

FINANCIAL SECTOR



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What is financial sector?

The financial sector consists of companies that manage money. In the USA, the financial sector consists mainly of the capital market (stock exchanges, asset management, investment funds,...). Banks predominate in Europe and account for 50 percent of the financial sector. In Slovakia, banks make up 70 percent of the financial sector's assets. Other important entities in Slovakia are Insurance companies with a share of 7 percent, Pension management companies with a share of 7.5 percent, Capital market funds with a share of 7.5 percent, Leasing companies with a share of 5 percent.

Banks

Banks are financial institutions that accept deposits and make loans. People or companies hold money in banks in current accounts or in term accounts. Banks lend money to people or companies that use it to

buy cars, furniture, consumer goods or to buy homes. Businesses use money to finance investments or to cover other expenses.

There are more than 25 banks in Slovakia. Three banks are dominant in the market.

BANK	MARKET SHARE in %	SHAREHOLDER
Slovenská sporiteľňa	22,0	Erste Bank
VÚB	20,8	Intesa Sanpaolo
Tatra banka	16,4	Reiffeissen Bank
ČSOB	10,5	KBC
UniCredit Bank	6,3	UniCredit Bank
Poštová banka	5,2	J&T
Prima banka	4,6	Penta
PSS	4,1	Erste, Reiffeissen, Bausparkasse

Insurance companies

Insurance companies insure people and firms against financial risks. They assume risk from their costumers for a fee, which is called premium. Insurance companies insure life and health, cars, houses, property, yields of farms, etc. They make profit if insurance premiums obtained from costumers are bigger than expected claims and costs of running the business. Why people buy insurance? Most of the people are risk averse, they try to avoid unnecessary risk. Risk averse people are therefore willing to pay someone who will take away risk from them. Most of us is willing to pay a premium every year to insurance company rather than taking a small chance that our home will burn down and we end up with nothing, despite the fact that the probability of a fire is extremely low.

However, people tend to underinvest in insurance. In good times we do not think about possible future catastrophes and therefore we do not buy as much insurance as we need.

Insurance is often sold by insurance agents. Independent agents sell insurance products of many insurance companies. There are also exclusive agents who sell insurance of one company only.

Insurance agents want to sell as much insurance as possible so we still need to be rational about the real need for insurance.

List of insurance companies in Slovakia as of 08/2020

Allianz - Slovenská poisťovňa, a.s.
 Atradius Crédito y Caución S.A. de Seguros y Reaseguros, pobočka poisťovne z iného členského štátu
 AXA poisťovňa a.s., pobočka poisťovne z iného členského štátu
 AXA životní poisťovňa a.s., pobočka poisťovne z iného členského štátu
 Basler Lebensversicherungs - AG, pobočka poisťovne z iného členského štátu
 Basler Sachversicherungs-Aktiengesellschaft, pobočka poisťovne z iného členského štátu
 BNP Paribas Cardif Poisťovňa, a.s.
 Colonnade Insurance S.A., pobočka poisťovne z iného členského štátu
 Compagnie française d' assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu
 Credendo -Short-Term EU Risks úverová poisťovňa, a.s., pobočka poisťovne z iného členského štátu
 ČSOB Poisťovňa, a.s.
 Euler Hermes SA, pobočka poisťovne z iného členského štátu
 EUROINS - BRANCH SLOVAKIA
 Generali poisťovňa, a. s.
 Groupama poisťovňa a.s., pobočka poisťovne z iného členského štátu
 HDI Versicherung AG pobočka poisťovne z iného členského štátu
 KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group
 MetLife Europe Insurance DAC pobočka poisťovne z iného členského štátu
 MSIG Insurance Europe AG, pobočka poisťovne z iného členského štátu (Slovensko)
 NN Životná poisťovňa, a.s.
 NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s.
 Osterreichische Hagelversicherung-Versicherungsverein auf Gegenseitigkeit, pobočka poisťovne z iného členského štátu
 Poštová poisťovňa, a. s.
 Premium Insurance Company Limited, pobočka poisťovne z iného členského štátu
 STARR EUROPE INSURANCE LIMITED, pobočka poisťovne z iného členského štátu
 Swiss Re International SE, pobočka poisťovne z iného členského štátu
 Union poisťovňa, a. s.
 UNIQA poisťovňa, a.s.
 Wüstenrot poisťovňa, a.s.
 Youplus Insurance International AG, pobočka poisťovne z iného členského štátu

Collective investments

Small investors like you or me are sometimes unhappy about low interest rates banks offer. Some of us would like to take up an opportunity to invest in global financial markets where returns on our investment are most likely higher than in the banks. It is, however, costly to invest for individual investor in financial markets. Fees are high per unit of investment and specialized knowledge is needed. The solution to this problem is to invest collectively.



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Asset management companies collect money from several individuals – investors. The money (financial means) of many investors create mutual fund. The financial means are invested in different assets according to investment strategy of the mutual fund (Real estate fund, Money market and bonds fund, Equity funds, etc.). There are several advantages of investment in the mutual fund. First, investors can easily convert their investment into cash. Mutual funds investments are very liquid. Second, mutual funds diversify investments which means that risk of investment is much lower. Third, the costs of investment conducted by mutual funds per unit of invested money is significantly lower than costs of

investment by individual investor. Fourth, mutual funds are managed by professional financial managers which can be beneficial sometimes.

In Slovakia open-end mutual funds are the most popular. Investors in open-end mutual fund invest any time and they can take away their money from the fund any time they desire. There are various types of open mutual funds.

Money market mutual funds

Money of individual investors are invested into short-run financial instruments, which makes sure that risk of investment is low. On the other hand, return on investment is low too. Return is comparable or slightly higher than return on term accounts in banks. Money of investors are very liquid and you can quickly convert your investment into cash. There are often no or small fees for purchasing or redeeming shares.

Bond funds

Money of investors are invested by bond mutual fund into bonds, small percentage is invested into shares (stocks). This means that risk of investment is higher than in money market funds while return of investment is also higher. You can not be surprised if the value of your investment sometimes goes down for some period of time. You should use bond funds if you want to invest your extra money for longer period of time, at least one year.

Equity funds

At least two thirds of money of equity funds are invested into stocks. Therefore, investment into equity funds is more risky than investment into bond funds. Expected return on investment is however also higher. You should invest into equity funds for at least 5 years. This type of investment is long-term.

Hybrid funds

Hybrid funds invest both into stocks and bonds. They diversify investment across different companies and different products. Investors who want to invest both into stocks and bonds do not need to invest into two mutual funds but they can select just one hybrid fund..

List of asset management companies in Slovakia as of 08/2020

Asset Management Slovenskej sporiteľne, správ. spol., a.s.
 AXA investiční společnost a.s., organizačná zložka Slovensko
 Erste Asset Management GmbH-pobočka Slovenská Republika
 Eurizon Asset Management, správ. spol., a.s.
 GOLDSIDE Asset Management, správ. spol., a.s.
 HB Reavis Investment Management správ. spol., a.s.
 IAD Investments, správ. spol., a.s.
 KBC Asset Management NV, pobočka zahraničnej správcovskej spoločnosti
 PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a.s.
 Sandberg Capital, správ. spol., a.s.
 Slovak Asset Management, správ. spol., a.s.
 Tatra Asset Management, správ. spol., a.s.

Pension Funds

The money that people save for retirement in the second pillar is managed by Pension Management Companies (DSS). Third pillar money is managed by Supplementary Pension Companies (DDS)

List of DSS in Slovakia as of 08/2020

Allianz - Slovenská dôchodková správcovská spoločnosť, a.s.
 AXA d.s.s., a.s.
 Dôchodková správcovská spoločnosť Poštovej banky d.s.s., a.s.
 NN dôchodková správcovská spoločnosť, a.s.
 VÚB Generali dôchodková správcovská spoločnosť, a.s.

List of DDS in Slovakia as of 08/2020

AXA d.d.s., a.s.
 Doplnková dôchodková spoločnosť Tatra banky, a.s.
 NN Tatry - Sympatia, d.d.s., a.s.
 STABILITA, d.d.s., a.s.



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