



## Direct Financial Links to Russia by Economic Sector

04 March 2022

This Statistical Release outlines the direct financial links of Irish economic sectors to Russian entities. The information is drawn from across various statistical and supervisory data sources. The focus is mainly on the asset held by Irish economic sectors. Direct links are based on an assessment of the immediate counterpart residency of the issuer. The statistics contained relate to end-2021 positions unless otherwise indicated.

- Special Purpose Entities (SPEs) have the largest link to Russia across economic sectors with holdings of €37.1bn of Russian issued assets. There were 33 Russian sponsored SPEs identified with total assets of €35.5bn. This accounts for 8% of the non-securitisation SPE sector.
- Investment funds held €11.5bn Russian issued assets at end-2021, accounting for 0.3% of total assets held by investment funds.
- Banking exposures were within internationally-focused banks and comprised €1.1bn balance sheet financial assets.

**Table 1: Economic Sector Financial Asset Links to Russian entities**

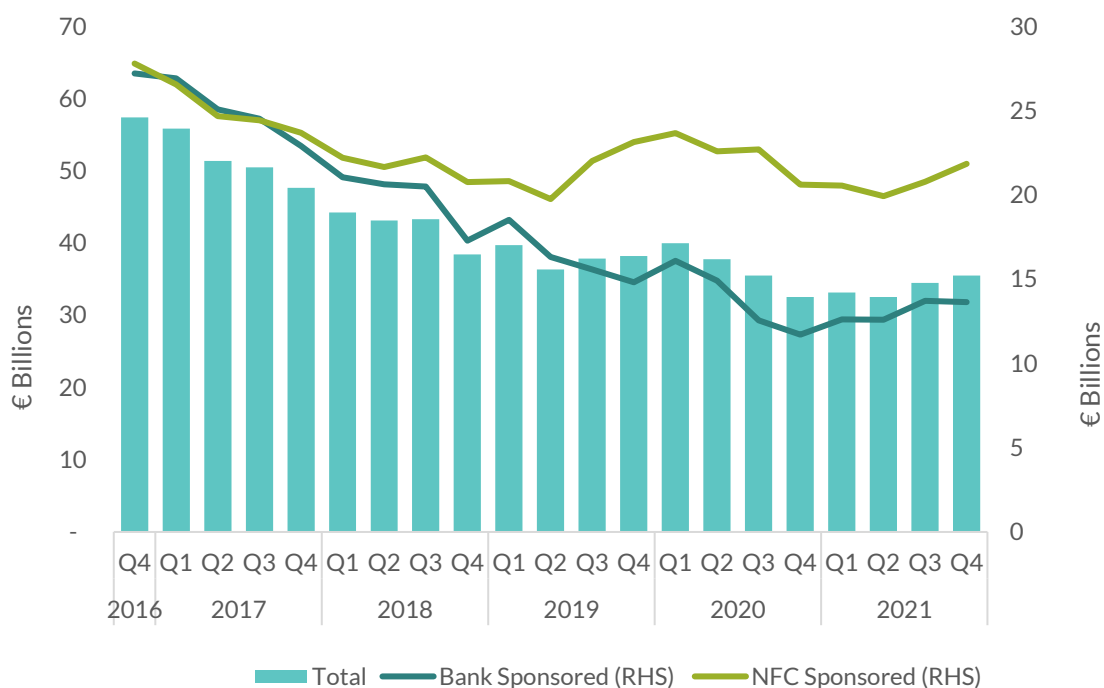
| Economic Sector                   | € Million |
|-----------------------------------|-----------|
| Special Purpose Entities*         | 37,069    |
| Investment Funds*                 | 11,461    |
| Credit Institutions*              | 1,113     |
| Insurance Corporations**          | 98        |
| Other Financial Intermediaries*** | 20        |
| Pension Funds*                    | 7         |
| Non-Financial Corporates***       | 2         |
| Households***                     | 1         |

Sources: \*: Central Bank of Ireland Statistical Returns; \*\*: Central Bank of Ireland Supervisory Returns; \*\*\*: Central Bank of Ireland Security Holdings Statistics; All data relate to end-2021 with exception OFIs, NFCs and households which refer to end-September 2021.



### Special Purpose Entities

Chart 1: Assets within Russian sponsored SPEs by sector of sponsor



Source: Central Bank of Ireland SPE Statistics

- SPEs hold €37.1bn of Russian issued assets. These are primarily loans issued to Russian companies from the SPE.
- At end-2021, there were 33 Russian sponsored SPEs identified with total assets of €35.5bn. These are all non-securitisation SPEs. 12 vehicles are sponsored by Russian banks amounting to €13.6bn in assets while 21 vehicles sponsored by Russian non-financial corporates held assets of €21.9bn. Russian sponsored SPEs predominantly engage in external financing activity where they issue debt from the Irish SPV to raise funds for the parent company.
- The assets and number of Russian sponsored SPE's have declined since 2016, largely due to vehicles sponsored by banks, with some unable to issue new debt after the introduction of sanctions in 2014.



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- The Central Bank SPE statistical reporting is confined to non-securitisation Section 110 SPEs. Defining SPEs more broadly is the subject to ongoing international statistical discussions.

### Investment Funds

**Table 2: Russian Assets held by Irish Investment Funds, by Sector (Q4 2021)**

| € Mn              | Banks        | Government   | Non-Financial Corporates | Other Financial | Total         |
|-------------------|--------------|--------------|--------------------------|-----------------|---------------|
| Equity Securities | 1,359        | -            | 4,331                    | 186             | 5,876         |
| Debt Securities   | 8            | 5,074        | 58                       | -               | 5,139         |
| Other Assets      | 43           | -            | 68                       | 334             | 446           |
| <b>Total</b>      | <b>1,410</b> | <b>5,074</b> | <b>4,457</b>             | <b>520</b>      | <b>11,461</b> |

Source: Central Bank of Ireland Investment Fund Statistics

- Investment Funds held €11.5bn in Russian assets at end December 2021, accounting for 0.3% of the total assets of Irish IFs. Exchange Traded Funds accounted for 27% of these holdings.
- Debt securities amounted to €5.1bn, of which 99% is in government bonds.
- Equity holdings amounted to €5.9bn, of which Russian non-financial corporations accounted for €4.3bn, banks €1.4bn and €186mn in other financial entities. Other assets amounted to €446mn, mainly representing overdraft positions.

### Credit Institutions

- At end 2021, Irish authorised banks<sup>1</sup> had a €1.7bn exposure of on and off balance sheet financial assets and liabilities to Russian counterparties based on the residency of the immediate counterparty. This equates to 0.1% of total on and off balance sheet financial assets and liabilities held by Irish authorised banks.
- This exposure is predominately held by Irish authorised international banks.

<sup>1</sup> Banks licensed pursuant to Section 9 of the Central Bank Act, 1971 and Banks licensed pursuant to Section 9 of the Central Bank Act, 1971, and registered as designated credit institutions under Section 14 of the Asset Covered Securities Act, 2001. Please refer to the register of Credit Institutions for a list of those firms.



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- €1.1bn of this relates to on balance sheet financial assets and the majority of which are loans and advances to non-financial corporates. This equates to 0.2% of total assets
- The remaining exposure is made up of off balance sheet exposures and liabilities.

### Other Economic Sectors

- Pension Fund data for end-2021 show holdings of Russian issued assets of just €7mn made up mostly of government debt and equity portfolio holdings.
- Central Bank Securities Holdings Statistics show that remaining economic sectors including Other Financial Intermediaries (€20mn), Non-Financial Corporations (€2mn) and Households (<€1mn) also had limited holding of financial instruments issued by Russian entities (Table 2).
- Insurance companies held €97mn of securities issued by Russian entities, representing 0.1% of the sectors total assets. These exposures were primarily held in unit linked funds managed by the Insurance company.<sup>2</sup>

**Table 3: Russian issued securities holdings of other Irish residents**

| €mn                                         | <i>Long-Term Debt Securities</i> | <i>Quoted Shares</i> | <i>Total</i> |
|---------------------------------------------|----------------------------------|----------------------|--------------|
| Insurance Corporations                      | 19                               | 77                   | 97           |
| Other Financial Intermediaries <sup>^</sup> | 14                               | 6                    | 20           |
| Pension Funds                               | 4                                | 3                    | 7            |
| Non-Financial Corporates <sup>^</sup>       | -                                | 2                    | 2            |
| Households <sup>^</sup>                     | -                                | 1                    | 1            |

Source: Central Bank of Ireland Pension Fund and Securities Holdings Statistics and Insurance Supervisory data; <sup>^</sup> Reference end-September 2021

<sup>2</sup> Unit linked funds may also have indirect exposures via holdings in investment funds. For further information on the inter-connectedness of the insurance sector and investment funds see <https://www.centralbank.ie/statistics/statistical-publications/behind-the-data/understanding-the-inter-connectedness-of-the-irish-insurance-sector-and-investment-funds>

## **Statistical Release – Appendix**

### **Further information**

Queries to: Central Bank, Press Office at  
[media@centralbank.ie](mailto:media@centralbank.ie) or (01) 224 6299.