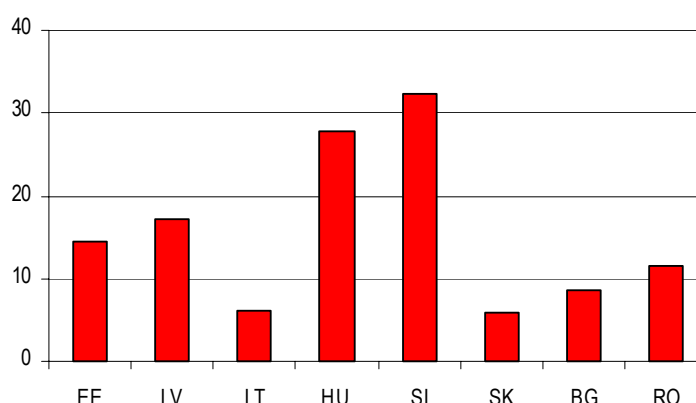
Graph 3 shows the values for labour productivity and personnel costs in credit institutions. As the data are not corrected for differences in price levels between countries, comparisons of these indicators across these countries needs to be done with the necessary caution. On the basis of the figures presented no definitive conclusions should be drawn. Slovakia stood out with a value added of nearly 60 000 euro per person employed, while Bulgaria and Lithuania were well below the average, at around 15 000 euro. As for labour costs, Bulgaria again ranked at the bottom of the scale (5 800 euro per person employed), while Slovenia recorded the highest values (22 000 euro).

**Table 1: Number of credit institutions, local units and persons employed, 2001**

	Credit institutions			Total employment
	Number of institutions	Number of local units	Number of persons employed	
CZ	38	:	:	4 724 300
EE	7	198	3 751	576 800
CY	:	:	:	301 900
LV	83	406	8 551	965 000
LT	53	209	8 796	1 521 800
HU	233	2 836	34 479	3 844 800
MT	:	:	:	138 000
PL	:	:	:	14 207 000
SI	69	643	11 299	904 500
SK	23	314	21 371	2 025 000
BG	35	672	19 333	2 968 100
RO	41	2 535	41 238	8 562 500

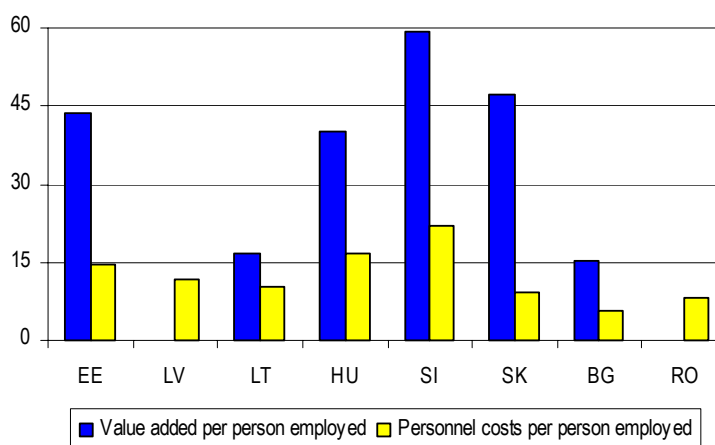
CY: data on total employment refer to the year 2000;  
SK: all data refer to the year 2000

**Graph 2: Local units of credit institutions per 100 000 inhabitants, 2001**



SK: data refer to the year 2000

**Graph 3: Credit institutions, value added and personnel costs per person employed, 2001 (1 000 euro)**



LV: provisional data

## Highest interest income recorded in Estonia, Bulgaria and Romania

Table 2: Credit institutions, main financial data, 2001 (million euro)

	CZ	EE	CY	LT	LV	HU	MT	PL	SI	SK	BG	RO
Balance sheet total	80 397	4 372	:	4 294	6 178	39 508	:	:	18 139	21 451	6 264	13 624
Interest receivable and similar income	3 733	275	:	243	342	3 443	:	:	1 314	1 432	385	2 034
Interest payable and similar charges	2 413	136	:	112	161	1 940	:	:	859	902	108	1 196
Commissions receivable	748	68	:	82	134	584	:	:	238	180	112	367
Commissions payable	:	18	:	14	25	165	:	:	44	72	11	67
Profit or loss for the financial year	458	108	:	-6	89	446	:	:	8	209	154	447

CZ: provisional data covering only NACE Rev 1 class 65.12

LV: provisional data

SK: data cover only NACE Rev 1 class 65.12

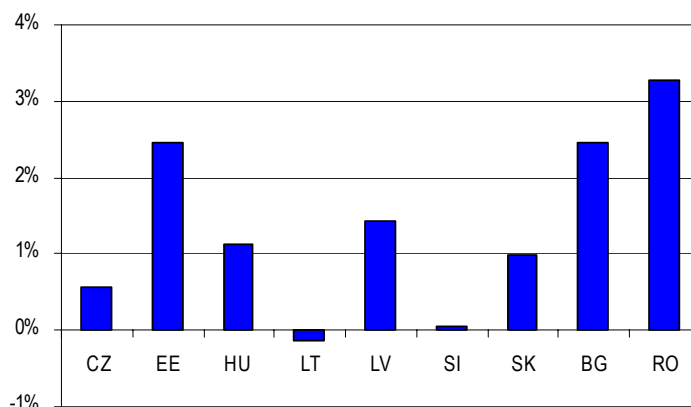
In 2001, the Czech Republic was ahead of the other countries not only because credit institutions had the highest value of balance sheet (nearly 80 400 million euro), but also because they recorded the highest profit in absolute terms (nearly 460 million euro, see Table 2). Hungary followed with less than half the value of balance sheet but a similar profit.

However, in Estonia, Latvia, Bulgaria and Romania the profit of the banking sector accounted for higher proportions of balance sheet total (Graph 4). Romania was particularly outstanding, at over 3%. Bulgaria and Estonia recorded both profitability ratios at around 2.5%. Across the countries, only in Lithuania credit institutions saw a negative performance.

Bulgaria and Romania were also outstanding for the high ratios of net interest income to total balance sheet, respectively at 4.4% and 6.1% (graph 5). In the other countries for which data are available the same percentages ranged from 1.6% (Czech Republic) to 3.8% (Hungary).

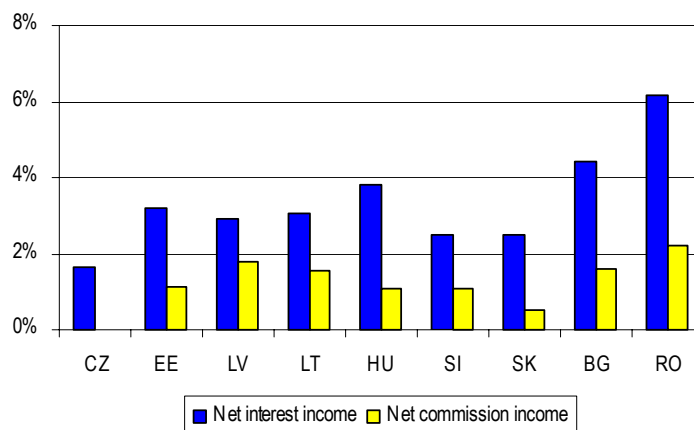
In all countries, net commission income was lower than net interest income. In particular, in Hungary and Slovakia commission income was less than one third of interest income. Except for Romania, in all countries the proportions in total balance sheet were lower than 2%.

Graph 4: Profit or loss for the financial year as % of balance sheet total, 2001



CZ, LV: provisional data.

Graph 5: Credit institutions, net interest and commission income as % of balance sheet total, 2001



CZ, LV: provisional data.

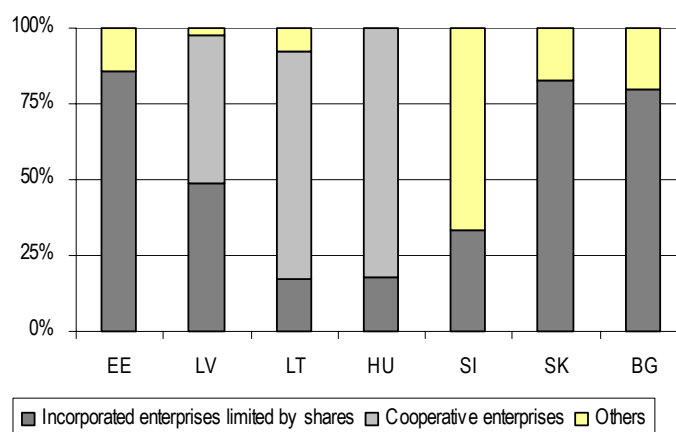
## Small credit institutions dominate in all countries except Estonia

In 2001 incorporated enterprises limited by shares dominated the banking sector in Estonia (where there were only seven companies), as well as in Slovakia and in Bulgaria, accounting for more than  $\frac{3}{4}$  of the total number of credit institutions (Graph 6).

Cooperative enterprises operated only in Latvia, Lithuania, and Hungary, and were clearly predominant in the two latter countries (with shares of 75% and 82% respectively). Enterprises with other legal statuses were marginal in all countries (null in Hungary), the only exception being Slovenia where they accounted for two thirds of the banking sector (savings banks and savings and loans undertakings).

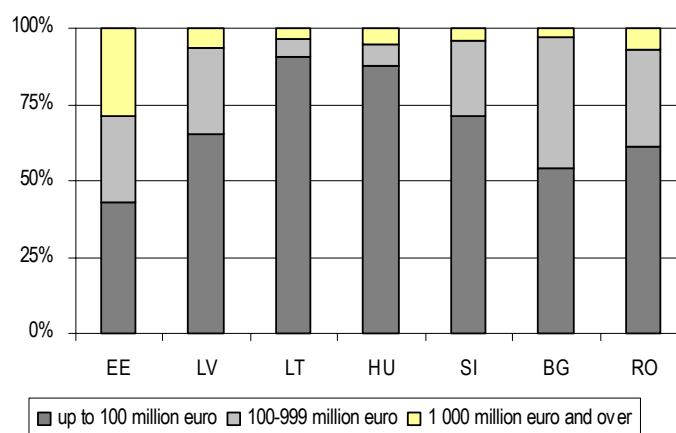
In Slovenia there was also a high proportion of relatively small credit institutions: enterprises with a balance sheet totalling up to 100 million euro accounted for 71% of total credit institutions (graph 7). Such institutions predominated most countries and, as expected, accounted for the highest proportions in the countries where there was a concentration of cooperative enterprises (Latvia, Lithuania and Hungary). Large banks accounted for a significant proportion in total enterprises only in Estonia (29%).

**Graph 6: Number of credit institutions by legal status, 2001**



"Others" comprise public law enterprises, branches of non-EEA enterprises and other types of legal status;  
SK: data refer to the year 2000.

**Graph 7: Number of credit institutions by size class of balance sheet total, 2001**

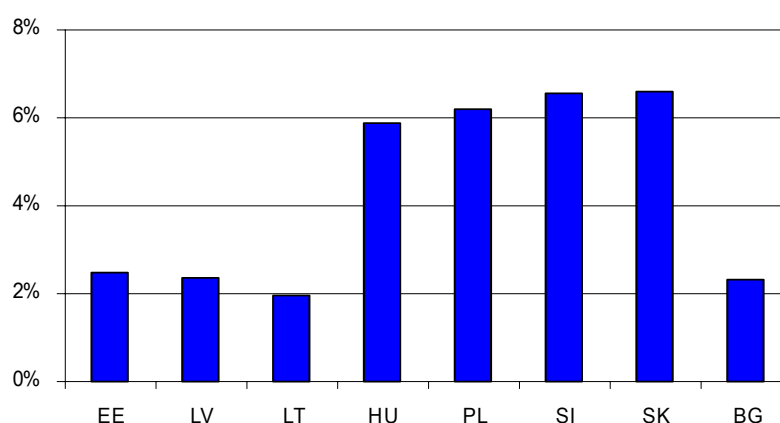


## Insurance services less important in the Baltic area and Bulgaria

This section of the publication refers to insurance enterprises, and covers the NACE Rev. 1 classes 66.01 and 66.03 with the exception of reinsurance enterprises, which, in general, do not exist in the countries considered. Pension funds (NACE Rev. 1 class 66.02) are excluded.

Graph 8 shows that, across the countries that provided data, in 2001, insurance services were more developed in Hungary, Poland, Slovenia and Slovakia. In such countries balance sheet of businesses operating in the sector represented 6% - 6.5% of each country's GDP, while in the Baltic area and in Bulgaria percentages were around 2%.

**Graph 8: Balance sheet of insurance enterprises (1) as % of total GDP, 2001**



(1) Life, non-life, and composite insurance enterprises; SI: data refer only to composite insurance enterprises

Hungary and Poland were the countries recording the highest number of persons employed in the insurance sector (Table 3), which was dominated by large enterprises. In Hungary there were nearly 30 000 people working in 25 enterprises, meaning, on average, nearly 1 200 persons employed in each business.

Poland was ahead for employment (about 32 600 people) and for the number of enterprises (71) which were, however, much smaller than those operating in Hungary (459 persons employed on average). In the Czech Republic and Slovenia insurance businesses were also fairly large (395 and 503 persons employed respectively, but data do not cover all types of enterprises).

In the Baltic area and Bulgaria (where the balance sheet accounted

for low percentages of GDP) insurance enterprises were clearly smaller, with an average size ranging from 79 persons employed (Estonia) to 138 (Latvia). Among these countries, Latvia had the highest level of employment, totalling nearly 4 300 workers).

The values of gross premiums written are obviously related to the size and the characteristics of each market. Poland again held the top position, at almost 6 100 million euro (in 2001). The Czech Republic (2 147 million euro) and Hungary (1 691 million) followed at some distance.

Disparities are also due to the type of enterprise that dominated in each country. Composite insurance enterprises, which provide life insurance and non-life insurance services and which are generally of

larger size, operated only in certain countries. In the Czech Republic, and Hungary, in particular, they were responsible for 85% or more of employment and value of gross premiums written (such enterprises operated also in Slovenia and Slovakia, but the complete set of data is not available).

In the countries where there were no composite insurance businesses, the highest shares in total employment and gross premiums written were taken by non-life insurance enterprises (80% or more).

Life-insurance firms appeared to have certain importance only in Poland (29% of employment of the insurance sector and 41% of gross premiums written) and in Malta (only for employment, at 43).

**Table 3: Number of insurance enterprises, gross premiums written, number of persons employed, 2001**

	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	BG	RO
Number of enterprises (units)												
Life insurance enterprises	3	6	:	6	9	6	:	36	c	4	12	:
Non-life insurance enterprises	21	8	:	15	22	7	:	35	c	6	20	:
Composite insurance enterprises	17	0	:	0	0	12	:	0	9	18	0	:
Number of persons employed (units)												
Life insurance enterprises	c	154	:	122	225	3 081	:	9 452	c	:	617	:
Non-life insurance enterprises	1 000	955	:	1 670	4 062	726	:	23 159	c	:	2 581	:
Composite insurance enterprises	14 000	0	:	0	0	26 164	:	0	4 530	:	0	:
Gross premiums written (million euro)												
Life insurance enterprises	c	23	:	8	19	255	:	2 522	c	52	45	:
Non-life insurance enterprises	103	94	:	166	114	18	:	3 574	c	12	201	:
Life insurance business of composite insurance	c	0	:	0	0	447	:	0	195	270	0	:
Non-life insurance business of composite insurance	2 044	0	:	0	0	970	:	0	561	408	0	:

One of the possible ways to evaluate the operations of the insurance sector is to analyse the ratios of claims incurred and gross operating expenses to the total value of the gross premiums written. Figures in Table 4 confirm the expected trend: the ratio of claims incurred to premiums written is generally higher in non-life insurance than in life insurance (in 2001 the only exceptions were Latvia and Bulgaria).

In all countries except Hungary claims ratios of non-life insurance

were higher than 40%, and reached 61.4% in Estonia, 69.9% in Poland, and 80.1% in Slovenia (in this case data refer to non-life business of composite insurance enterprises).

As for life insurance, the highest claims ratios were recorded in Bulgaria (58.8%) and Latvia (51.4%), which were the only countries where life insurance exceeded non-life. Hungary and Slovakia followed, both at around 42% (referring to composite insurance firms).

Differences between life and non-life

insurance were not so significant with regard to cost ratios (gross operating expenses in gross premiums written), with the only exceptions being Slovakia and Hungary. Non-life insurance enterprises in these two countries recorded the highest cost ratios, at over 55%. In all other countries - regardless of the type of enterprise - the percentages ranged from 24%-27% (the Czech Republic, Hungary, Slovenia, Bulgaria) to 43%-44% (Latvia and Lithuania).

**Table 4: Claims and cost ratios of the insurance sector, 2001**

	CZ	EE	CY	LV	LT	MT	HU	PL	SI	SK	BG	RO
Claims ratio (claims incurred as % of gross premiums written)												
Life insurance enterprises	c	15.4	:	51.4	15.6	:	30.1	36.6	c	12.0	58.8	:
Non-life insurance enterprises	48.4	61.4	:	41.6	55.8	:	36.6	69.9	c	44.0	56.6	:
Life insurance business of composite insurance	c	-	:	-	-	:	42.5	-	33.0	41.7	-	:
Non-life insurance business of composite insurance	8.1	-	:	-	-	:	60.1	-	80.1	59.6	-	:
Cost ratio (gross operating expenses as % of gross premiums written)												
Life insurance enterprises	c	28.9	:	43.4	44.1	:	25.2	31.2	c	34.9	24.6	:
Non-life insurance enterprises	25.5	28.4	:	31.0	44.0	:	60.4	28.1	c	55.6	31.1	:
Life insurance business of composite insurance	c	-	:	-	-	:	32.7	-	25.2	33.8	-	:
Non-life insurance business of composite insurance	26.8	-	:	-	-	:	27.5	-	28.2	33.2	-	:

### Only in Hungary and Poland life-insurance enterprises invested more than non-life ones

Since composite insurance enterprises dominated in the countries where they existed, in such countries they were obviously responsible for most investments of the insurance sector. With regard to firms operating only in one type of insurance, investments of non-life insurance enterprises were generally higher than those of life insurance businesses. The only exceptions were Hungary and Poland, where life insurance enterprises invested, in 2001, 835 and 6 760 million euro respectively.

On the whole, insurance firms

invested mainly in "other financial investments", which comprise: shares and other variable-yield securities and units in unit trusts; debt securities and other fixed-income securities; participation in investments pools; loans guaranteed by mortgages; other loans.

In most countries such investments accounted for more than 80% of total investments, and only in Slovakia (for life insurance enterprises) they were a minor target, corresponding to 25.3% of total investments. Most investments

by Slovakian life insurance enterprises were investments for the benefit of policyholders who bear the investment risk (63.6% of total). This type of investment had also certain importance in Hungary (19.3% for life insurance).

Relatively high shares (15% or more) were also recorded for investments in affiliated enterprises (Bulgaria, life insurance and Estonia, non-life insurance) and for deposits with ceding enterprises (Latvia, non-life insurance).

**Table 5: Main investment items of insurance enterprises by type of enterprise, 2001**

	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	BG	RO
Life insurance enterprises												
Total investments (million euro)	c	56	:	43	43	835	:	6 760	:	43	97	:
Of which (%):												
- Land and buildings	c	2.0	:	4.6	1.6	0.3	:	1.2	:	8.7	14.9	:
- Investments in affiliated enterprises (1)	c	5.2	:	14.6	:	0.1	:	4.8	:	2.3	16.5	:
- Other financial investments	c	82.2	:	80.8	94.0	80.3	:	81.6	c	25.3	65.3	:
- Deposits with ceding enterprises	c	0.0	:	0.0	0.0	0.0	:	0.0	c	0.0	0.0	:
- Investments for the benefit of policyholders (2)	c	10.7	:	0.0	4.4	19.3	:	12.4	c	63.6	3.4	:
Non-life insurance enterprises												
Total investments (million euro)	432	77	:	115	151	17	:	4 576	0	63	127	:
Of which (%):												
- Land and buildings	0.0	12.1	:	10.1	18.7	4.0	:	3.5	c	1.8	13.9	:
- Investments in affiliated enterprises (1)	6.5	15.2	:	11.0	4.0	0.1	:	8.6	:	0.0	2.4	:
- Other financial investments	93.5	72.7	:	63.3	76.7	95.9	:	87.7	c	98.1	82.6	:
- Deposits with ceding enterprises	0.0	0.0	:	15.6	0.6	0.0	:	0.3	c	0.0	1.0	:
Composite insurance enterprises												
Total investments (million euro)	3 581	-	:	-	-	2 171	:	-	1 233	1 168	-	:
Of which (%):												
- Land and buildings	0.0	-	:	-	-	1.2	:	-	12.4	9.7	-	:
- Investments in affiliated enterprises (1)	10.5	-	:	-	-	4.8	:	-	3.7	6.4	-	:
- Other financial investments	88.8	-	:	-	-	80.6	:	-	83.9	81.6	-	:
- Deposits with ceding enterprises	0.0	-	:	-	-	0.1	:	-	0.0	0.0	-	:
- Investments for the benefit of policyholders (2)	0.7	-	:	-	-	13.2	:	-	0.0	2.3	-	:

(1) including participating interests; (2) life-assurance policyholders who bear the investment risk;

CZ: provisional data for composite insurance enterprises

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### Databases

This Statistics in Focus (SiF) is based on structural business statistics collected under the terms of Council Regulation (EC, EURATOM) No 58/97 of 20 December 1996. The reference data are stored in Eurostat's reference database New Cronos (theme 4 - domain SBS).

**Data on credit institutions:** the source of the data is the collection CREDSTAT of the domain SBS.

Variables which are part of Annex 1 to Council Regulation 58/97 concerning structural business statistics were taken from dft file *c\_annex1* of group *c\_serie1*.

Data concerning sector variables and geographical, regional and size-class breakdowns are collected in compliance with the European Parliament and Council Regulation No 2056/2002. The data on balance sheet total, profit and loss account, and additional accounting variables (interest payable and receivable, commissions payable and receivable) were taken from dft file *c\_specif* (group *c\_serie1*). Data on the number of credit institutions broken down by legal status and by size class of balance sheet total were derived from group *c\_serie2*, respectively from dft files *leg\_stat* and *sizecla*.

**Data on insurance services:** the source of the data is the collection STATONIS of the domain SBS (dft file *serie\_5a*).

The data presented in STATONIS covers the data required by Annex 5 to Council Regulation No 58/97 concerning structural business statistics (detailed module for structural statistics in insurance).

Structural data on insurance services are collected on the basis of Council Regulation No 410/98.

**Additional data:** the source of information relating to total GDP is the domain NATIONAL ACCOUNTS - AGGREGATES (under theme 2 of New Cronos database). The data presented refer to DGP at current prices (dft file *a\_gdp\_c*). Data on employment in the total economy were taken from the domain EMPLOYMENT (theme 3 of New Cronos), dft file *indic\_y*.

### Data coverage and methodological remarks

The currency data are expressed in current euro and therefore do not fully reflect the currency volatility, inflation rates and purchasing power.

There are still a number of discrepancies between the various new Member States and Candidate countries regarding the statistical population covered as well as the methodologies.

No data are available for those countries that are not shown in the graphs and tables.

The figures shown in the publication reflect the situation of the databases as of May 2004.

### Signs and symbols

Throughout the publication the following signs have been used:

: = not available; - = not applicable;  
c = confidential

### Statistical classification

The data are collected mainly on the basis of the Statistical Classification of Economic Activities in the European Community (NACE Rev. 1).

This SiF deals with **Section J of the classification** and covers the following classes:

For credit institutions:  
65.12 (Other monetary intermediation);  
65.22 (Other credit granting)

For insurance services:  
66.01 (Life insurance);  
66.03 (Non-life insurance).

### SBS variables

#### Number of enterprises

A count of the number of enterprises registered to the population concerned in the business register corrected for errors, in particular frame errors. Dormant units are excluded.

#### Local units

A count of the number of local units registered to the population concerned in the business register corrected for

errors, in particular frame errors. Local units must be included even if they have no paid employees. This statistic should include all units active for at least a part of the reference period.

### Number of persons employed

The total number of persons who work in the observation unit (employees receiving remuneration, working proprietors and unpaid family workers) as well as outside working persons who belong to the unit and are paid by it. It includes all persons who are on the payroll of the enterprise, whether they are temporarily absent (excluding long-term absences), part-time, seasonal or home workers, apprentices etc.

### Gross premiums written (for NACE classes 66.01 and 66.03)

Corresponds to turnover and comprises the totals invoiced by the observation unit during the reference period, which corresponds to market sales of goods or services supplied to third parties.

### Value added at factor cost

Value added at factor cost is the gross income from operating activities after adjusting for operating subsidies and indirect taxes.

### Personnel costs

Personnel costs are defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the reference period. Personnel costs also include taxes and employees' social security contributions retained by the unit as well as the employer's compulsory and voluntary social contributions.

*The above SBS variables are laid down in Commission Regulation (EC) No 2700/98 of 17 December 1998.*

More information on business statistics methodology can be found at:

<http://europa.eu.int/comm/eurostat/ramon/>  
or

[http://forum.europa.eu.int/Public/irc/dsis/bmethods/info/data/new/main\\_en.html](http://forum.europa.eu.int/Public/irc/dsis/bmethods/info/data/new/main_en.html)

## *Further information:*

### ➤ **Databases**

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Their mission is to provide help and guidance to Internet users of European statistical data.

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