

IRELAND

Key characteristics of the insurance market



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1 Introduction

1.1 General

At the end of 2017 (2017 Q4), 191 insurance companies¹ in Ireland submitted their Solvency II related reporting package to the Irish National Supervisory Authority (NSA). These companies accounted for 3,138% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in Ireland by insurance activities and the importance of the country within the EU, based on Total assets.

Table 1 - Insurance reporting submissions

Insurance reporting submissions	#
Life undertakings	42
Non-Life undertakings	95
Reinsurance undertakings	52
Composite undertakings ²	2
Total	191
Total assets IE / Total assets EU %	3,138%
Ranking IE based on Total assets EU	7

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

1.2 Balance sheet

At the end of 2017 (2017 Q4), Ireland was the number 7 country in the EU insurance market in terms of assets held with an amount of 354 billion EUR reported under Solvency II rules.

Concerning the Assets held for index-linked and unit-linked contracts, Ireland ranked number 3 in terms of absolute amount with 210 billion EUR invested in this category. However, with 59,3% of Total assets of this category, Ireland was significantly above the EU average, i.e. 24,2% in terms of Total assets.

In terms of technical provisions, 12,1% of the total balance sheet relates to the life business (i.e. non index-linked and unit-linked business), while 12,4% represented non-life obligations.

1 In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market covered in this factsheet therefore refers to insurers and reinsurers.

2 According to the Irish NSA, the correct number of composite undertakings in Ireland is 1, while the other composite that is reported under composite undertakings is in fact a life insurer. The reason for this difference is due to the fact that the noted life insurer is no longer authorized and cannot submit a correction for the erroneous data.

Table 2 - Solvency II balance sheet (S.02.01) and EU comparison (solo)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	95 090	11	26,8%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	209 916	3	59,3%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	49 280	4	13,9%	8,1%	8,4%	2,1%	19,5%	4,9%
Total assets	354 286	7	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%
Technical provisions - life	42 713	12	12,1%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	44 008	5	12,4%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	206 831	3	58,4%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	22 374	9	6,3%	8,9%	9,0%	4,0%	21,3%	3,9%
Total liabilities	315 926	7	89,2%	86,9%	77,6%	49,1%	92,7%	11,1%
Excess of assets over liabilities	38 360	9	10,8%	13,1%	22,4%	7,3%	50,9%	11,1%
Total liabilities + Excess of assets over liabilities	354 286	7	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The balance sheet item Investments, deposits, cash and cash equivalents will be further detailed in section 2, while section 3 will focus on Assets held for index-linked and unit-linked contracts.

1.3 Solvency II ratios

At the end of 2017 (2017 Q4), the Irish insurance market as a whole had available own funds that were significantly above the Solvency Capital Requirement (SCR) levels required by the European Solvency II Directive. The reported SCR ratio amounted to 178% with long-term guarantee (LTG) and transitional measures, and is significantly below that of the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, Ireland is ranked at the 23th position in terms of the reported SCR ratios.

Table 3 - Solvency II own funds and SCR (S.23.01) and EU comparison (solo)

in Mio EUR	IE		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	39 645	9	-	-	-	-	-
SCR	22 206	7	-	-	-	-	-
Surplus available own funds	17 439	10	-	-	-	-	-
Ratio of Eligible own funds to SCR	178%	23	237%	225%	135%	361%	52%
Ratio of Eligible own funds to SCR (10th percentile)	134%	15	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	154%	15	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	196%	15	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	280%	14	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	494%	5	457%	396%	173%	643%	99%
Ratio of Eligible own funds to MCR	487%	20	640%	613%	282%	933%	170%

Source: EIOPA statistics and Deloitte-CEPS analysis

EIOPA's report on long-term guarantees measures and measures on equity risk published on 18 December 2018 mentions the average impact of the use of LTG and transitional measures. According to that report, at year-end 2017, Irish participants reported an SCR ratio of 176% including the application of LTGs and transitionals. Removing the measures caused a negligible decrease of the SCR ratio to 174%.³

3 https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf

2 Investments, deposits, cash and cash equivalents

2.1 Scope

The asset allocation of Irish insurance undertakings is mainly analysed through the reported Solvency II Exposure List (S.06.02). The classification of the Solvency II Balance Sheet (S.02.01) follows the legal nature of the assets in terms of classification, which can differ, from the exposures reporting.

Based upon the comparative view below, we note that amounts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01) do not differ. In terms of allocation in percentage, we note a shift from Holdings in related undertakings and Deposits towards Collective Investments Undertakings, when going from Solvency II Balance Sheet to the Exposure list.

Table 4 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list IE		Solvency II balance sheet IE		Difference
	#	%	#	%	#
Life undertakings	42	22,0%	42	22,0%	0
Non-Life undertakings	95	49,7%	95	49,7%	0
Reinsurance undertakings	52	27,2%	52	27,2%	0
Undertakings pursuing both life and non-life insurance activity	2	1,0%	2	1,0%	0
Total	191	100,0%	191	100,0%	0

in Mio EUR	Exposure list IE		Solvency II balance sheet IE		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	3 865	4,1%	3 947	4,2%	-0,1%
Holdings in related undertakings, including participations	n/a	n/a	604	0,6%	n/a
Equities	n/a	n/a	3 344	3,5%	n/a
Equities - listed	n/a	n/a	3 298	3,5%	n/a
Equities - unlisted	n/a	n/a	46	0,0%	n/a
Collective Investments Undertakings	5 078	5,3%	4 995	5,3%	0,1%
Bonds	59 089	62,1%	59 105	62,2%	0,0%
Loans and mortgages	3 699	3,9%	3 730	3,9%	0,0%
Property	1 643	1,7%	1 643	1,7%	0,0%
Deposits	15 706	16,5%	15 757	16,6%	-0,1%
Cash and cash equivalents	5 711	6,0%	5 691	6,0%	0,0%
Other investments	221	0,2%	221	0,2%	0,0%
Total	95 090	100,0%	95 090	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

2.1.1 Listed and unlisted equity

The distinction between listed and unlisted equity is made based upon the reported Solvency II Balance Sheet (S.02.01). Table 5 compares the listed versus unlisted equity, whereby Holdings in related undertakings (including participations) are excluded.

Table 5 - Listed and unlisted equity exposure based upon the Solvency II balance sheet (S.02.01)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	3 298	10	98,6%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	46	14	1,4%	16,3%	25,0%	0,4%	87,0%	21,1%
Total equities	3 344	10	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

Based upon the quarterly reporting as of Q4 2017, Irish insurers invested 98,6% of their directly-held equity positions in listed equity in comparison to an average of 75,0% in the EU. With an amount of 3 298 million EUR, Ireland ranked number 10 in the EU.



With an invested amount of 46 million EUR, unlisted equity constituted a non-significant portion of the equity investment category of the directly-held equity investments, i.e. 1,4%. This placed Ireland as the number 14 in the EU.

2.2 Asset exposure

From an asset exposure perspective, the insurance market in Ireland mainly invested in Government bonds and Corporate bonds (in total 59,7% of Total Investments, deposits, cash and cash equivalents), Cash and cash equivalents (6,0%), and Deposits (16,6%). Within the bond categories, the insurance market was equally exposed to government securities (29,9%) and corporate debt (29,8%), categories for which Ireland ranked number 9 and number 10 respectively, in the EU. Comparing the different assets classes, we note that the government bonds asset class shows the highest standard deviation of 18,9%.

The category of Collective Investment Undertakings was the fifth most important for the Irish Insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Money market funds, Debt funds and Equity funds for which Ireland ranked respectively number 5, number 16, and number 13 in the EU.

Equity was the sixth category to which the Irish insurers had the most exposure. Equity of real estate related corporation constitutes 0,1% within the 4,1% of the total equity exposure.

Table 6 - Asset exposure based upon the Solvency II exposure list (S.06.02)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	3 865	12	4,1%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	3 611	12	3,8%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	105	14	0,1%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	150	14	0,2%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings	5 078	13	5,3%	19,2%	12,8%	1,5%	41,6%	9,3%
Equity funds	782	13	0,8%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	44	14	0,0%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	735	16	0,8%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	2 951	5	3,1%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	203	10	0,2%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	158	15	0,2%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	121	11	0,1%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	19	14	0,0%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	64	15	0,1%	2,0%	0,9%	0,0%	7,2%	1,7%
Government bonds	28 404	9	29,9%	28,7%	39,7%	10,0%	77,0%	18,9%
Corporate bonds	28 340	10	29,8%	26,9%	21,6%	1,8%	47,3%	11,2%
Structured notes	372	9	0,4%	1,3%	0,5%	0,0%	2,5%	0,6%
Collateralised securities	1 974	6	2,1%	0,6%	0,6%	0,0%	9,3%	1,8%
Mortgages and loans	3 699	10	3,9%	4,8%	3,8%	0,3%	26,3%	5,2%
Property	1 643	12	1,7%	2,0%	3,5%	0,8%	11,6%	2,6%
Deposits	15 706	4	16,5%	2,8%	3,6%	0,2%	16,6%	3,6%
Cash and cash equivalents	5 711	9	6,0%	1,4%	4,3%	0,5%	16,6%	3,5%
Other investments	221	8	0,2%	0,1%	0,1%	0,0%	0,9%	0,3%
Not reported	78	6	0,1%	0,0%	0,0%	0,0%	0,3%	0,1%
Total Investments, deposits, cash and cash equivalents	95 090	11	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

2.2.1 Asset exposures between Life, Non-Life and Composite insurance undertakings, and reinsurers

Table 7, based upon the Asset Exposure reporting (S.06.02) of Q4 2017, gives further insight into the investment behaviour of Life, Non-Life and Composite insurance companies, and reinsurers.

Table 7 - Asset exposure based upon Solvency II exposure list (S.06.02) for Life, Non-Life and Composite insurance undertakings, and reinsurers

in %	IE			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
Equity	10,0%	2,9%	1,3%	6,6%	18,3%	16,5%
Common equity	9,4%	2,5%	1,3%	5,0%	16,2%	14,9%
Equity of real estate related corporation	0,2%	0,2%	0,0%	1,0%	0,8%	1,2%
Other equity	0,3%	0,2%	0,0%	0,6%	1,3%	0,4%
Collective Investment Undertakings	7,2%	6,9%	3,2%	22,4%	22,3%	13,8%
Equity funds	1,2%	0,9%	0,5%	3,7%	2,9%	2,7%
Private equity funds	0,1%	0,0%	0,0%	0,5%	0,5%	0,5%
Debt funds	1,0%	0,7%	0,7%	9,7%	9,7%	4,7%
Money market funds	4,2%	4,3%	1,6%	2,8%	1,4%	2,0%
Asset allocation funds	0,4%	0,3%	0,0%	1,3%	1,2%	0,9%
Real estate funds	0,2%	0,4%	0,0%	1,6%	1,8%	1,4%
Alternative funds	0,0%	0,2%	0,1%	0,3%	0,3%	0,5%
Infrastructure funds	0,0%	0,0%	0,0%	0,2%	0,2%	0,3%
Other	0,0%	0,1%	0,1%	2,3%	4,3%	0,8%
Government bonds	48,8%	27,8%	19,8%	28,1%	19,1%	33,4%
Corporate bonds	19,5%	31,2%	35,2%	29,2%	29,3%	22,9%
Structured notes	0,1%	0,1%	0,8%	1,4%	0,6%	1,5%
Collateralised securities	0,2%	3,7%	2,1%	0,8%	0,6%	0,5%
Mortgages and loans	1,2%	8,2%	2,6%	7,4%	3,2%	2,3%
Property	1,1%	4,4%	0,3%	2,0%	2,5%	1,7%
Deposits	6,6%	5,3%	30,2%	0,8%	1,6%	5,8%
Cash and cash equivalents	5,4%	9,1%	4,2%	1,0%	2,5%	1,4%
Other investments	0,0%	0,2%	0,4%	0,2%	0,0%	0,1%
Not reported	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%
Total Investments, deposits, cash and cash equivalents	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

At EU level Non-Life insurers invested a significantly higher portion of their Investments in Equity (18,3% equity investments) in comparison to pure Life insurers (6,6% equity investments). In Ireland, we observe that the Life insurers invested in equity more than the Non-Life and Composite insurers as a percentage of their assets.

On the other hand, at EU level, pure Life insurers and also Composite insurers allocated a larger share of their investments to government bonds as compared to Non-Life insurers. An arresting observation was the contrast in behaviour between Irish Composite insurers and their counterpart at EU level with regard to the Deposits: Irish Composite insurers and reinsurers reported 30,2% of their investments in this category, in sharp contrast to the EU level which amounted to 5,8%.

2.3 Equity exposure

Based upon the information included in the Solvency II Exposure List (S.06.02) and Balance Sheet (S.02.01), equity exposures can be calculated and presented in different ways:

- Equity exposure as the sum of Equity (Common equity, Equity of real estate related corporation and Other equity), Equity and Private equity funds, and Equity risk included in structured notes;
- Equity of real estate related corporation could be seen as a property exposure. Therefore equity exposures are presented including and excluding Equity of real estate related corporation;
- The equity amounts of the Solvency II Exposure List does not provide further details as to whether the equity exposures relate to listed or unlisted equity positions. In addition, the Solvency II Exposure List does not mention whether the equity relates to Holdings in related undertakings, including participations;
- Therefore, the listed and unlisted share amounts reported in the Solvency II Balance Sheet are considered and integrated as an equity exposure indicator. A rescaling is performed in case a difference is noted between the two Solvency II information sets (Exposure List versus Balance Sheet). The adjusted equity exposure stemming from this analysis excludes the Equity exposure coming from Holdings in related undertakings, including participations. These holdings can potentially be important within insurance groups.

Table 8 - Equity exposure based upon the Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	3 865	12	4,1%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	3 611	12	3,8%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	105	14	0,1%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	150	14	0,2%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings - Equity funds	826	13	0,9%	3,8%	3,2%	0,4%	14,7%	3,5%
Equity funds	782	13	0,8%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	44	14	0,0%	0,5%	0,5%	0,0%	6,9%	1,3%
Structured notes - Equity risk	21	11	0,0%	0,2%	0,1%	0,0%	0,6%	0,1%
Total Equity exposure	4 711	14	5,0%	16,0%	12,7%	2,5%	37,4%	8,4%
Equity without Equity of real estate related corporation	3 760	12	4,0%	11,0%	8,4%	1,1%	24,1%	6,1%
Equity exposure without Equity of real estate related corporation	4 607	14	4,8%	15,0%	11,7%	2,4%	33,3%	7,9%
Equities market value balance sheet (rescaled to CIC scope)	3 344	10	3,5%	3,6%	3,2%	0,1%	20,6%	4,0%
Equities - listed (rescaled to CIC scope)	3 298	10	3,5%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	46	14	0,0%	0,6%	0,6%	0,0%	5,2%	1,0%
Equity exposure based upon (Un)Listed equities (rescaled)	4 190	12	4,4%	7,6%	6,5%	1,2%	29,8%	6,7%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The observed standard deviations at EU level are relatively high given the asset allocation in percentage between the different asset classes at EU level.

In Ireland, we note that equity exposures coming from Collective Investment Undertakings amount to 0,9% and are lower than the listed and unlisted equity exposures which in total amount to 3,5%. Hereby the listed and unlisted equities in Ireland are similar to the asset allocation at EU level.

2.3.1 Direct and indirect equity exposure

Table 9 - Direct and indirect equity exposure based upon the Solvency II exposure list (S.06.02)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	Std
Direct equity	3 865	12	82,0%	75,2%	73,4%	39,2%	94,5%	15,9%
Common equity	3 611	12	76,6%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	105	14	2,2%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	150	14	3,2%	3,9%	5,7%	0,0%	35,3%	8,8%
Indirect equity	846	13	18,0%	24,8%	26,6%	5,5%	60,8%	15,9%
Collective Investment Undertakings - Equity funds	826	13	17,5%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	782	13	16,6%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	44	14	0,9%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	21	11	0,4%	1,3%	0,7%	0,0%	4,0%	1,0%
Total Equity exposure	4 711	14	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in Ireland was invested over four times more in Direct equity (82,0% of Total equity) than in Indirect equity (18,0% of Total equity).

In terms of direct equity exposure, Ireland ranked number 12 and number 14 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments with 16,6% of Total equity, significantly higher than the amount invested in Private equity funds.

2.3.2 Equity by location

Table 10 - Equity exposure by location based upon the Solvency II balance sheet (S.06.02)

in Mio EUR	IE			
	EU home	EU other	outside EU (1)	Total
Equity	435	1 631	1 798	3 865
Common equity	316	1 531	1 764	3 611
Equity of real estate related corporation	57	42	6	105
Other	63	58	29	150
Collective Investment Undertakings - Equity funds	338	393	95	826
Equity funds	338	387	57	782
Private equity funds	0	6	38	44
Structured notes - Equity risk	1	19	0	21
Total Equity exposure	774	2 044	1 893	4 711

in %	IE			
	EU home	EU other	outside EU (1)	Total
Equity	11,3%	42,2%	46,5%	100,0%
Common equity	8,7%	42,4%	48,8%	100,0%
Equity of real estate related corporation	54,1%	40,4%	5,5%	100,0%
Other	42,1%	38,7%	19,3%	100,0%
Collective Investment Undertakings - Equity funds	40,9%	47,6%	11,5%	100,0%
Equity funds	43,2%	49,5%	7,3%	100,0%
Private equity funds	0,0%	14,1%	85,9%	100,0%
Structured notes - Equity risk	5,2%	93,9%	0,9%	100,0%
Total Equity exposure	16,4%	43,4%	40,2%	100,0%

(1) The following countries are included in the class 'outside EU': IS, LI, NO, AU, CA, JP, US, CH and countries grouped under the caption 'Rest of World'. In addition some investments are not assigned to an individual country and are also included in this class.

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis



Based upon the Q4 2017 reporting with regards to the location of equity investments, insurers established in Ireland favoured domestic investments to some extent, dedicating to these 11,3% of their direct equity investments, and 40,9% of their indirect investments. Table 10 also showed that besides the home market, Ireland insurers invested significantly less in equity of other EU Member States than that of non-EU Member States. The United States of America⁴, Germany and France were the preferred destinations.

Table 11 - Direct equity exposure by location based upon the Solvency II exposure list (S.06.02)

in Mio EUR	IE	
	Amount	%
Home country	435	11,3%
IE	435	11,3%
Top 5 countries (outside home country)	2 604	67,4%
US	1 384	35,8%
DE	417	10,8%
FR	399	10,3%
GB	248	6,4%
Rest of World and unassigned	157	4,1%
Home + Top 5 countries (outside home country)	3 040	78,6%
Total Direct equity exposure (with real estate corporation)	3 865	100,0%

in Mio EUR	IE	
	Amount	%
Home country	379	10,1%
IE	379	10,1%
Top 5 countries (outside home country)	2 569	68,3%
US	1 379	36,7%
DE	413	11,0%
FR	374	9,9%
GB	247	6,6%
Rest of World and unassigned	156	4,2%
Home + Top 5 countries (outside home country)	2 948	78,4%
Total Direct equity exposure (without real estate corporation)	3 760	100,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

⁴ It is noted by the Irish NSA that the 85% of the exposure to the United States is held by just two large insurance undertakings.

3 Index-linked and unit-linked investments

3.1 Scope

Based upon the comparative view below, we note a slight difference with respect to the Assets held for index-linked and unit-linked contracts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01).

Table 12 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list IE		Solvency II balance sheet IE		Difference
	#	%	#	%	#
Life undertakings	42	22,0%	42	22,0%	0
Non-Life undertakings	95	49,7%	95	49,7%	0
Reinsurance undertakings	52	27,2%	52	27,2%	0
Undertakings pursuing both life and non-life insurance activity	2	1,0%	2	1,0%	0
Total	191	100,0%	191	100,0%	0

in Mio EUR	Exposure list IE		Solvency II balance sheet IE		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	209 570	100,0%	209 916	100,0%	-0,2%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3.2 Asset exposure

Table 13 depicts a more detailed view of the Assets held for index-linked and unit-linked contracts, based upon the Solvency II exposure list (S.06.02).

Table 13 - Asset exposure based upon the Solvency II exposure list (S.06.02)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	32 299	2	15,4%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	30 268	2	14,4%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	1 160	4	0,6%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	871	4	0,4%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings	140 831	3	67,2%	63,2%	73,1%	30,1%	97,5%	16,3%
Equity funds	45 449	6	21,7%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	11	9	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Debt funds	37 987	3	18,1%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	6 276	3	3,0%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	28 755	4	13,7%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	490	7	0,2%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	7 342	3	3,5%	1,6%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	4	7	0,0%	0,0%	0,1%	0,0%	2,4%	0,5%
Other	14 519	5	6,9%	4,6%	6,9%	0,0%	44,3%	10,0%
Government bonds	12 335	3	5,9%	6,4%	6,9%	0,0%	31,4%	8,4%
Corporate bonds	6 075	5	2,9%	3,9%	6,0%	0,0%	22,7%	6,9%
Structured notes	1 100	7	0,5%	1,6%	4,1%	0,0%	18,9%	4,9%
Collateralised securities	13	6	0,0%	0,1%	0,1%	0,0%	0,9%	0,2%
Mortgages and loans	1	12	0,0%	0,2%	0,2%	-3,7%	2,5%	1,0%
Property	3 763	2	1,8%	1,3%	0,6%	0,0%	7,6%	1,5%
Deposits	7 613	1	3,6%	1,2%	2,0%	-0,3%	14,5%	3,3%
Cash and cash equivalents	5 460	3	2,6%	1,2%	2,2%	0,0%	8,5%	2,5%
Other investments	3	6	0,0%	0,4%	0,3%	0,0%	8,1%	1,5%
Not reported	75	2	0,0%	1,2%	0,1%	0,0%	2,3%	0,4%
Total Investments, deposits, cash and cash equivalents	209 570	3	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (67,2%) and the Equity (15,4%) represent the most important asset classes of the index-linked and unit-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the asset exposure

for non index-linked and unit-linked investments. Hereby we refer to section 2 for further details.

Relatively to the EU average, we observe a significant large difference between the portion of index-linked and unit-linked related assets that were invested in Common equity 3,9% compared to 14,4% for Irish insurers.

3.3 Equity exposure

The Solvency II balance sheet (S.02.01) does not include a further split in different asset classes for the Assets held for index-linked and unit-linked contracts. Hence the rescaling exercise as presented in section 2 cannot be performed here.

Table 14 - Equity exposure based upon the Solvency II exposure list (S.06.02)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	32 299	2	15,4%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	30 268	2	14,4%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	1 160	4	0,6%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	871	4	0,4%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings - Equity funds	45 459	6	21,7%	26,5%	29,3%	11,2%	57,5%	10,4%
Equity funds	45 449	6	21,7%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	11	9	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Structured notes - Equity risk	774	7	0,4%	1,2%	2,7%	0,0%	15,0%	3,5%
Total Equity exposure	78 533	3	37,5%	47,1%	36,5%	11,7%	58,6%	10,9%
Equity without Equity of real estate related corporation	31 139	12	14,9%	16,0%	4,2%	0,0%	29,2%	6,8%
Equity exposure without Equity of real estate related corporation	77 373	3	36,9%	40,0%	36,2%	11,7%	58,6%	10,8%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In Ireland, we note that total equity exposures related to index-linked and unit-linked contracts (37,5%) are significantly higher in comparison to non index-linked and unit-linked contracts (5,0%). Equity funds are the main contributors to the total equity exposures.

3.3.1 Direct and indirect equity exposure

Table 15 - Direct and indirect equity exposure based upon the Solvency II exposure list (S.06.02)

in Mio EUR	IE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	32 299	2	41,1%	38,3%	11,1%	0,0%	54,2%	15,2%
Common equity	30 268	2	38,5%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	1 160	4	1,5%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	871	4	1,1%	1,3%	0,8%	0,0%	9,7%	2,2%
Indirect equity	46 234	5	58,9%	61,7%	88,9%	45,8%	100,0%	15,2%
Collective Investment Undertakings - Equity funds	45 459	6	57,9%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	45 449	6	57,9%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	11	9	0,0%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	774	7	1,0%	2,6%	7,4%	0,0%	35,8%	9,6%
Total Equity exposure	78 533	3	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Irish Insurers invested more than half of their Assets held for index and unit-linked contracts in Indirect equity (58,9% of Total equity). Direct equity constituting 41,1% of Total equity.



In terms of direct equity exposure, Ireland ranked number 2 and number 4 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 57,9% of Total equity whereas allocation to Private equity funds were negligible.

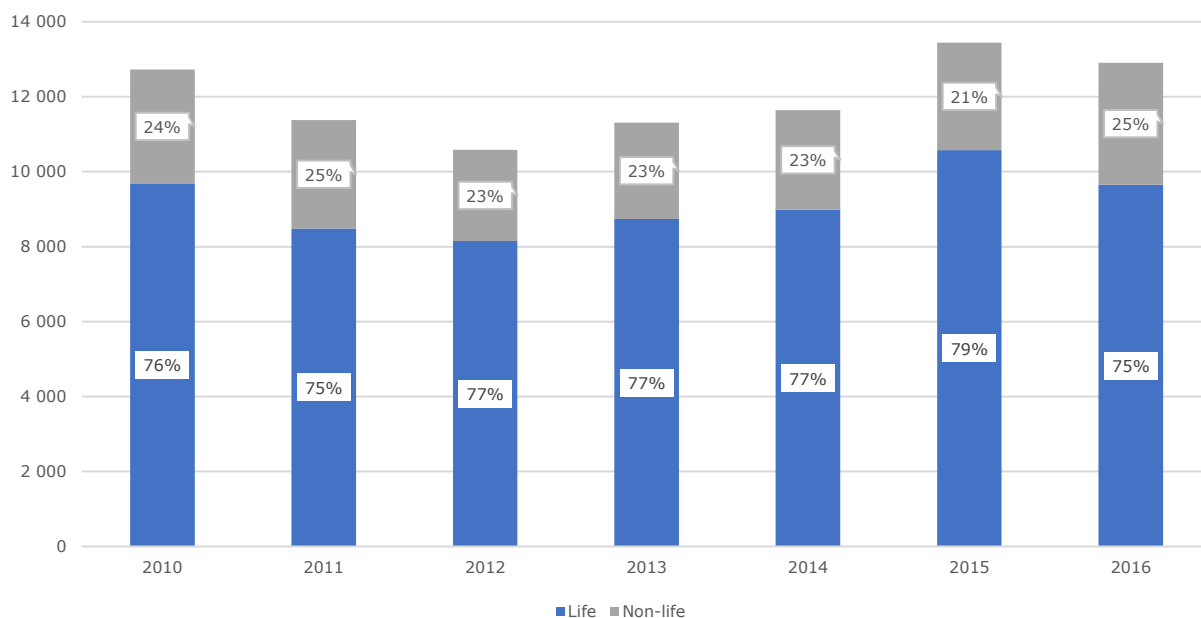
4 Insurance products

4.1 Overview

This section covers the most important insurance products offered in Ireland and the volume of the market. Data reported in this section was obtained from Insurance Ireland.⁵ The Irish insurance market is a major employer in the Irish economy. As of end-2016, life and non-life insurance companies employed 14 097 people, of which approximately 60% in non-life sector and 40% in life sector.

Since 2012 (when premiums amounted to 10 583 million EUR), premiums increased by 27% and reached a peak of 13 439 million EUR in 2015. Despite this trend, in 2016 gross insurance premium income for life and non-life insurance companies declined by 3,9% to 12 908 million EUR. Traditionally, life premium income represents more than 70% of the market (from 78,7% in 2015 to 74,8% in 2016), while non-life premium attributes approximately 25% to the market.

Graph 1 – Gross premium income (million EUR)



Note: Numbers are based on written gross premiums.

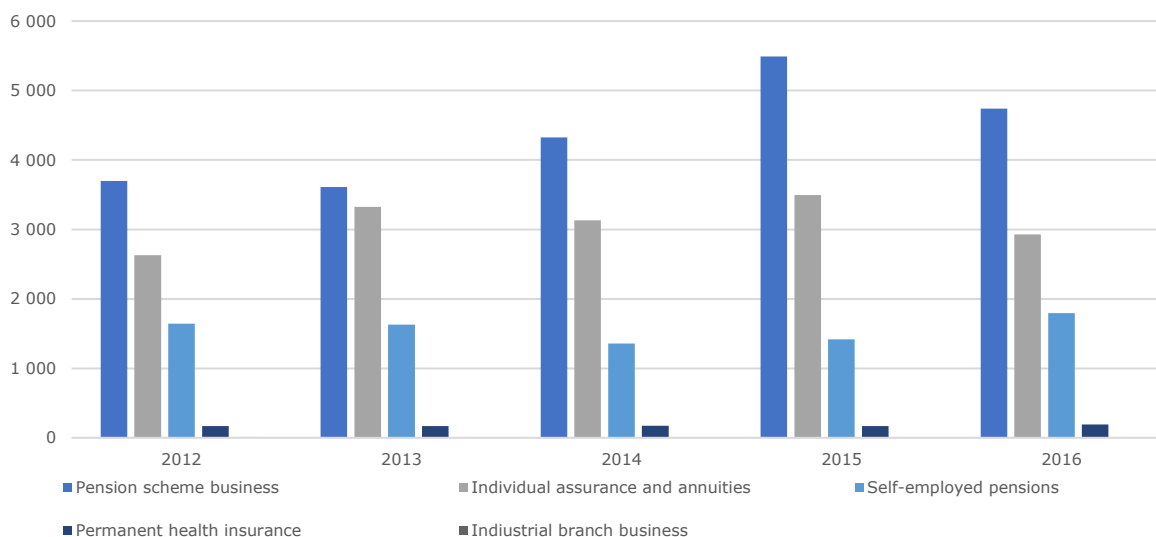
Source: Insurance Ireland

⁵ Available at <https://www.insuranceireland.eu/news-and-publications/publications>.

4.2 Life insurance products

After a 30% increase between 2012 and 2015, Irish life premium income recorded a decline of 8,7% to 9 655 million EUR in 2016. Pension scheme business and individual assurances and annuities are the two main segments, representing 79,4% of life insurance gross premium income. In terms of benefits and claims, 8 745 million EUR was paid by domestic life insurance companies during 2016, a decrease of 2,5% on 2015. The majority of these claims were paid under individual insurance/annuity contracts (41,4% or 3 621 million EUR) and pension schemes (42,9% or 3 748 million EUR).

Graph 2 – Gross written premiums of life insurance products (million EUR)



Source: Insurance Ireland

Looking at the distribution channels of life insurance products, brokers' new business market share stood at 57% for annual premium business, and at 22% for single premium business. For life office employees and company representatives, annual premium was at 12%, and their share of single premium at 3%. The largest change compared to 2015, occurred for direct sales (e.g. telephone, internet and direct response sales). In particular, their annual premium business doubled to 16%, while their single premium also increased to 72%.

4.3 Non-Life insurance products

In 2016, non-life gross written premiums were up by 13,6% at 3 252 million EUR. Motor insurance is the largest class of non-life insurance, followed by property and liability insurance.

4.3.1 Motor insurance

Gross written premium for motor insurance was 1 694 million EUR in 2016 (up 24,8% compared to 2015). The majority of that (74%) is accounted for by private motor business with the remaining 26% derived from commercial motor business.

4.3.2 Property insurance

The property insurance class is the second largest sector in the Irish non-life market after motor insurance. The property insurance market is split between household (55% of gross written premium) and commercial property (45%). The gross property insurance premium raised slightly compared to 2015 to 843 million EUR.

4.3.3 Liability insurance

Written gross liability premium was at 577 million EUR in 2016 (up 11,1% compared to 2015), and net incurred claims amounted to 408 million EUR (up 39% compared to 2015).

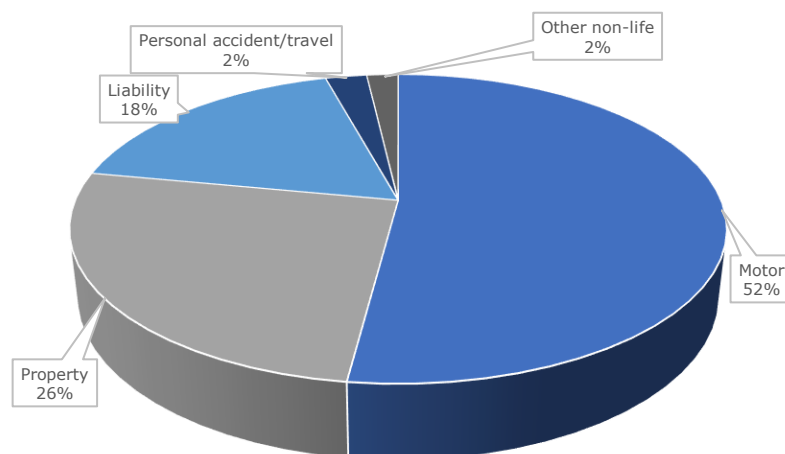
4.3.4 Personal accident and travel insurance

Personal accident and travel insurance gross written premiums were 79 million EUR in 2016.

4.3.5 Other non-life insurance

Other classes of non-life business, including marine, aviation and transit (MAT), credit and suretyship, other financial loss covers and legal expenses insurance accounted for 60 million EUR in gross written premium in 2016 (down 14,7% compared to 2015).

Graph 3 – % allocation of gross written premiums non-life insurance products



Note: Motor includes private and commercial motor insurance. Property includes household and commercial property insurance. Liability includes employers' and public liability insurance. Other includes marine, aviation and transit (MAT), credit and suretyship, financial loss covers and legal expenses.

Source: Insurance Europe



4.4 Average duration

In 2016, EIOPA published their Insurance Stress Test Report⁶, which resulted in the following conclusions for Ireland:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 12,27;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 10,83.

In comparison, the approximate effective duration and Macaulay duration for the TP life for all lines of business for the EU/EEA are 8,23 and 13,97, respectively.

⁶ EIOPA, 2016, 2016 EIOPA Insurance Stress Test Report.
<https://eiopa.europa.eu/publications/surveys/eiopa-bos-16-302%20insurance%20stress%20test%202016%20report.pdf>

5 Accounting & Tax framework

5.1 Accounting framework

The EU has introduced rules, as laid down in Directive 2013/34/EU, to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU. Regulation 1606/2002/EC requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards, the so-called IFRS.⁷

1. Applicable GAAP at consolidated level: IFRS required for all listed companies⁸; IFRS is permitted for all non-listed companies.
2. Applicable GAAP at statutory level: IFRS permitted for all listed companies⁹ and all non-listed companies.
3. Prudential regulatory framework: Solvency II for the calculation of the Solvency Capital Requirement.

5.2 Tax framework

5.2.1 Capital gains on shares

Capital gains on shares are exempt if the subject to the following requirements:

1. A location requirement: the subsidiary is situated in Ireland, another EU Member State or a state with whom Ireland has concluded a tax treaty;
2. A holding requirement: the participation in the subsidiary should be at least 5%;
3. A holding period requirement: the participation should be held for a continuous period of 12 months in the 24 months prior to disposal;
4. An activity requirement: the subsidiary concerned must be a trading company or the activity of the holding company and subsidiaries as a whole should consist wholly or mainly of trading activities.

If the participation conditions are not complied with, this will result in taxation whereby capital gains are fully taxable at 33% or exceptionally, 40%.

5.2.2 Capital losses on shares

The effect of any exemption applicable on capital gains, is that losses are not recognised for tax purposes;

If no exemption applies, capital losses are generally netted off against capital gains of the same accounting period, with any surplus losses being carried forward for offset against capital gains of subsequent accounting periods.

5.2.3 Taxation of dividends

Dividends paid to an Irish resident company by another Irish resident company are generally exempt and may be paid free of the dividend withholding tax; a closely held company may, however, be liable to the corporation tax surcharge on undistributed after-tax investment income in respect of such dividends.

⁷ https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

⁸ <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/ireland-ifrs-profile.pdf>

⁹ <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/ireland-ifrs-profile.pdf>



Dividends paid to a non-Irish resident company by an Irish resident company may qualify to be paid free of WHT, in which case no liability to income tax thereon arises; if such dividends are subject to WHT, this will operate as a final tax. Dividends are also exempt from WHT under the EU parent-subsidiary directive.

Where applicable, WHT is operated at the standard rate of income tax, which is currently 20%. This rate can be reduced under a tax treaty.

Foreign tax paid generally may be credited against Irish tax on the same profits, but the credit is limited to the amount of Irish tax payable on the foreign income. Dividends received from a company resident in an EU Member State may qualify for an enhanced credit up to the rate of tax on profits in that country. The pooling of credits for foreign dividend income is available.

6 Historical data

The following section contains historical overviews of Solvency I, Solvency II and ECB data in order to provide insights on possible short and long-term trends.

6.1 Index-linked and unit-linked investments in comparison to total assets

Based upon the Solvency I and Solvency II (S.02.01) historical information, the evolution of the index-linked and unit-linked investments in comparison to total assets of Ireland is compared to the EU. The break in the graph shows the transition from the Solvency I to the Solvency II regulatory framework. Under Solvency II assets are presented based upon their market value.

Graph 4 - Evolution index-linked and unit-linked investments based upon Solvency I and Solvency II



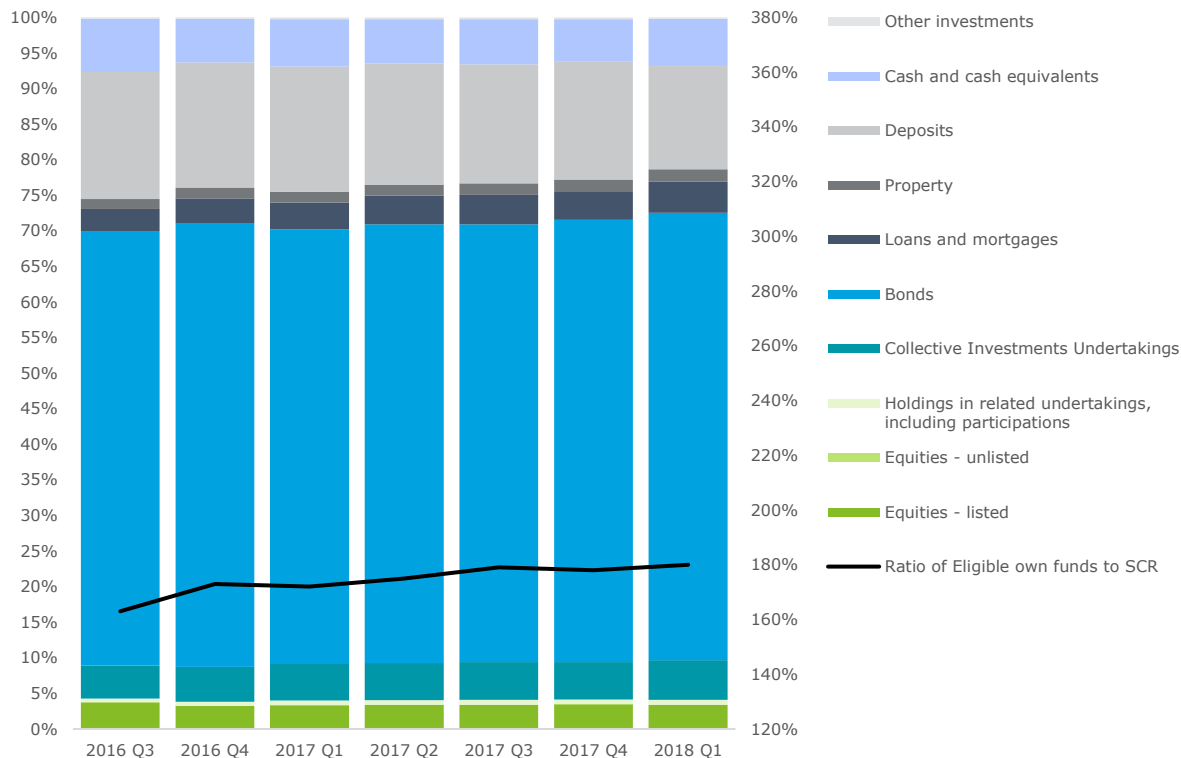
Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets were relatively stable over the observation period, with a slightly increasing trend as from 2012. Note that the graph for the EU shows a relatively stable behaviour over the observation period, with a slightly increasing trend as from 2011. Furthermore, it is clear that in Ireland investments in index-linked and unit-linked contracts are much larger compared to the EU.

6.2 Solvency II – excluding index-linked and unit-linked investments

Based upon the Solvency II (S.02.01) quarterly data from 2016 Q3 until 2018 Q1, the evolution of the different asset categories is depicted in Graph 5. Furthermore, the evolution of the SCR ratio is shown over the seven quarters.

Graph 5 - Evolution Solvency II balance sheet (S.02.01) items (Total Investments, deposits, cash and cash equivalents) and SCR ratio



Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The composition of the Irish insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016¹⁰. This seems to be confirmed by the fact that the most dominant assets classes such as Bonds, Deposits and Cash and cash equivalents do not suggest a clear trend whether it be downwards or upwards.

Bonds have constituted the major part of the Irish insurers' balance sheet since the introduction of Solvency II.

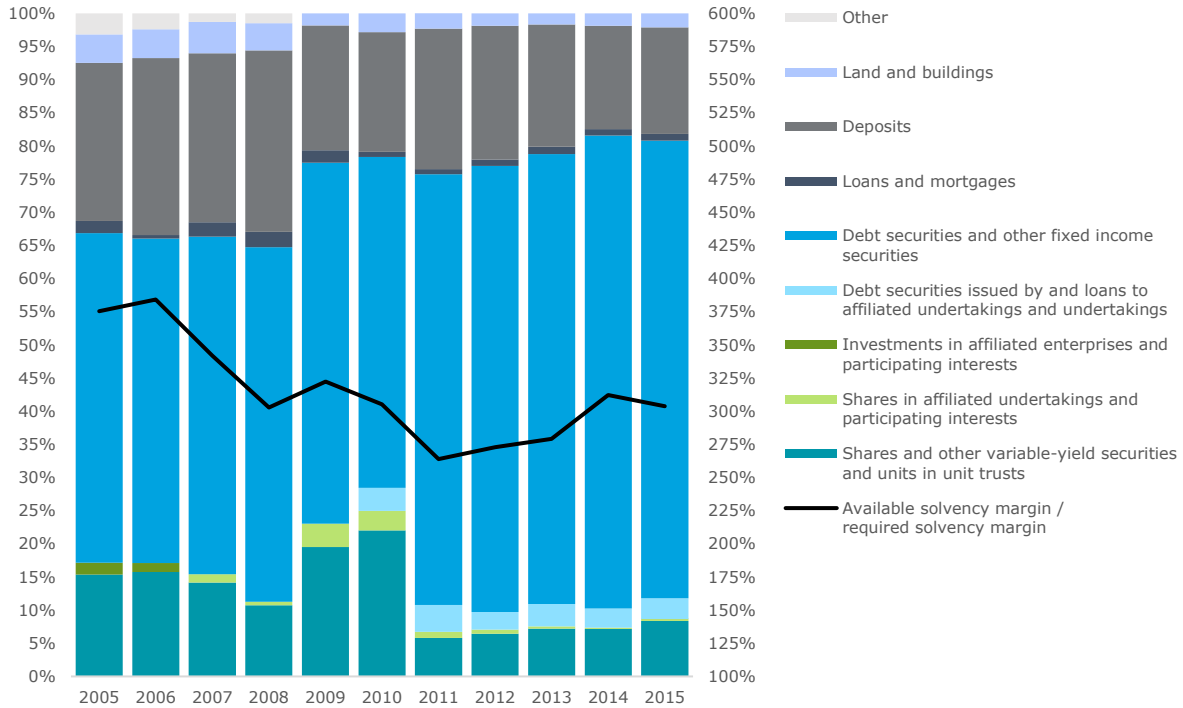
For Ireland, the SCR ratio shows an increasing trend as from 2016 Q3. Overall, this trend has not resulted into significant changes in the asset allocation of the overall Irish insurance market.

¹⁰ Day one reporting, 2016 Q1 and Q2 are not publicly available

6.3 Solvency I – excluding index-linked and unit-linked assets

Based upon the Solvency I yearly data from 2005 until 2015, the evolution of the different investment asset categories is depicted in Graph 6. Furthermore, the evolution of the solvency ratio is shown over the history.

Graph 6 - Evolution Solvency I balance sheet items (Total Investments, deposits, cash and cash equivalents)

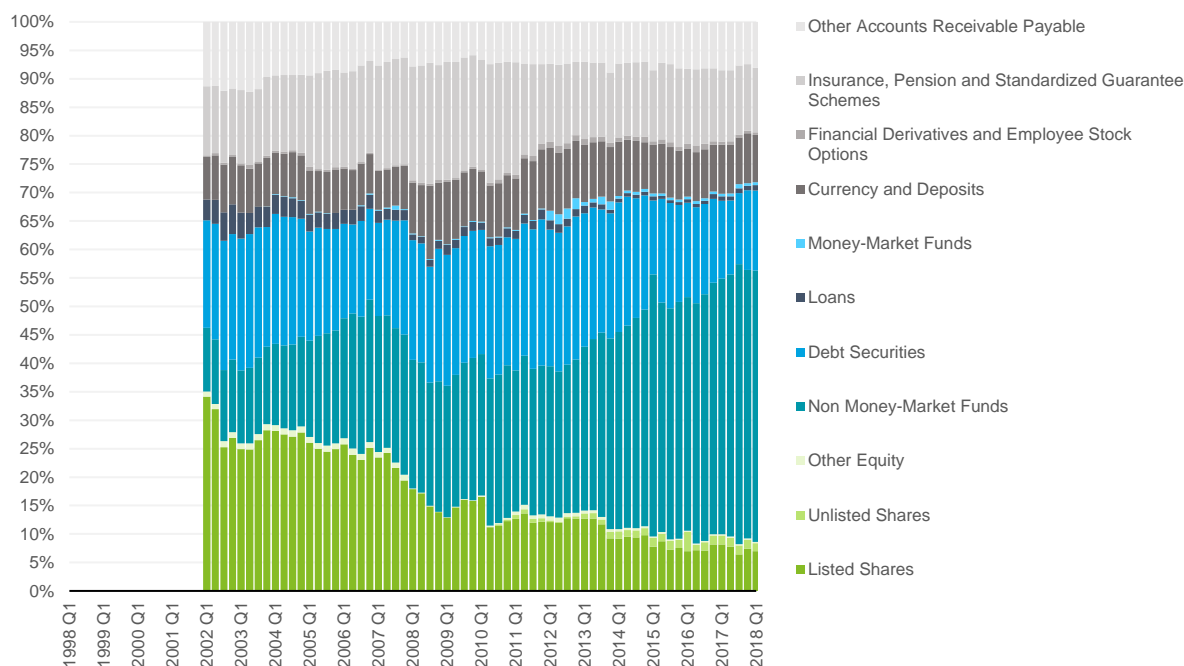


Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

Graph 6, which relates to Solvency I figures suggests the following observations. The dominance of Bonds that we observed under the rules of Solvency II has been a characteristic of the Irish insurers’ balance sheet for more than a decade. Furthermore, the solvency margin shows an increasing trend since 2011.

6.4 European Central Bank – including index-linked and unit-linked assets

Graph 7 - Evolution ECB balance sheet items (asset categories)



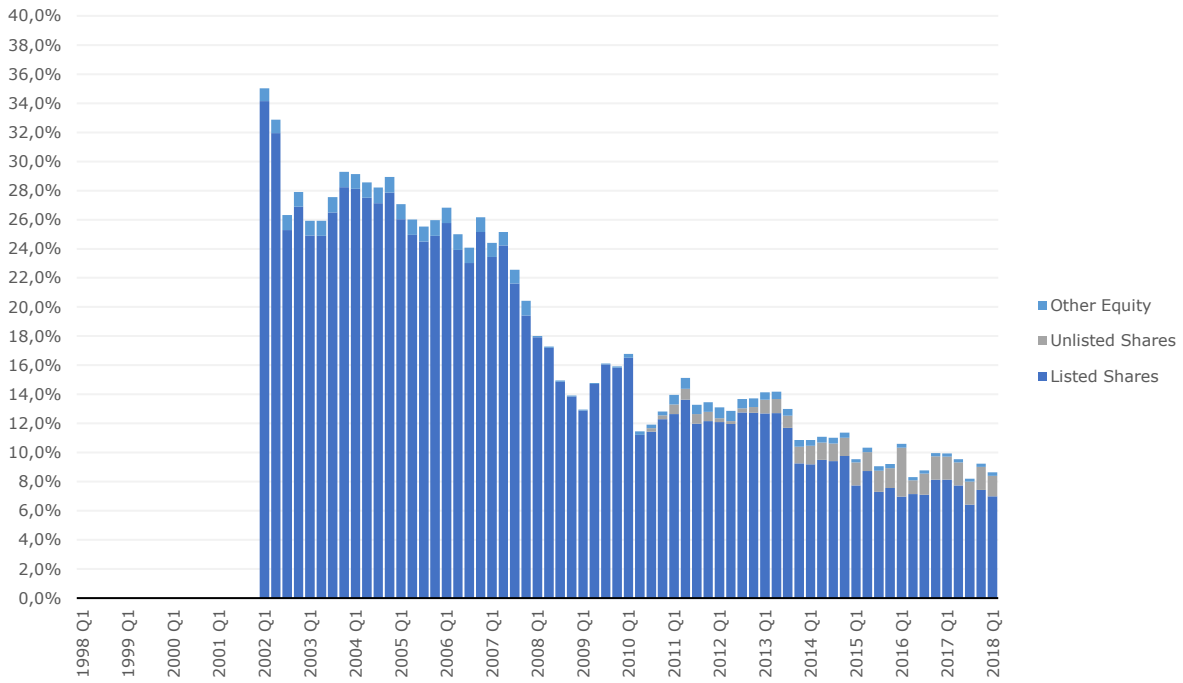
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 relates to figures of investments by Irish Insurers since 2002 Q1 as reported by the ECB. It can be observed that the dominance of Listed shares in the investments, which is decreasing over the observed period for Irish insurers. However, over the last years, there is an increasing importance of the Non Money-Market Funds. While, starting from 2010 Q3, the importance of Money-Market funds in assets started to decrease. However, as noted by the Irish NSA, the increase in the Non Money-Market Funds is reflective of changes in unit-linked and index-linked investments; thus, to the extent that a proportion of this change is driven by changes in unit-linked and index-linked investments, this may reflect the change in risk preferences of underlying policyholders.

On the next page, the Equity asset classes are presented in a more detailed view. Furthermore, the evolution of the listed shares (normalised to a start value of 100) of Ireland is plotted against the aggregated EU data.

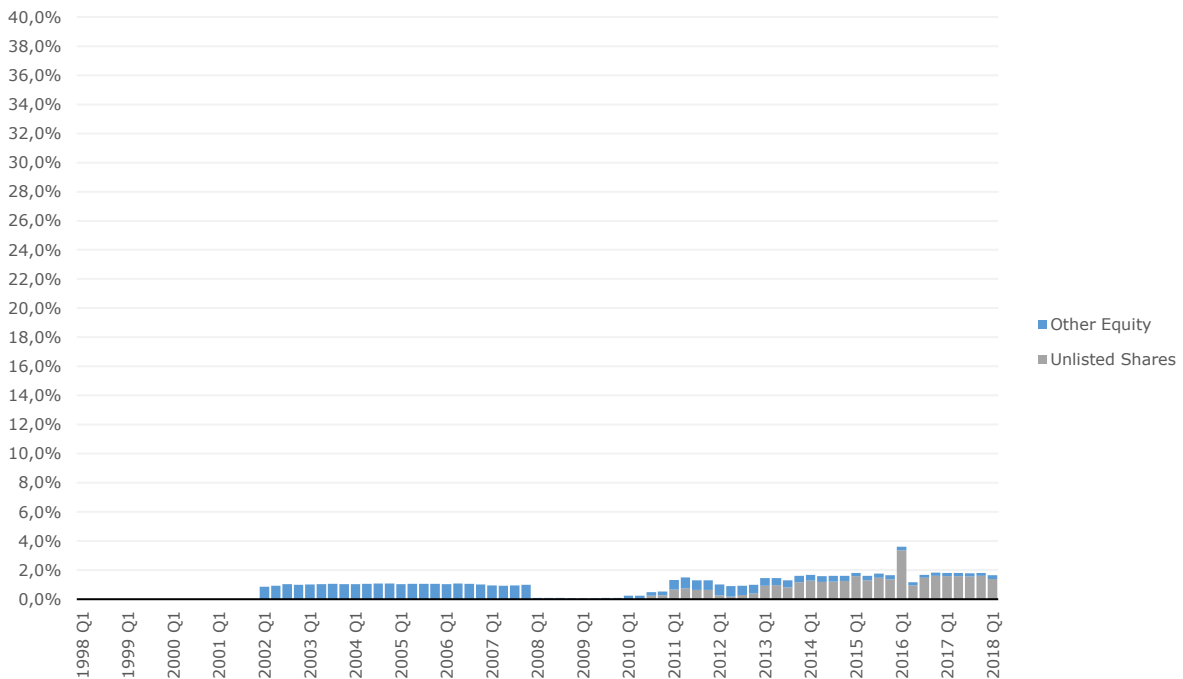
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualised from the figures published by the ECB. Nevertheless, according to the Irish NSA, as the share of direct equity exposure in the index-linked and unit-linked investments is not significant, the index- and unit-linked investments should not have an important impact on the observed trends in listed shares, unlisted shares and other equity.

Graph 8 - Evolution ECB balance sheet items (equity categories)



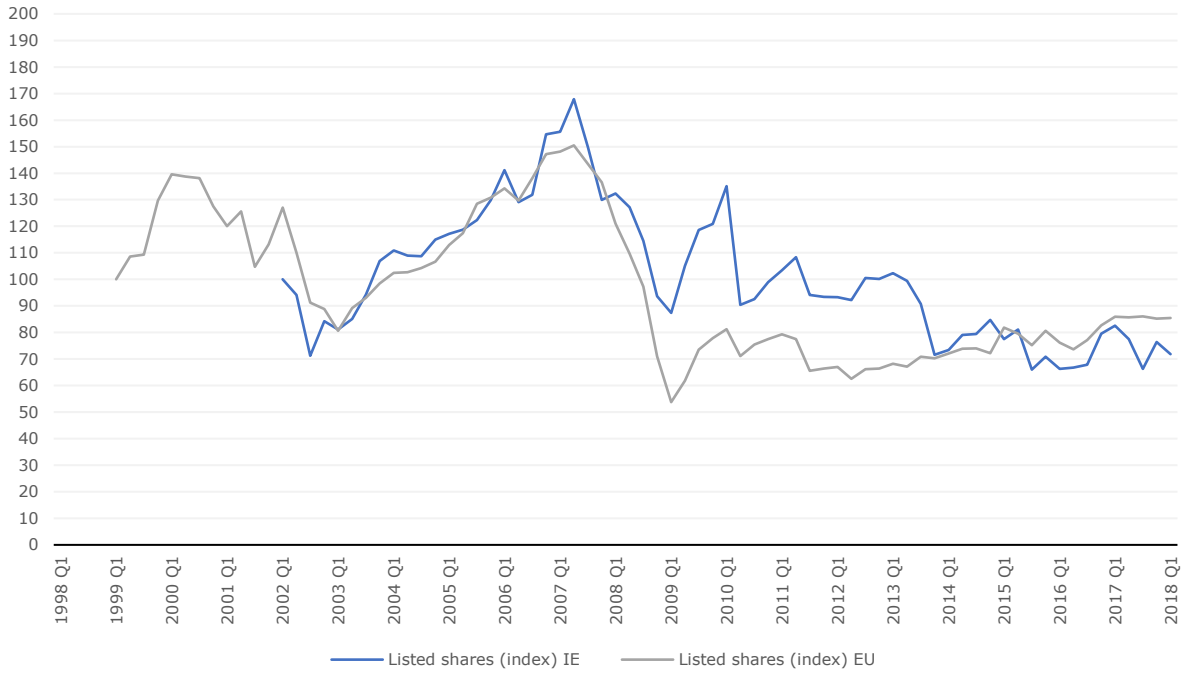
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 9 - Evolution ECB balance sheet items (Unlisted Shares and Other Equity)



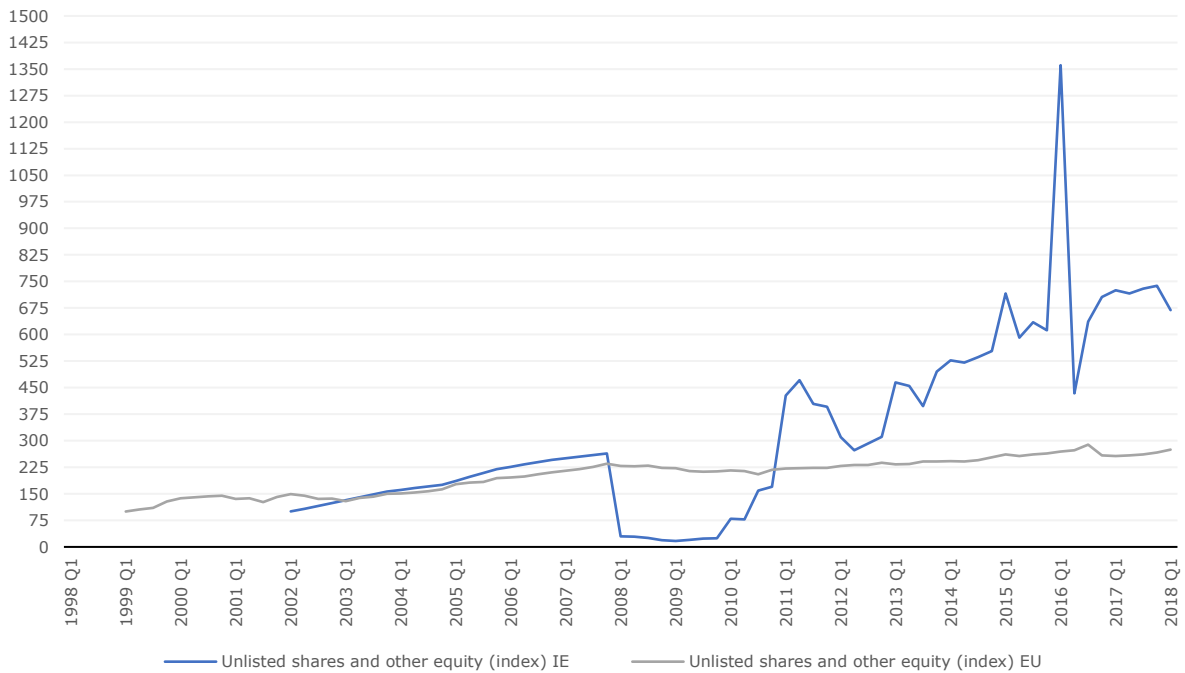
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 10 - Evolution ECB listed shares IE and EU (as index)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 11 - Evolution ECB unlisted shares IE and EU (as index)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis



6.5 Trends in Equity Investments

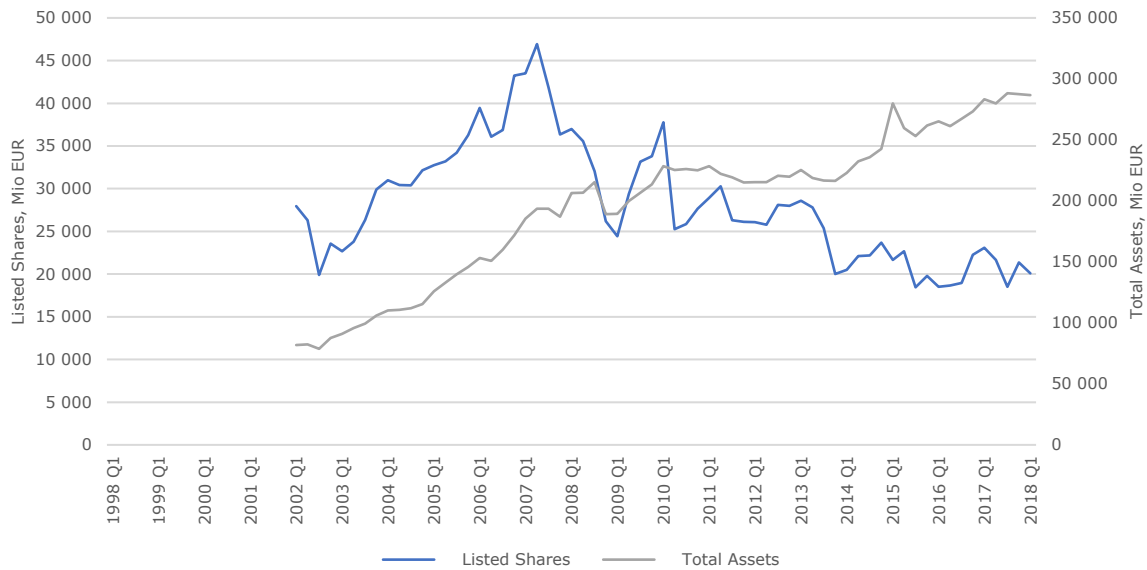
This section provides a trend analysis of the equity investments of insurers in Ireland using the balance sheet data of the insurance sector from the ECB Statistical Data Warehouse. Given the availability of the equity split in the ECB database, the analysis focuses on investments in listed shares and investments in unlisted shares and other equity.

6.5.1 Listed Shares

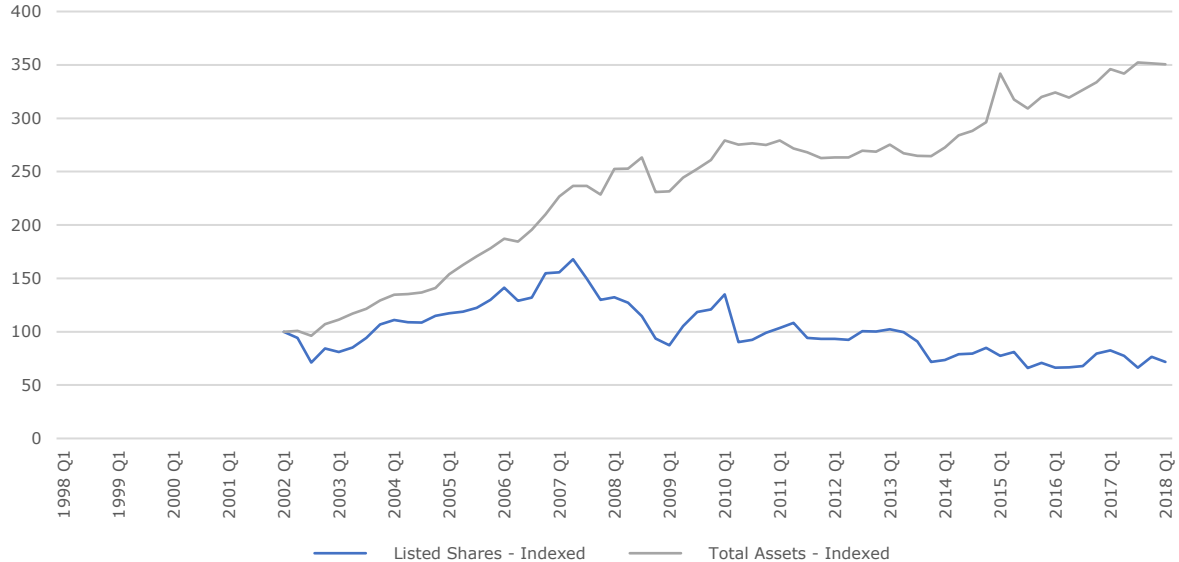
In the analysis below, the listed shares of insurance corporations are plotted against the total assets in the industry both in amounts and in indexed values. The aim of this comparative analysis is to understand the evolution of listed shares in the overall insurance market. Similarity of the growth patterns in the listed shares and total assets can be considered as an indication of the extent to which the equity investments are driven by a good (or bad) economic environment in the industry at a certain point in time. A presentation of the variables only in amounts might dilute the magnitude of the growths for countries with large assets because in such a representation, the listed shares will be overstated. Therefore, we also plot each series as indexed to the initial point in their available history.

In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed shares. In order to remove this “price effect” from the observed amounts of listed shares and approximate the “real” amounts held in shares, we consider adjusting the observed amounts in listed shares. Even though we observe high correlations with listed shares and several stock indices, since the exact destinations of the portfolio invested in listed shares at each period is not observable, we build a “Weighted Equity Index” similar to the EIOPA Equity Dampener.

Amounts invested in listed shares and the total amount of assets of the insurance sector are plotted in Graph 12 while the indexed values of the series are presented in Graph 13. In the first graphs, we observe that there is an upward trend in the investments in listed shares between 2002 and 2007, while the trend turns to downward after 2007. Overall, there is a downward trend in the investments in listed shares during the observation period, while the total assets triples during the same period.

Graph 12 – Evolution of Listed Shares and Total Assets, in Mio EUR

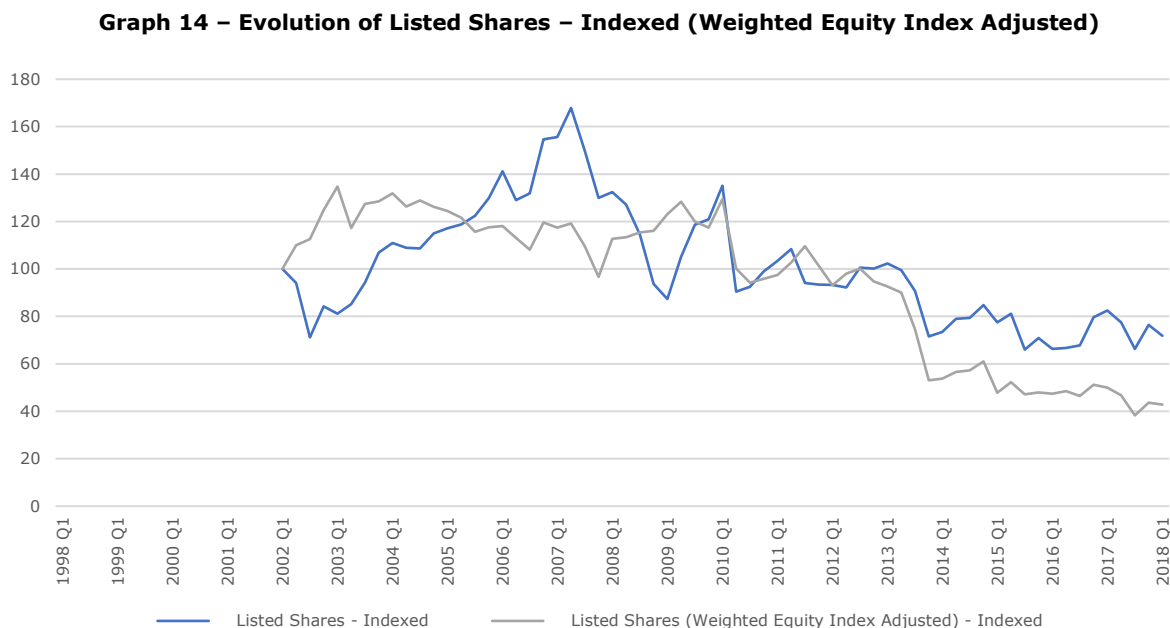
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 13 – Evolution of Listed Shares and Total Assets, Indexed Values

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 14 presents the indexed values of the amounts invested in listed shares against its Weighted Equity Index adjusted counterpart. On this graph, we observe a long-term downward trend in the adjusted listed shares investments over the observation period (i.e. 2002 Q1 – 2018 Q1). At the beginning of the observation period, the value of the indexed amounts reach 134,7% in 2003 Q1. After this quarter until 2010 Q2, there are episodes of downward and upward movements in the adjusted amounts. However, after this period, there is a stepwise downward trend (i.e. big decreases in the amounts followed by

comparatively stable periods). There are decreases of 22,6%, 17,3%, 28,7%, 21,5%, and 18,1 percent in the adjusted amounts in 2010 Q3, 2013 Q3, 2013 Q4, and 2017 Q3 respectively. At the end of the observation period, the value of the indexed adjusted series is 42,8%.



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5.2 Unlisted Shares

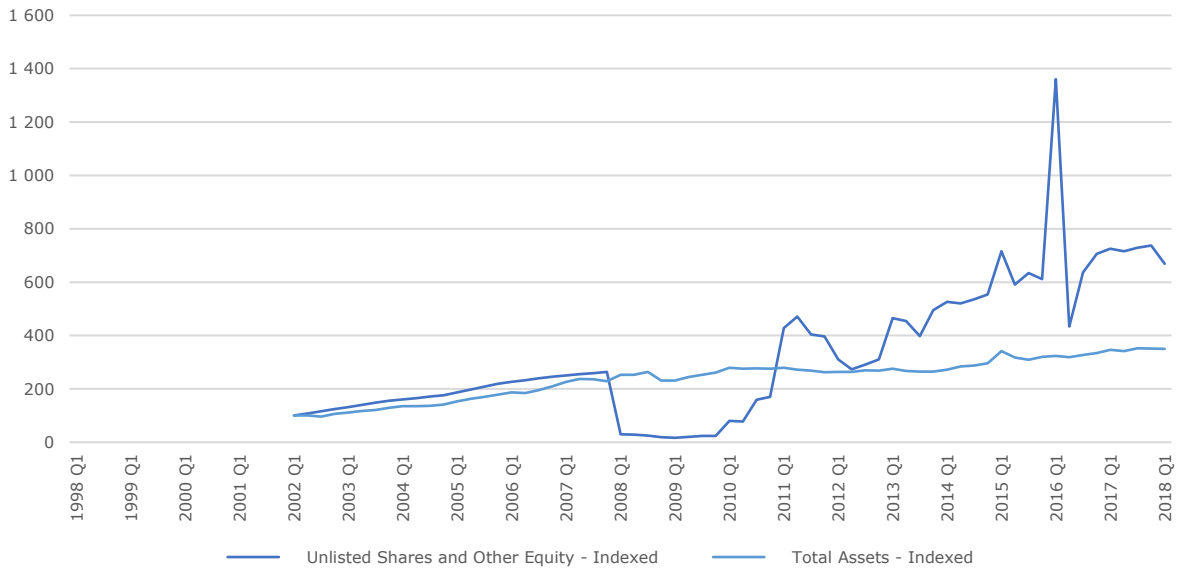
Graph 15 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets of while Graph 16 presents the indexed values of the series for an easier comparison of the movements in these two series. The total assets increase steadily over the whole period (1998 – 2018), finishing the period at 350% of their initial period. The unlisted shares behave differently over the period. They track the performance of the total assets over the initial period (1998 – 2008), then sharply decrease in 2008 from 229% to 30%. They then stay relatively stable until 2010, before steadily increasing from 2008 – 2018, with a large spike in Q1 2016 (which was subsequently reverses). The unlisted shares end the period at 669% of their initial value, and so grow as a proportion of the total assets.

Graph 15 – Evolution of Total Unlisted Shares and Other Equity and Total Assets, Mio EUR



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 16 – Evolution of Unlisted Shares and Other Equity, Indexed Values



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis