



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

# ANNUAL REPORT 2014

including the Intellectual Capital Report and the Environmental Statement

SUSTAINABILITY REPORT 2014



# 2014

Stability and Security.

# The OeNB's legal mandate

## **Federal Act on the Oesterreichische Nationalbank**

(1984 Nationalbank Act)

Federal Law Gazette No. 50/1984 as amended

### **Article 2**

(1) The Oesterreichische Nationalbank is a stock corporation; it is the central bank of the Republic of Austria and, as such, an integral part of the European System of Central Banks (ESCB).

(2) The Oesterreichische Nationalbank shall, in accordance with the provisions of the TFEU [i.e. the Treaty on the Functioning of the European Union], the ESCB/ECB Statute [i.e. the Statute of the European System of Central Banks and of the European Central Bank], the directly applicable European Union (EU) legislation adopted thereunder, and this federal act, be obliged to work towards the achievement of the objectives and fulfillment of the tasks of the ESCB. Within the framework of EU law [...], the Oesterreichische Nationalbank shall use all the means at its disposal to maintain the objective of price stability. To the extent that this does not interfere with the objective of price stability, the needs of the national economy with regard to economic growth and employment trends shall be taken into account and the general economic policies in the European Union shall be supported.

(5) In pursuing the objectives and performing the tasks set out [...], the Oesterreichische Nationalbank shall act in accordance with the guidelines and instructions of the ECB [...]; in doing so, neither the Oesterreichische Nationalbank nor any member of its decision-making bodies shall seek or take instructions from EU institutions or bodies, from any government of a Member State of the European Union, or from any other body.

### **Article 44b**

(1) In the public interest, the Oesterreichische Nationalbank shall monitor all circumstances that may have an impact on safeguarding financial stability in Austria.

### **Article 44c**

Without prejudice to Article 44b, the Oesterreichische Nationalbank contributes to maintaining financial stability, minimizing systemic disruption and reducing systemic and procyclical risk [...].

# The OeNB's Mission Statement

The Oesterreichische Nationalbank (OeNB) contributes essentially to securing price stability and financial stability.

## MISSION

- The OeNB is the independent central bank of the Republic of Austria.
- Together with the European Central Bank (ECB) and the other euro area central banks, we safeguard the stability of the euro and thus support sound economic development.
- In cooperation with the ECB and the Austrian Financial Market Authority, we ensure the stability of banks and financial markets.
- We and our subsidiaries provide secure cash and smoothly functioning payment services.
- We invest and manage the national monetary and gold reserves professionally in accordance with our stability mandate and furnish banks with central bank liquidity as needed.
- As a central economic policymaking institution, we seek to provide economic and financial expertise and guide policymakers with high-quality, reliable statistics.
- We support financial literacy by offering a broad range of information and education services.

## VALUES

- We are committed to the European project and actively support the European integration process.
- We are aware of our responsibility toward Austria and Europe and pursue effectiveness and efficiency in our work.
- Our endeavors are founded on technical expertise and social competence, transparency and responsible corporate governance.
- We welcome change and embrace forward thinking.
- Our staff and their skills and commitment are our biggest asset.
- We are an equal opportunity employer, value diversity, and assist our employees in combining a career with family life.
- Our social responsibility is also reflected in our support for science and research, humanitarian concerns, art, culture and environmental protection.

# OESTERREICHISCHE NATIONALBANK



The OeNB is the independent central bank of the Republic of Austria and contributes essentially to securing price stability and financial stability. We are committed to the European project and actively support the European integration process.

*From the OeNB's Mission Statement*

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## Foreword by the President



*The year 2014 continued to pose challenges to both the Eurosystem and the OeNB in their endeavors to ensure price and financial stability. In an environment characterized by sluggish economic growth and an undesirably strong drop in inflation, a series of monetary policy measures were called for. Aiming to boost the economy and maintain price stability, the Eurosystem therefore reduced interest rates to historically low or even negative levels, adjusted liquidity-providing operations and adopted comprehensive asset purchase programs.*

*In combination with the establishment of a new European supervisory framework and the prior comprehensive assessment of banks' balance sheets, these activities placed high demands on the OeNB's divisions in charge of economic research, banking supervision, reserve management and statistics. Further milestones were reached in establishing the European banking union: The Single Supervisory Mechanism (SSM) entered into force, and legal and institutional measures were taken in preparation of the Single Resolution Mechanism (SRM). Progress was also made in harmonizing deposit guarantee schemes. Moreover, the year 2014 saw the completion of the Single Euro Payments Area (SEPA). The issuance of additional denominations of the new euro banknote series, the Europa series, went smoothly.*

*In mid-2014, the OeNB started a project (OPAL) aimed at analyzing and optimizing its business area portfolios and processes. Considered a top priority by OeNB management, the OPAL project is to be concluded by June 2015. Its main focus is on the sustainable reduction of current expenses in terms of staff costs and other administrative expenses. Moreover, it also*

*serves to pool ideas on how to define the OeNB as a modern central bank and on how to best prepare the OeNB for meeting future challenges. Based on the results of detailed analyses, a new organizational structure has been put in place at the OeNB as of March 1, 2015, in support of further efforts to optimize processes, increase efficiency and utilize synergy effects. The OeNB's organizational structure is to be adapted further until end-2018.*

*Despite the difficult economic conditions and the low interest rate level in particular, the OeNB's operating profit before writedowns and transfers continued to be remarkable in 2014, coming to EUR 811 million, up by almost one-quarter against the previous year. Following an allocation of EUR 325 million to risk provisions and writedowns on foreign currency assets and securities totaling EUR 145 million, the operating profit for the 2014 business year stood at EUR 341 million – around EUR 40 million above the comparable 2013 figure.*

*I would like to express my gratitude to the members of the Governing Board as well as to the entire OeNB staff for their outstanding commitment in fulfilling the heterogeneous tasks of the individual business areas and for their contribution to strengthening the OeNB's role as a key economic and financial policymaker.*

*Vienna, May 2015*

A handwritten signature in black ink, which appears to read "C. Raidl". The signature is fluid and cursive.

*Claus J. Raidl, President*

## Foreword by the Governor

*While the euro area economy emerged from recession in 2014, the economic expectations of early 2014 did not materialize: GDP growth came to no more than 0.9% in the euro area and to merely 0.4% in Austria. For both Austria and the euro area, however, there are signs of an economic recovery in 2015 and 2016. At the beginning of 2014, euro area HICP inflation was below 1%, thereby clearly falling short of the objective of price stability, namely an inflation rate of below, but close to, 2%. Moreover, sharply dropping oil prices caused inflation to decrease rapidly as of mid-2014. In late 2014 and early 2015, euro area inflation even turned negative.*

*The economic situation therefore called for a further easing of the single monetary policy. To this end, a comprehensive set of measures was adopted in 2014 and early 2015, comprising new longer-term refinancing operations linked to bank lending, Eurosystem purchases of covered bonds and asset backed securities (as of fall 2014) as well as acquisitions of euro area government bonds and securities issued by agencies and European institutions (since March 2015). With this flexible and proactive approach to monetary policy, the Eurosystem aims to further ease the monetary and financial conditions for economic agents and thereby support investors and consumption. The main objective of these purchase programs, however, is to ensure that the Eurosystem can fulfill its mandate to maintain price stability. Over the next few years, however, other policy areas beyond monetary policy will also be called upon to create the necessary framework to facilitate stronger growth and reduce unemployment in Europe.*

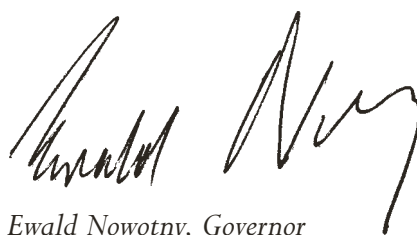
*As in previous years, banking supervision was the business area that faced the biggest challenges, which is why its organizational and personnel structures have been*

*enhanced accordingly. On November 4, 2014, the Single Supervisory Mechanism (SSM) entered into force for the entire euro area. With this step, one of the core elements of the European banking union has become a reality. Since that day, the ECB has been directly in charge of supervising all euro area banks classified as significant – for Austrian banks, the ECB will perform this task in cooperation with the Financial Market Authority (FMA) and the OeNB.*

*In view of all these developments, the year 2014 was a challenging year for the OeNB and its staff. The ongoing economic and monetary analyses, the operational implementation of the new set of monetary policy measures, contributions to the new supervisory framework and other activities the OeNB was involved in, such as the implementation of the Single Euro Payments Area (SEPA) and the issuance of new euro banknotes of the Europa series, required a high level of expertise and commitment. To provide the most suitable and cost-efficient framework for fulfilling these tasks, the OeNB initiated the first bank-wide reorganization project in its history, the OPAL project, which involved close cooperation with an external consultant.*

*I would like to thank the President and Vice President, my colleagues on the Governing Board and all employees for ensuring, with their expertise and their outstanding commitment, that the OeNB is able to fulfill its wide range of tasks in the interest of Austria and its population.*

Vienna, May 2015



Ewald Nowotny, Governor



# Ownership structure and decision-making bodies

## The OeNB's owners

The OeNB is a stock corporation. However, given its particular status as a central bank, it is governed by a number of special provisions laid down in the Federal Act on the Oesterreichische Nationalbank 1984 (Nationalbank Act). Its nominal capital of EUR 12 million has been held in its entirety by the central government since July 2010.

## Functions of the General Council

The General Council is charged with the supervision of all business not falling within the remit of the European System of Central Banks (ESCB). The General Council is convened by the President, as a rule once a month. Pursuant to Article 20 paragraph 2 of the Nationalbank Act, the General Council shall advise the Governing Board in the conduct of the OeNB's business and in matters of monetary policy. Joint meetings of the General Council and the Governing Board must take place at least once every quarter. General Council approval is required for a number of management decisions, e.g. for starting and discontinuing business lines, establishing and closing down branch offices, and acquiring and selling holdings and real property.

Also, the General Council must approve appointments of members of supervisory boards and executive bodies of companies in which the OeNB is a shareholder. Appointments of the

second executive tier of the OeNB itself must likewise be approved by the General Council. Finally, the General Council has the exclusive right of decision on issues detailed in Article 21 paragraph 2 Nationalbank Act, e.g. on submitting to the Austrian federal government nominations of three candidates for appointments to the OeNB's Governing Board by the Federal President, on defining general operational principles for matters outside the remit of the ESCB, on approving the financial statements for submission to the General Meeting, and on approving the cost account and investment plan for the next financial year.

## Composition of the General Council

According to the 2011 amendment to the Nationalbank Act (Federal Law Gazette I No. 50/2011), the General Council of the OeNB consists of the President, the Vice President and eight other members. A transitional arrangement laid down in this amendment provides for the original number of General Council members (14) to be reduced to 10 in two steps by December 31, 2015. Only Austrian citizens may be members of the General Council. They are appointed by the federal government for a term of five years and may be reappointed. Further provisions pertaining to the General Council are set out in Articles 20 through 30 of the Nationalbank Act.



The General Council of the OeNB comprised the following members on March 24, 2015:



**Claus J. Raidl**  
*President*

*Term of office:*  
September 1, 2013, to  
August 31, 2018



**Max Kothbauer**  
*Vice President*

*Term of office:*  
September 1, 2013, to  
August 31, 2018



**August Astl**  
*Secretary General,  
Austrian Chamber  
of Agriculture*

*Term of office:*  
September 8, 2013, to  
September 7, 2018



**Gottfried Haber**  
*Head – Economic and Financial  
Policy,  
Head – Center for Management  
in Healthcare,  
Danube University Krems*

*Term of office:*  
May 23, 2013, to May 22, 2018



**Erich Hampel**  
*Chairman of the Supervisory  
Board,  
UniCredit Bank Austria AG*

*Term of office:*  
May 23, 2013, to  
May 22, 2018



**Anna Maria  
Hochhauser**  
*Secretary General,  
Austrian Federal Economic  
Chamber*

*Term of office:*  
March 1, 2013, to  
February 28, 2018



**Werner Muhm**  
*Director,  
Vienna Chamber of Labour*

*Term of office:*  
March 1, 2013, to  
February 28, 2018



**Gabriele Payr**  
*Consultant for  
Wiener Stadtwerke  
Holding AG*

*Term of office:*  
August 1, 2014, to  
July 31, 2019



**Walter Rothensteiner**  
*Chairman of the  
Managing Board,  
Raiffeisen Zentralbank  
Österreich AG*

*Term of office:*  
August 1, 2014, to  
July 31, 2019



**Dwora Stein**  
*Federal CEO,  
Union of Private Sector  
Employees, Graphical Workers  
and Journalists*

*Term of office:*  
September 1, 2013, to  
August 31, 2018

Robert Kocmich and Birgit Sauerzopf (alternate) are the representatives delegated by the Central Staff Council to participate in meetings of the General Council pursuant to Article 22 paragraph 5 Nationalbank Act.



**Robert Kocmich**  
*Central Staff Council  
Chair*



**Birgit Sauerzopf**  
*Central Staff Council  
Deputy Chair*



**State Commissioner  
Harald Waiglein**  
*Director General,  
Directorate General Economic  
Policy and Financial Markets,  
Federal Ministry of Finance*

*Term of office:*  
From July 1, 2012



**Deputy State Commissioner  
Alfred Lejsek**  
*Head,  
Directorate Financial Markets,  
Federal Ministry of Finance*

*Term of office:*  
From April 1, 2011

### **Personnel changes of the General Council (between January 1, 2014, and March 23, 2015)**

Elisabeth Gürtler-Mauthner's term of office as General Council member ended on May 27, 2014, and this position was left vacant.

The position of General Council member Johann Marihart, whose term of office ended on July 31, 2014, was also left vacant.

In its session of July 22, 2014, the federal government decided to renew Gabriele Payr's mandate as General Council member for another term, with effect from August 1, 2014.

Walther Rothensteiner resigned from his mandate as a General Council member elected by the General Meeting with effect from July 2, 2014, but was reappointed General Council member by the federal government in its session of July 22, 2014, for another term, with effect from August 1, 2014.

With the above changes, the gradual reduction of the number of General Council members to ten (including the President and Vice President), as provided for under Article 87 item 9 Nationalbank Act, has been completed.

Ferdinand Mramor, deputy staff representative to the General Council (Article 22 paragraph 5 Nationalbank Act), resigned from his post as Central Staff Council Deputy Chair with effect from March 1, 2014. On February 20, 2014, the Central Staff Council elected Birgit Sauerzopf Central Staff Council Deputy Chair and appointed her deputy staff representative to the General Council.

### **Governing Board**

The Governing Board is responsible for the overall running of the OeNB and for conducting the OeNB's business. In pursuing the objectives and tasks of the ESCB, the Governing Board acts in accordance with the guidelines and instructions of the ECB. The Governing Board conducts the OeNB's business in a way that enables the OeNB to fulfill the tasks conferred upon it by directly applicable EU legislation under the Treaty on the Functioning of the European Union (TFEU), the Statute of the ESCB and of the ECB and by federal legislation.

On March 24, 2015, the Governing Board of the OeNB comprised the following members:



*From left to right: Executive Director Peter Mooslechner, Governor Ewald Nowotny, Vice Governor Andreas Ittner, Executive Director Kurt Pribil*

See [www.oenb.at](http://www.oenb.at) for additional information about the Governing Board of the OeNB.

The Governing Board is composed of the Governor, the Vice Governor and two other members, all of whom are appointed by the Federal President acting on a proposal from the federal government. According to the 2011 amendment to the Nationalbank Act, each new appointment is made for a term of six years. Persons holding office may be reappointed. The

Governor of the OeNB is a member of both the Governing Council and the General Council of the ECB. The Governor and his deputy are not bound, in performing these functions, either by the decisions of the OeNB's Governing Board or by those of the OeNB's General Council, nor are they subject to any other instructions.

# Organization of the OeNB

## President

Claus J. Raidl

## Vice President

Max Kothbauer

## Governing Board

### Central Bank Policy

Ewald Nowotny, Governor

#### Compliance Office

Eva Graf, Head

### Communications, Organization and Human Resources Department

Markus Arpa, Director

#### Agenda Office – Governing Board, General Council and General Meeting

Brigitta Lidauer

#### Personnel Division

Hannes Brodtrager, Head

#### Organization Division<sup>1</sup>

Anna Cordt, Head

#### Press Office

Christian Gutleiderer, Head

#### Communications and Financial Literacy Division

Maximilian Hiermann, Head

#### Money Museum

Günther Thonabauer, Head

### Economic Analysis and Research Department

Doris Ritzberger-Grünwald, Director

#### Economic Analysis Division

Ernest Gnan, Head

#### Economic Studies Division

Martin Summer, Head

#### Foreign Research Division

Helene Schubert, Head

### Financial Stability, Banking Supervision and Statistics

Andreas Ittner, Vice Governor

#### Internal Audit Division

Axel Aspetsberger, Head

### Department for the Supervision of Significant Institutions

Karin Hrdlicka, Director

#### Off-Site Supervision Division – Significant Institutions

Gabriela De Raaij, Head

#### On-Site Supervision Division – Significant Institutions

Martin Hammer, Head

#### Supervision Policy, Regulation and Strategy Division

Markus Schwaiger, Head

### Department for Financial Stability and the Supervision of Less Significant Institutions

Philip Reading, Director

#### Off-Site Supervision Division – Less Significant Institutions

Georg Hubmer, Head

#### On-Site Supervision Division – Less Significant Institutions

Roland Pipelka, Head

#### Financial Stability and Macroprudential Supervision Division

Michael Würz, Head

### Statistics Department

Johannes Turner, Director

#### Office for Specific Bank Resolution Matters

N.N.

#### Statistical Information Systems and Data Management Division

Eva-Maria Springauf, Head

#### External Statistics, Financial Accounts and Monetary and Financial Statistics Division

Michael Pfeiffer, Head

#### Supervisory Statistics, Models and Credit Quality Assessment Division

Gerhard Winkler, Head

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## **Payment Systems, IT and Infrastructure**

Kurt Pribil, Executive Director

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### **Treasury Risk Monitoring Office**

Wolfgang Haunold, Head

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### **Equity Interest Management and Company Law Office**

Christa Mölzer-Hellsberg, Head

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### **Northern Austria Branch Office**

Josef Kienbauer, Branch Manager

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### **Southern Austria Branch Office**

Claudia Macheiner, Branch Manager

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### **Western Austria Branch Office**

Armin Schneider, Branch Manager

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## **Equity Interests, Payment Systems and Internal Services Department**

Stefan Augustin, Director

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### **Equity Interest and Payments Management Division**

Doris Schneeberger, Head

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### **Cashier's Division**

Gerhard Schulz, Head

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### **Payment Systems Division**

Katharina Selzer-Haas, Head

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### **Security Division**

Gerhard Valenta, Head

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### **Procurement and Technical Services Division**

Thomas Reindl, Head

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## **IT and Customer Services Department**

Christoph Martinek, Director

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### **IT Strategy, Architecture and Security Office**

N.N.

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### **IT Development Division**

Dieter Gally, Head

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### **IT Operations Division**

Peter Deixelberger, Head

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### **Information Management and Services Division**

Bernhard Urban, Head

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## **Financial Markets, International Relations and Accounting**

Peter Mooslechner, Executive Director

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### **European Affairs and International**

#### **Financial Organizations Division**

Franz Nauschnigg, Head

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### **Brussels Representative Office**

Carmencita Nader-Uher, Chief Representative

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### **Legal Division**

Matthias Schroth, Head

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## **Treasury Department**

Franz Partsch, Director

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### **Treasury – Back Office**

Reinhard Beck, Head

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### **Treasury – Strategy Division**

Robert Reinwald, Head

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### **Treasury – Front Office**

Peter Sixt, Head

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### **New York Representative Office**

Gerald Fiala, Chief Representative

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## **Accounting and Controlling Department**

Friedrich Karrer, Director

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### **Financial Statements and Tax Matters Division**

Elisabeth Trost, Head

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### **Accounting and Cash Audit Division**

Josef Steininger, Head

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### **Planning and Controlling Division**

Rudolf Butta, Head

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<sup>1</sup> Environmental Officer Martin Much.

As on March 24, 2015.

# The year 2014 at a glance

## Eurosystem explores uncharted territory in monetary policy and financial supervision

Even though in 2014 the euro area emerged from the recession of previous years, the growth projected in early 2014 did not materialize. In fact, the euro area economy expanded by a mere 0.9% in 2014, which compares with a growth rate of 0.4% in Austria. At the same time, euro area inflation began to drop rapidly in mid-2014, owing to declining crude oil and food prices, and even dipped into negative territory around the turn of the year 2014 to 2015. Inflation expectations followed the downward trend with a certain time lag. Eurosystem monetary policymakers reacted to this situation by cutting interest rates further, by adopting a comprehensive asset purchase program and by providing more long-term liquidity to the banking sector to support the supply of credit to the real economy.

## New supervisory framework to maintain financial stability

Austrian banks' profitability was affected by the difficult macrofinancial environment as well as an increased need for risk provisioning and writedowns. Yet, their subsidiaries in Central, Eastern and Southeastern Europe (CESEE) continued to make an essential, albeit declining contribution to banks' profits in

2014. Austrian banks' capitalization remained relatively weak despite a number of improvements. This was also confirmed in the ECB's comprehensive assessment of selected euro area banks, which had been carried out before the ECB assumed the responsibility for euro area banking supervision on November 4, 2014. The Single Supervisory Mechanism (SSM) was established to contribute to the safety and soundness of credit institutions and the stability of the European financial system. Macroprudential supervision aims at identifying and addressing structural and cyclical systemic risks early on and, by doing so, at increasing the crisis resilience of the banking system and at minimizing the social costs of crises. In Austria, the Financial Market Stability Board (FMSB) was established to strengthen cooperation in macroprudential matters.

## OeNB initiates optimization and reorganization project

The new European supervisory architecture as well as the latest monetary policy decisions have had far-reaching consequences for many of the OeNB's business areas, most of all those in charge of economic analysis and research, banking supervision, reserve management and statistics. At the same time, communications and human resources have also had to tackle new challenges. Over the past few years, the

Chart 1

### Real GDP

Quarterly change in %

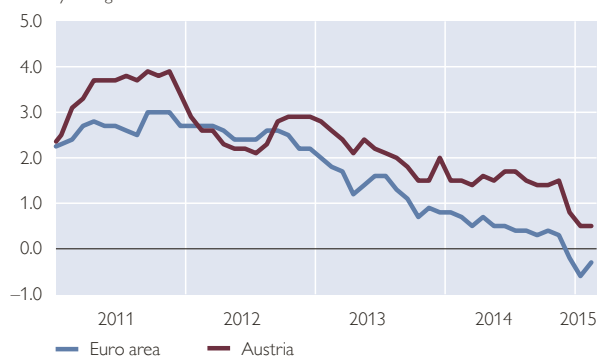


Source: Eurostat.

Chart 2

### HICP inflation

Monthly change in %



Source: Eurostat.

OeNB has not tired of carrying out the necessary in-house reforms. As a case in point, it fully implemented the Act to Limit Specific Pension Benefits (Sonderpensionenbegrenzungsgesetz – SpBegrG) in early 2015. An optimization and reorganization project (OPAL), which the OeNB commissioned in 2014, looked into the OeNB’s business area portfolios and processes with a view to preparing the OeNB in the best possible way for future challenges.

### OeNB records operating profit of EUR 341 million

In 2014, the OeNB’s operating profit before writedowns and transfers went up by almost one-quarter to EUR 811 million against the previous year. Following an allocation of

EUR 325 million to risk provisions and writedowns on foreign currency assets and securities totaling EUR 145 million, the operating profit for the 2014 business year comes to EUR 341 million. After taxes and dividends – namely EUR 85 million of corporate income tax plus the 90% share of profit due to the central government (pursuant to the Nationalbank Act) in the amount of EUR 230 million – the profit for the year 2014 came to EUR 26 million. The OeNB’s net currency position increased to EUR 18.5 billion, which is inter alia attributable to unrealized valuation gains on gold to the tune of EUR 1.0 billion, which did not enter the profit and loss account. Gold and gold receivables account for EUR 8.9 billion of the net currency position.

Table 1

### Selected OeNB performance indicators

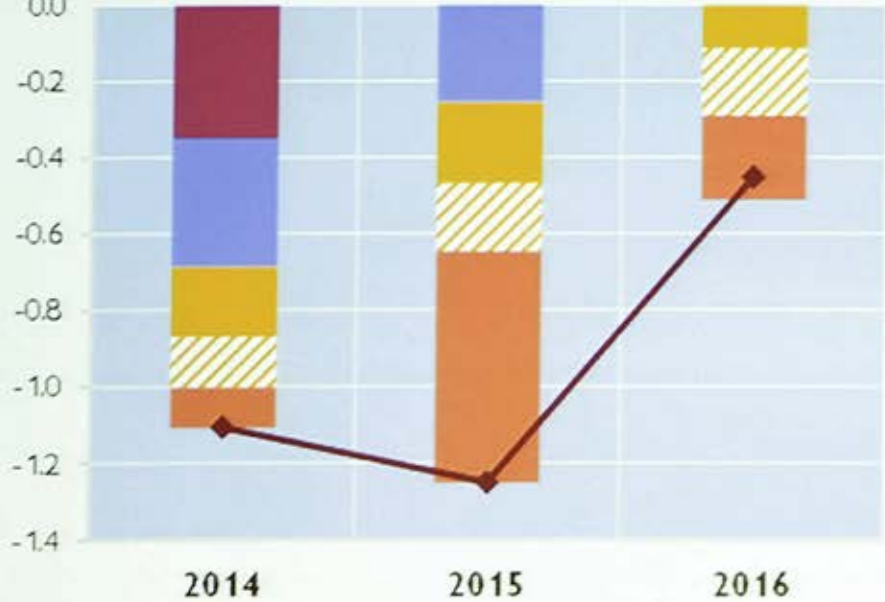
	2013	2014
<i>EUR million (as at December 31)</i>		
Net currency position	13,430	18,531
Banknotes in circulation	24,497	26,237
Total assets	97,485	92,827
Operating profit before writedowns and transfers	662	811
Writedowns on financial assets and positions; transfers to risk provisions; transfers from provisions in respect of Eurosystem monetary policy operations	-364	-470
Operating profit	298	341
Corporate income tax	75	85
Central government’s share of profit	181	230
Profit for the year	20	26
<i>Absolute figures or %</i>		
Full-time equivalent staff resources	1,089.1	1,084.0
Share of university graduates in total staff (%)	54.1	56.4
Share of women in total staff (%)	39	39
Share of women in management positions (%)	25	26
Queries to OeNB hotlines	27,235	25,212
Cash training course participants (including Euro Shop Tour)	17,342	14,192
Electricity consumption (MWh per employee)	7.5	6.1

Source: OeNB.





The OeNB safeguards price stability  
and financial stability



- Sonstiges (z.B. Vertrauenseffekte...)
- ▨ Revision externe Annahmen außer Deutschland
- Abwärtsrevision Deutschland
- BIP-Daten für 2014Q2-Q3
- Revision historischer BIP-Daten bis 2014Q1
- ◆ Gesamte Revision

Quelle:

[www.oenb.at](http://www.oenb.at)

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Together with the European Central Bank (ECB) and the other euro area central banks, we safeguard the stability of the euro and thus support sound economic development.

From the OeNB's Mission Statement

## Declining inflation and a weak economic recovery required monetary policy action in the euro area

### Further monetary accommodation

The world economy expanded only moderately in 2014, in keeping with the trend of the previous two years. Thus, while recovering from the great financial and economic crisis of 2008 and 2009, the global economy failed to gain substantial momentum in the period from 2012 to 2014. Initially, some industrial economies – above all European countries – were plunged into a recession in 2012 and 2013, triggered by the sovereign debt crisis in the euro area and reinforced by restrictive fiscal policies. More recently, adverse financing conditions and structural problems have been holding back growth in a number of emerging market economies. On balance, global output growth expanded by slightly more than 3% per year from 2012 to 2014.

### Euro area emerges from recession, but the recovery is slow and weak

The contribution of global external demand to euro area growth was generally weak in 2014. Therefore, a recovery hinged on domestic demand, which was, however, dampened by continued deleveraging and high levels of unemployment. Given slack production capacities, business investment was lackluster. Moreover, the propensity to spend was dampened by geopolitical tensions, above all by the conflict between Ukraine and Russia. These tensions

added to the general uncertainty regarding the outlook for growth.

Following two years of negative annual output growth, the euro area economy emerged from recession in 2014. Average annual GDP growth totaled +0.9%, which was substantially weaker than expected, though. HICP inflation rates were below 1% in early 2014, thus clearly falling short of the objective of price stability, namely an inflation rate of below, but close to, 2%. Moreover, the inflation rates were trending downward and consistently undershot the forecasts. The volume of bank lending to the private sector – to firms in particular – continued to contract. Against this backdrop and still impaired monetary policy transmission, economic conditions called for further monetary policy accommodation.

### Declining excess liquidity in the banking system drives up money market rates

In contrast to this assessment, the short-term money market interest rates that Eurosystem policymakers are steering as measured by the EONIA (euro overnight index average) trended upward in the first half of 2014, reflecting a decline in excess liquidity in the banking system. Monetary policy steering of the EONIA is based on two channels. First, Eurosystem key interest rates create an interest rate corridor within which EONIA rates move. Second, the position of the EONIA within this corridor is influenced by the amount of central bank liquidity that is provided to the banking sector. In 2012 and 2013, demand for central bank liquidity was high within the euro area banking system. The resulting high levels of excess liquidity kept the EONIA within close range of the lower bound of the corridor, which is created by the interest rate for the deposit facility. As confidence was restored after the

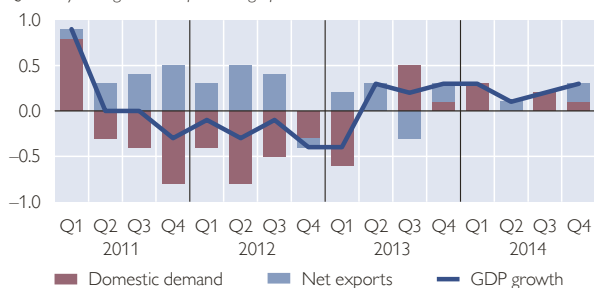
#### Excess liquidity

Refers to the amount of central bank liquidity provided in excess of the banking system's liquidity demand as determined by reserve requirements and autonomous factors such as banknotes in circulation. As excess liquidity rises, the EONIA will move closer to the lower bound of the corridor created by the key interest rates.

Chart 3

### Real GDP growth in the euro area

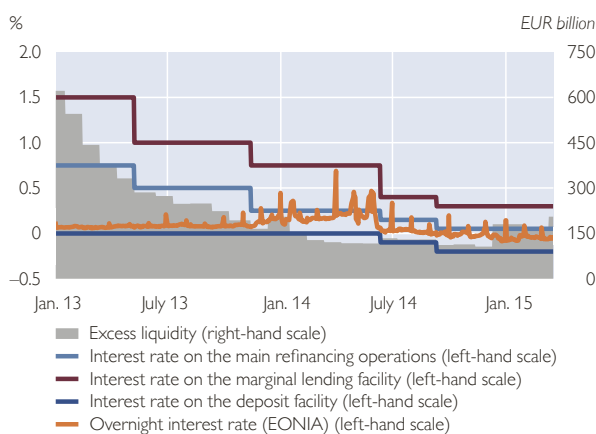
Quarterly change in % or percentage point contributions



Source: Eurostat.

Chart 4

### Excess liquidity and EONIA within the interest rate corridor



Source: ECB, Thomson Reuters.

turmoil of the sovereign debt crisis, demand for central bank money declined, which caused excess liquidity to decline as well. As a result, the EONIA moved away from the deposit facility rate toward the middle of the corridor – a shift that was not a desired effect of monetary policy.

### Monetary policy package to ease financing conditions for households and firms further

The set of monetary policy measures adopted by the Governing Council of the ECB between

June and October 2014 was aimed at cutting policy interest rates further. In addition, measures were called for to ensure that the low interest rates would indeed pass through to households and firms in the entire euro area. The adopted package reflected the predominantly bank-based financing structure of the euro area economy, given the high share of small and medium-sized companies. Thus, the measures were designed, first, to cut financing costs, above all in regions with above-average levels of bank lending rates and, second, to enable banks to supply households and firms with adequate volumes of loans. Since weak bank lending was one of the factors holding back the recovery of the euro area, it was important to ease credit conditions and stimulate credit creation.

To this end, the Governing Council of the ECB lowered the key interest rates in two steps (in June and in September 2014) to the effective lower bound. The main refinancing rate was reduced to close to zero (0.05%), and the deposit facility was moved into negative territory (–0.2%). These key rate cuts implied that short-term money market rates became negative (chart 4) and that the upward trend of the EONIA was put to an end. The EONIA, which had hovered around 0.2% in early 2014, dropped to slightly below zero toward the end

Box 1

### ECB adjusts voting modalities in the Governing Council

The Governing Council of the ECB, which is the main decision-making body of the Eurosystem formulating the monetary policy for the euro area, consists of the six members of the ECB's Executive Board and all central bank governors of the euro area countries. As a member of this body, the OeNB Governor is thus involved in all monetary policy decisions for the euro area. Yet, like the contributions of his counterparts, his contribution to the decision-making process is guided by his views as an independent expert about what is best for the euro area as a whole and does not reflect national interests.

To help maintain the Governing Council's ability to take decisions in a timely and effective manner as euro area membership increases, the Governing Council decided in 2002 to switch to a rotation system of voting rights once the number of euro area countries would exceed 18. The accession of Lithuania on January 1, 2015, as the 19<sup>th</sup> member triggered this change.

The governors representing the countries ranked first to fifth in terms of economic output (Germany, France, Italy, Spain and the Netherlands) share four voting rights, whereas all others (currently 14, including the OeNB Governor) share 11 voting rights. Under this system, voting rights rotate on a monthly basis within the two groups. Thus, the OeNB Governor, while joining and contributing to all debates preceding a vote, will not cast his vote in the July, August and September monetary policy meetings of the Governing Council in 2015. The six members of the ECB's Executive Board maintain permanent voting rights.

of the year and thus below 2013 levels. Money market rates for longer maturities declined as well. For instance, the three-month EURIBOR fell from 0.3% in early 2014 to slightly below 0.1% toward the end of the year. This had a direct dampening effect on the refinancing costs of banks and in many instances also contributed to an easing of loan costs for households and firms, because these costs are often linked to the three-month EURIBOR.

### Governing Council adopts further liquidity-providing measures

With a view to lowering money market rates, the Governing Council decided to adopt additional measures, going beyond key rate cuts, to again provide the banking sector with higher volumes of liquidity. First, the weekly fine-tuning operations that had been conducted to absorb the liquidity injected by the Securities Markets Programme (SMP) were suspended. Under the SMP, the Eurosystem had bought European sovereign bonds from 2010 to 2012, while at the same time sterilizing the liquidity-providing effect by offering a remunerated deposit facility. After the suspension of these fine-tuning operations, the level of excess liquidity rose by the equivalent of the SMP port-

folio, which had a volume of about EUR 150 billion in the second half of 2014.

Second, the full allotment policy for the Eurosystem's regular refinancing operations initiated in 2008 was extended until December 2016. Third, the Governing Council decided to prolong the extended collateral framework at least until September 2018, allowing, in particular, for the temporary inclusion of additional credit claims as eligible collateral. This measure eases constraints on bank funding.

### Targeted longer-term liquidity operations to support an increase in lending to households and firms

In June 2014, the Governing Council moreover announced a series of targeted longer-term refinancing operations (TLTROs) with the intention of supporting bank lending to the real economy. TLTROs provide long-term central bank funding for a period of up to four years. In the first two operations, settled in September and December 2014, banks were entitled to an initial maximum borrowing allowance equal to 7% of their loans to euro area households and firms (excluding loans to households for house purchase) subject to the provision of adequate collateral. The borrowing rate for the two TLTROs in 2014 was a fixed rate of 0.15%, consisting of the Eurosystem's main refinancing rate plus a fixed spread of 10 basis points. The combined take-up in the first two TLTROs was about EUR 212 billion.

Another six operations will be conducted at quarterly intervals from March 2015 to June 2016, giving banks the option to borrow additional amounts, depending on the evolution of their lending activities. The interest rate on these TLTROs will also be fixed over the life of each operation until maturity in September 2018, at the rate on the Eurosystem's main refinancing operations prevailing at the time of take-up.

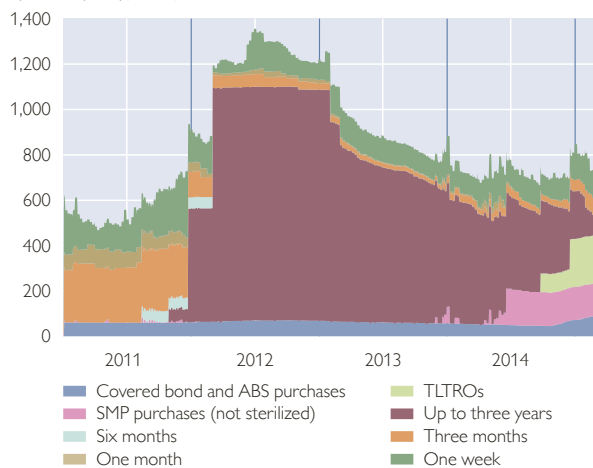
#### TLTROs

Targeted longer-term refinancing operations enable banks to borrow central bank money at a favorable fixed rate for a period of up to four years. All TLTROs will mature in September 2018. In total, eight such operations have been scheduled for the period from 2014 to 2016. The underlying idea is to create an incentive for banks to lend to euro area households and firms.

Chart 5

### Liquidity provision in the euro area

By maturity or type of operation, EUR billion



Source: ECB, OeNB calculations.

All TLTROs are conducted subject to the condition that banks will use the funds thus raised for lending to euro area households and firms, excluding loans to households for house purchase. Therefore, the lending activities of the participating banks are monitored accordingly. Banks that do not fulfill the conditions regarding the volume of their net lending to the real economy will be required to pay back the borrowed TLTRO amounts in September 2016, two years earlier than the TLTRO maturity.

### Eurosystem starts new asset purchase programs

In September 2014, the Governing Council endorsed the launch of two additional purchase programs for private sector assets – an asset-backed securities purchase program (ABSPP) and a new covered bond purchase program (CBPP3). Under the ABSPP, the Eurosystem buys a broad portfolio of simple and transparent asset-backed securities with underlying assets consisting of claims against euro area households and firms. Under the CBPP3, the Eurosystem buys a broad portfolio of euro-denominated covered bonds issued by banks domiciled in the euro area. Both programs are targeted at market segments that provide important funding for the real economy and are aimed at stimulating lending by euro area banks. The Eurosystem began purchasing covered bonds under the CBPP3 on October 20, 2014, and ABS on November 21, 2014. Until March 20, 2015, the asset purchases amounted to a sum of EUR 64 billion.

#### Covered bonds

Covered bonds are a type of security mainly issued by banks to raise additional capital. A key defining feature is that they are collateralized with a pool of loans and thus offer investors a double layer of protection against default. On the one hand, the issuing bank is liable for repayment, on the other hand, investors may also take recourse to the cover pool of assets that are ringfenced for their benefit. Covered bonds are often created from mortgage loans. In German jurisdictions, they are typically referred to as Pfandbriefe.

#### Asset-backed securities

As financial securities that are backed by a loan or receivables against assets, asset-backed securities are similar to covered bonds. Yet, while covered bonds are dual recourse instruments, ABS give investors only a claim against the cash flows generated by the underlying assets, with the issuing bank not liable to the investors. ABS are typically sold by banks wishing to turn part of their loan portfolio into tradable assets and thus into a source of refinancing.

Under the ABSPP, the Eurosystem buys a broad portfolio of simple and transparent asset-backed securities with underlying assets consisting of claims against euro area households and firms. Under the CBPP3, the Eurosystem buys a broad portfolio of euro-denominated covered bonds issued by banks domiciled in the euro area. Both programs are targeted at market segments that provide important funding for the real economy and are aimed at stimulating lending by euro area banks. The Eurosystem began purchasing covered bonds under the CBPP3 on October 20, 2014, and ABS on November 21, 2014. Until March 20, 2015, the asset purchases amounted to a sum of EUR 64 billion.

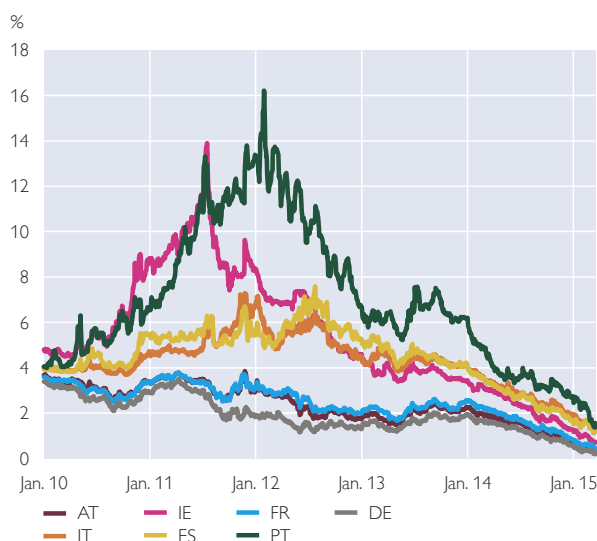
This set of TLTRO, CBPP3 and ABSPP measures has led to an increase in the level of excess liquidity and thus to an expansion of the central bank balance sheet. Initial signs of this expansion emerged in late 2014 (as is evident from chart 5). This process will continue in the years ahead. As a result of these measures, the Governing Council of the ECB expects the central bank balance sheet to ultimately reach roughly the levels observed in early 2012.

### Yields on euro area sovereign bonds continue to decline

Given the accommodative stance of monetary policy and the forward guidance commitment to continue to pursue an accommodative policy in the upcoming years and in view of the weak output and inflation growth outlook, the yields on euro area government bonds continued to decline. The yields of AAA-rated sovereign bonds in the euro area dropped from about 2% in early 2014 to below 1% at the end of the year. Among other things, the decrease in long-term yields in the core euro area countries reflected portfolio shifts into safe forms of investment.

Chart 6

#### Ten-year government bond yields of selected countries



Source: Thomson Reuters.

The significant yield decline benefited not only the core economies of the euro area but also euro area economies under stress. A search for yield triggered by the environment of low interest rates caused risk premiums to contract substantially within the euro area. In sum, the accommodative stance of monetary policy was reflected in historical lows of not only money market rates but also long-term yields.

### Inflation rates fall substantially in 2014, arousing concern about declining inflation expectations

Notwithstanding years of monetary policy accommodation, HICP inflation in the euro area has been on a marked downward trend since 2011, which continued in 2014. While this drop was to a large extent driven by global developments in energy and food prices, it also reflected the impact of exchange rate appreciation. From mid-2012 to early 2014, the euro appreciated markedly compared with the currencies of the euro area's main trading partners. This development dampened the price of imported goods, thus contributing to the decline in consumer price inflation.

While inflation rates were slightly below 1% in early 2014, they subsequently slid to  $-0.2\%$  at the end of 2014, edging down further to  $-0.3\%$  in February 2015. This decline, which was visibly below inflation forecasts, reflected above all the collapse of oil prices from mid-2014 onward. In the course of 2014, oil prices plunged by about 50% in U.S. dollar terms. This compares with a decline by about 40% in euro terms, as the euro depreciated vis-à-vis the U.S. dollar in the second half of the year.

Compared with headline HICP inflation, which averaged 0.4% in the euro area in 2014, core inflation was relatively stable. Given sluggish domestic demand, core inflation also hovered at a low level, averaging 0.8%, but the downward trend was weaker than in the case of headline HICP inflation.

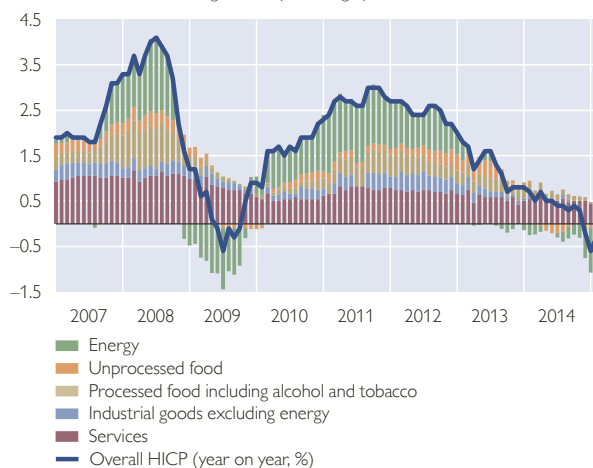
A prolonged period of low inflation rates can cause inflation expectations to become deanchored from the ECB's definition of price stability of below, but close to, 2%. Indeed, market-based inflation expectations did show initial signs of such deanchoring in late 2014. Long-term forward breakeven inflation rates (calculated on the basis of inflation-indexed swaps) declined to around 1.8%. Such inflation rates imply the five-year forward levels of inflation that investors expect to see five years ahead. Moreover, most indicators for current and expected inflation had drifted toward historical lows. Declining inflation expectations cause real interest rates to rise. In other words, their effect on the real economy may be similar to that of an interest rate hike.

Against this backdrop, the Governing Council of the ECB, in January 2015, adopted an expanded asset purchase program, announcing the purchase of sovereign bonds in the secondary market in addition to the existing ABS and covered bond purchase programs. The monthly asset purchases, made from March 2015, amount to EUR 60 billion. The purchases are intended to be carried out until at least September 2016 and in any case until the Governing Council sees a sustained adjustment in the path of inflation toward a level of 2%.

Chart 7

### Euro area HICP inflation and contributions by components

Contribution to annual HICP growth in percentage points



Source: Eurostat.

## Five FAQs on deflation

### **How do we define deflation?**

We define deflation as a fall in the general level of consumer prices over a prolonged period. This excludes small short-term declines, i.e. individual months during which prices are falling rather than rising.

### **Why may deflation be a problem?**

Decreasing price levels cause the debt burden to rise in real terms. Hence, borrowers will need to restrict consumption and investment further to be able to meet their loan servicing obligations, which has a dampening effect on demand. A steady decline in prices prompts consumers and firms to buy or invest later in anticipation of a further drop in prices. This puts even more strain on demand, and firms facing falling demand will react by cutting prices further.

If this pattern persists, deflation also becomes anchored in inflation expectations, and a vicious deflation spiral begins, which may spill over to the labor market. Such a spiral is hard to break with monetary and economic policy measures, especially at times when key interest rates have already reached the zero lower bound. This is why central banks are keen to avoid deflation at least as much as inflation.

### **Is deflation always harmful?**

No, it is not. For instance, a period of falling prices does not pose a problem if the decline in prices reflects a major technological innovation, which raises productivity and thus enables firms to cut production costs. Such innovation-driven periods – like the advent and spread of computer-based technologies – generally go hand in hand with high output growth and thus do not require monetary policy action.

### **What drove inflation below zero in late 2014, early 2015?**

The steady downtrend in inflation rates since 2011 emerged as a result of the recession that hit the euro area and reflects the slow pace of economic and labor market recovery, as well as the appreciating trend of the euro until mid-2014. However, the main driving forces that caused inflation to turn negative in late 2014 were the massive setback in oil prices in the second half of 2014 as well as the decline in prices for unprocessed food. Core inflation, as measured by the HICP excluding energy and food, remained relatively stable at a rate of about 0.8% until the end of 2014.

### **Do the numbers indicate that the euro area has been hit by deflation?**

The decline in prices during 2014 was concentrated on a relatively small number of goods (energy, food) rather than turning into broad-based deflation. At the same time, falling energy prices actually had a positive impact on growth. At the turn of the year, even core inflation started a downward slide, though, accompanied by a gradual decline in inflation expectations. The rising threat of deflation therefore prompted the Governing Council of the ECB to adopt additional policy measures to accommodate monetary policy further. With Japan having suffered from deflation for well over a decade, we know that deflation is very hard to overcome. This is why it is so important to counteract the risk of deflation in a timely manner.

The purchases to be made under the expanded asset purchase program will cause the Euro-system's balance sheet structure to change visibly. With its expanded asset purchase program, the Governing Council has resumed more active control over the amount of liquidity provided through monetary policy operations. Unlike in

the case of the TLTROs, where the amount of liquidity injections depends on the initiatives of banks, the Governing Council itself has determined the monthly volume of EUR 60 billion. At the same time, the share of repurchase operations will go down, and the share of liquidity provided through outright purchases will go up.



### **Five FAQs on the Eurosystem's expanded asset purchase program**

#### **What kind of securities does the Eurosystem buy?**

For one thing, the Eurosystem buys covered bonds and asset-backed securities (as defined above). In addition, purchases include bonds issued by euro area central governments (i.e. no bonds issued by subnational entities, such as regional or local governments) and agencies and European institutions, such as the European Investment Bank (EIB) or the European Stability Mechanism (ESM).

#### **Will this program be able to support economic growth and the creation of jobs in the euro area?**

The asset purchases are aimed at bringing the interest rate level down further and to further ease bank funding conditions to support an increase in lending to firms and households. Easier access to loans for firms across Europe should support investment and job creation and thus economic growth as a whole. Higher investment and growth ultimately contribute to a return of inflation rates toward 2%.

#### **Is the asset purchase program legal?**

Yes, it is. The Eurosystem may use a wide range of instruments for the implementation of monetary policy as laid down in the EU Treaties. Outright purchases of marketable instruments are explicitly listed as a monetary policy instrument in Article 18.1 of the Statute of the ESCB and of the ECB. This includes the possibility of buying securities like government bonds. However, government bonds may be bought only on the secondary market (i.e. from other investors) and not on the primary market (i.e. directly from individual Member States). In other words, a market price must have been established before the Eurosystem will buy such bonds. Thus, these purchases do not constitute public sector monetary financing.

#### **What about the OeNB's share of the purchases?**

The OeNB's share of the purchases is in line with its share in the key for the capital of the ECB. The OeNB's portfolio will consist of covered bonds as well as of Austrian government bonds with a remaining maturity of 2 to 30 years. The OeNB may also acquire bonds with a negative yield, provided that the yield is above the deposit facility rate of currently -0.2%.

#### **Does this program create a risk burden for national central banks such as the OeNB?**

As members of the Eurosystem, all national central banks carry a share of the risks. The question is, how high a share? In the case at hand, a 20/80 rule was agreed for all purchases going beyond covered bond and ABS purchases to alleviate fears of debt mutualization. Of the overall risk incurred through government bond purchases, 20% is subject to full risk-sharing. In other words, with regard to this share each euro area country is liable in proportion to the size of its population and the size of its economy. With regard to the remaining 80%, each national central bank is liable for its own portfolio.

# Economic growth in Austria remains subdued

## GDP continued to grow only modestly in 2014

At the beginning of 2014, growth forecasts for Austria were cautiously optimistic. GDP growth was expected to rise to about 1½%, after economic activity had quickened at the end of 2013 and various leading indicators had given positive signals. These forecasts did not materialize, however. Instead, the growth outlook was scaled back notably in the fall of 2014, which was attributable to a revision of historical growth values and a revaluation of the short-term and medium-term growth prospects. In fact, the Austrian economy expanded by a mere 0.4% in real terms in 2014 (in seasonally and working-day adjusted terms, or by 0.3% in nonadjusted terms). For the third consecutive year, Austria’s real GDP growth came to less than 1%, falling well short of the average recorded for the period from 1999 to 2013 (+1.7%). In 2014, Austria moreover underperformed the euro area growth figure for the first time since 2009.

Subdued domestic demand and sluggish net exports were at the root of weak GDP expansion in 2014. Private consumption, the most important demand component of GDP, remained flat, quarter on quarter, throughout all four quarters of 2014. Not only did households’

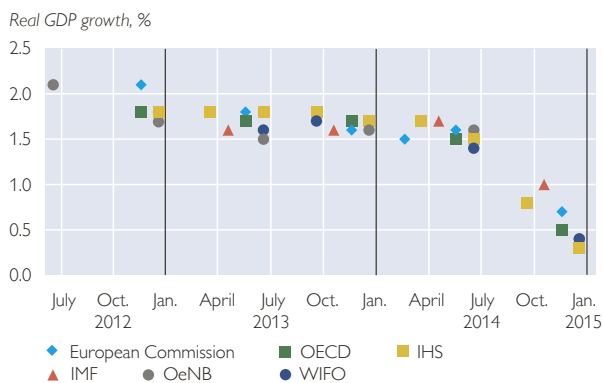
real disposable income stagnate amid relatively high inflation, but also consumer and business sentiment was down in a European comparison, which led to consumer restraint. Gross fixed capital formation still posted positive growth in the second half of 2013 and in the first quarter of 2014, but thereafter, it contracted over the course of 2014 as uncertainty about economic activity increased. Exports made a marginally positive contribution in 2014, with growth for the year remaining unchanged from the level registered in 2012 and 2013 and, hence, clearly below the long-term average. The expansion of imports outpaced that of exports in 2014 as a whole, which is why net exports contributed negatively to GDP growth.

## Growth will pick up speed in mid-2015 at the earliest

There were no signs at the beginning of 2015 that the Austrian economy would overcome the three-year period of weakness in the immediate future. The euro area may have emerged from recession, but its still very limp economic growth failed to kick-start the Austrian economy. While the German economy – especially private consumption – picked up momentum, consumer spending in Austria edged up only

Chart 8

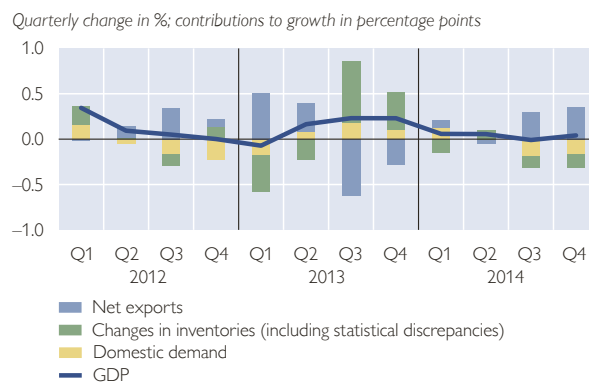
### Austria: range of growth forecasts made for 2014



Source: OeNB, European Commission, IMF, OECD, Austrian Institute of Economic Research (WIFO), Institute for Advanced Studies (IHS).

Chart 9

### Austria: GDP growth and contributions of demand components to growth



Source: OeNB, Austrian Institute of Economic Research (WIFO), trend-cycle component.

slightly and gross fixed capital formation even shrank.

The marked decline in the oil price should, however, boost private consumption. Furthermore, the euro's depreciation above all against the Swiss franc, the U.S. dollar and the pound sterling is expected to improve Austrian exporters' price competitiveness and, by extension, help step up export demand. Finally, consumer spending should receive an impetus from incomes being pushed up in real terms by lower inflation and from the tax reform the Austrian coalition government announced in mid-March 2015. In light of this, the economy might expand at a faster rate in 2015 and 2016 than was forecast in the OeNB's December 2014 outlook (+0.7%).

Despite weak real economic growth, employment increased markedly in Austria in re-

cent years, showing only a temporary slowdown in the summer of 2014. Payroll employment in 2014 rose by 0.6% year on year to 3.503 million. At the same time, however, the number of unemployed persons went up by no less than 11.2% to a total of 319,000 (annual average). Following a notable revision of historical data in March 2015, the unemployment rate (Eurostat definition) came to 5.6% in 2014, up from 5.4% in 2013.

#### Inflation still markedly above the euro area average despite continued decline in 2014

Inflation has been receding continually in Austria since 2011 (3.6%) and, in 2014, averaged out at 1.5% year on year. Price growth was almost exclusively driven by the uptrend of

Box 4

#### The OeNB residential property market monitor

The real estate sector plays an essential role in an economy and, hence, also for financial market stability.

- Residential property is the most important component of households' wealth. For this reason, price trends in real estate markets influence households' consumption and investment decisions via wealth effects.
- As real estate is often used as collateral for loans, changes in real estate prices affect households' debt and their ability to repay loans and, as a result, also have an impact on the banking sector.
- Since housing covers a basic human need, analyzing fluctuations in residential property prices is also important from a social perspective.
- Furthermore, the construction industry is a major employer, and investment in construction has a considerable influence on economic activity.

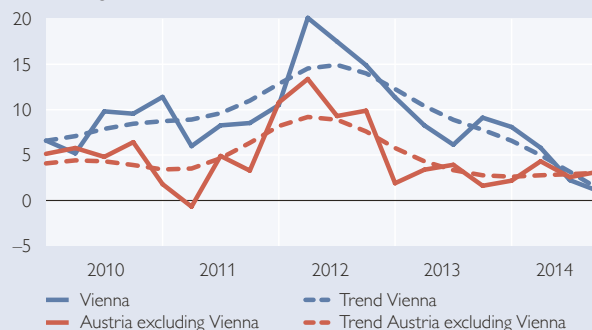
Since safeguarding financial market stability is one of the main responsibilities of central banks, the OeNB has, in recent years, developed methods to continuously monitor and analyze the real estate market. This way, it may precisely assess the implications for the economy as a whole and for financial system stability in particular, and identify potentially adverse developments at an early stage.

Residential property price growth in Austria slowed down from mid-2014 onward; a trend which had become evident for Vienna already at end-2013. In the fourth quarter of 2014, house prices in Vienna moved up by 1.0% year on year, compared with an increase of 3.2% year on year in Austria excluding Vienna. The OeNB's fundamentals indicator for residential property prices indicates that the overvaluation of residential property in Vienna fell from 22% in the first half to 19% in the second half of 2014. For Austria as a whole, the indicator shows that prices are justified by fundamentals.

For data and analyses related to the Austrian real estate market, see the OeNB website at [www.oenb.at/en/Monetary-Policy/real-estate-market-analysis.html](http://www.oenb.at/en/Monetary-Policy/real-estate-market-analysis.html).

#### Residential property prices in Austria

Annual change in %



Source: TU Wien (Vienna University of Technology), OeNB.

services prices, whose contribution to growth amounted to 1.2 percentage points. The year-on-year decrease in overall inflation (2013: 2.1%) is primarily attributable to energy prices and industrial goods as well as, to a lesser extent, to food prices. According to the OeNB's March 2015 outlook, HICP inflation in Austria will drop below 1% in 2015, with core inflation exceeding headline inflation.

#### Changeover to the ESA 2010

In September 2014, the revised accounting framework for a systematic and detailed description of an economy – the European System of Accounts 2010 (ESA 2010) – became applicable in all EU Member States. Following the switch to the ESA 2010, the Austrian GDP for 2013 increased by 3% solely because of the associated accounting changes. For details on the reclassifications under the ESA 2010, see the section "Enhancing statistics in line with European standards."

This downtrend notwithstanding, Austria still posts high inflation relative to the other euro area countries. The inflation differential vis-à-vis the euro area average may be explained as follows: While under stress, some euro area

countries would deliberately opt for wage and price cuts to improve their competitiveness and to consolidate their budgets. This does not, however, apply to the differential vis-à-vis Germany, Austria's most important trade partner. Here, services play a role by contributing to inflation about twice as much in Austria than in Germany. Within the services sector, it is above all accommodation and food services, financial

services and services whose prices are largely regulated (e.g. education, hospitals, refuse collection, and cultural facilities and activities) that impact most strongly on the inflation differential between Austria and Germany. Demand for travel and tourism services in Austria has been mounting at a particularly fast pace since 2010, which has caused price effects. The inflation differential vis-à-vis Germany is, however, in part also due to the comparatively higher contribution to headline inflation made by the public sector (fees, administered prices and taxes). As a case in point, the public sector, on average, accounted for some 0.2 percentage points of the inflation differential vis-à-vis Germany in 2013 and 2014.

#### Public finances deteriorated temporarily in 2014

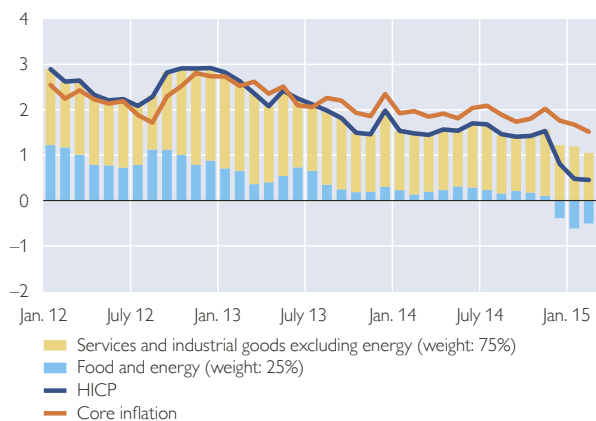
The changeover to the ESA 2010 system in September 2014 had a profound impact on fiscal statistics and on the Austrian GDP level. For one thing, Austria's GDP increased by 3%. For another, the debt level rose significantly after various government-controlled companies had to be reclassified under general government. The greatest debt-increasing effect was observable from the reclassification of the Austrian

Chart 10

#### HICP inflation and contributions by subcomponents in Austria

Annual HICP and core inflation in %; contributions to inflation in percentage points

Most recent observation: February 2015

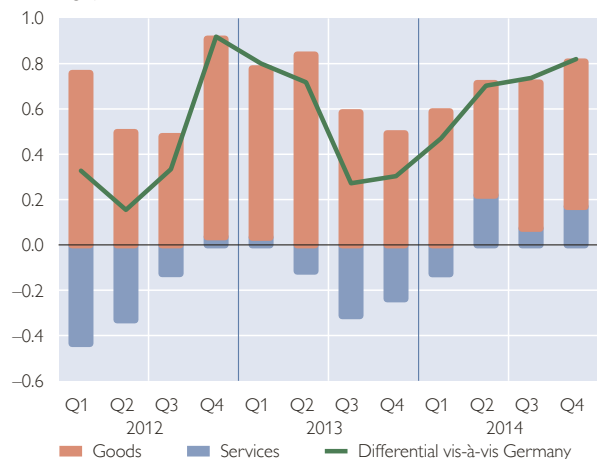


Source: Eurostat, Statistics Austria.

Chart 11

#### Inflation differential between Austria and Germany

Percentage points



Source: Eurostat, Statistics Austria.

### Austria: 20 years of EU membership

Austria's accession to the European Union on January 1, 1995, was one of the country's most important economic milestones of the past decades. By becoming a member of the EU, Austria gained full access to the Single Market. Moreover, it was among the countries that first introduced the common European currency, the euro. Naturally, it is difficult to carry out a precise cost-benefit analysis, not least because other global events have also played an essential role in Austria's economic development since EU accession: the fall of the Iron Curtain in 1989–90, the EU enlargement round of 2004 and economic globalization.

In a study<sup>1</sup> published in 2014, the Austrian Institute of Economic Research (WIFO) estimates that, thanks to EU membership, Austria's GDP (adjusted for inflation) was 0.6 percentage points higher per year and 12,000 additional jobs were created on an annual basis. Furthermore, the inflation rate was 0.3 percentage points lower per year. Also, euro area membership and the EU's enlargement added another 0.4 percentage points each per year to economic growth. Companies operating both in Austria and abroad derived above-average benefits; once tariff restrictions had been removed, Austria's external trade links expanded significantly. However, EU membership also reduced Austria's current account balance by an annual 0.5% of GDP, given that the share of imports in GDP rose more strongly than that of exports.

While it is true that the actual economic benefits of being part of the Single Market partly fell short of initial expectations, it is also safe to assume that a small open economy like Austria would have suffered substantial welfare losses from remaining outside the EU. This is corroborated by Switzerland, which has been lagging behind Austria in terms of GDP growth by 0.6 percentage points per year since 1992, when the Swiss in a referendum had voted against joining the European Economic Area (EEA).

<sup>1</sup> See Breuss, F. 2014. A Prototype Model of European Integration. The Case of Austria. WIFO Working Paper 465.

railway infrastructure company in 2005 and of the KA Finanz AG bad bank in 2009. While varying over time, the impact has clearly been less pronounced for the budget balance than for the debt level. The debt-to-GDP ratio for 2013, following both the recalculation of the debt level and GDP adjustment, mounted by some 6½ percentage points to around 81%, while the 2013 budget balance remained almost unchanged.

In 2014, both the general government budget balance (in percent of GDP) and the debt ratio worsened markedly year on year. This deterioration is above all attributable to the restructuring of Hypo Group Alpe Adria AG. In addition, the one-off effect of the auction of mobile licenses in 2013 ended, which weighed on the deficit. Based on a no-policy-change assumption (i.e. excluding tax reform effects), the OeNB's December 2014 outlook foresaw a notable improvement of the fiscal situation in Austria for 2015 and 2016 irrespective of the rather weak economic activity. This favorable forecast is primarily due to the expectation that banks will receive considerably less financial government support. However, to meet the medium-term objective set by the European

Commission of a structural deficit of 0.45% of GDP in 2015, Austria will have to take additional structural consolidation measures.

### Current account surplus decreases amid weak economic activity

With a small surplus of EUR 0.5 billion in the first three quarters of 2014, Austria's current account was essentially in balance. It had been weighed down in equal measure by an increased deficit of trade in goods and shrinking revenue from trade in services. The surplus of the latter had dropped to EUR 7.6 billion. Travel receipts, which used to grow at a solid pace, softened in 2014, as the number of overnight stays by tourists from abroad declined. At the same time, the number of arrivals from abroad expanded, which points to a continuation of the short-break trend. The drop in overnight stays is to a large part traceable to Austria's most important travel income market, Germany, and also to fewer tourists from Russia. In light of the slump in exports, trade in goods posted a deficit of about EUR 2 billion in the first three quarters of 2014.

### Austrian Fiscal Advisory Council delivers fiscal rules compliance report as well as fiscal forecasts and organizes workshops<sup>1</sup>

The independent Fiscal Advisory Council, which succeeded the Government Debt Committee in November 2013 and whose office is located at the OeNB, expanded its activities in 2014 in line with its legal mandate. Its main focus was on the timely evaluation of budget developments in Austria against the applicable fiscal rules and on raising its public profile by means of publications, workshops and press conferences. The following publications are available on the website of the Fiscal Advisory Council:

- **Fiscal rules compliance report:** evaluates the update of the federal government's Austrian Stability Programme for the years  $t-1$  to  $t+4$  (release date: May of each year);
- **Austrian report on public finances:** provides comprehensive information about budget and debt developments at the federal and local government level for the previous year and also includes recommendations on budget policy and financing (release date: July of each year);
- **Outlook report on public finances:** assesses budget developments in Austria for the current and the upcoming year based on the Fiscal Advisory Council's fiscal forecast. It also serves to check Austria's official draft budget plans for plausibility (release date: December of each year).

To support its work on drawing up fiscal rules compliance reports, the Fiscal Advisory Council developed a calculation tool that captures and links the complex numerical EU fiscal rules. The budget forecasts are based on the methodology used by the European System of Central Banks (ESCB). They shed light not only on the deficit and debt levels of the general government (federal, regional and local governments as well as social security funds as defined in the ESA 2010), but also on the development of individual revenue and expenditure items. The structural budget balance is calculated based on national data in line with the method used by the European Commission. In spring 2014, the Fiscal Advisory Council organized a workshop to examine the various methodological approaches to calculating the output gap and its relevance for the cyclically adjusted budget balance.

<sup>1</sup> See [www.fiskalrat.at/en/](http://www.fiskalrat.at/en/).

Weak global trade and the ensuing adverse impact on the Austrian economy have also left their mark on the current account. Methodological changes, which were implemented to harmonize the Austrian balance of payments with international statistical standards (sixth edition of the IMF's Balance of Payments and International Investment Position Manual – BPM6; European System of Accounts 2010 – ESA 2010), brought about structural changes as well as different and more detailed breakdowns of the current account. Apart from regular revisions, these modifications did not, however, entail any substantial adjustments of historical figures as published.

#### Robust economic growth in Central, Eastern and Southeastern Europe despite difficult external conditions

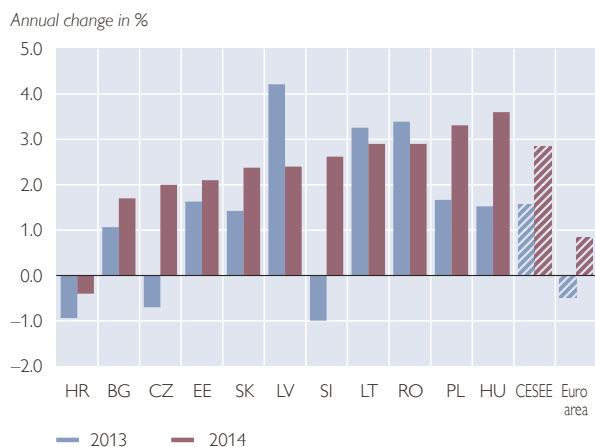
In light of its close economic and financial linkages, Central, Eastern and Southeastern Eu-

rope (CESEE) is of great importance for the Austrian economy. The CESEE EU Member States posted comparatively robust growth rates in spite of difficult external conditions. Average growth, in fact, accelerated from 1.6% in 2013 to 2.8% in 2014. What is more, growth was less heterogeneous across the region than before, with only one country – Croatia – performing markedly below the regional average. In other words, Croatia has yet to overcome its recession of five years.

#### Growth in CESEE driven by stepped-up domestic demand

Economic activity gained momentum on account of domestic demand, which had strengthened thanks to stabilized lending activity, improved economic confidence and, most recently, falling oil prices. Labor market trends in CESEE were likewise positive though subdued, with average unemployment having

Chart 12

**Real GDP growth in CESEE and the euro area**

Source: Eurostat.

dropped to 8.3% in December 2014, the lowest figure since mid-2009. Employment also performed well in most countries of the region. The more robust economic activity evident in CESEE also invigorated the Austrian economy; more than 20% of Austria's total exports were shipped to CESEE countries in 2014.

**Monetary policy action to counter looming deflation risk**

Despite these positive signals, the CESEE region is faced with manifold challenges. Not only have external risks and geopolitical tensions been on the increase, but also, importantly, inflation rates that are already low continue their downward slide. Average inflation dipped into negative territory in December 2014 amid low commodity prices and a sustained negative output gap. All CESEE countries except the Czech Republic, Lithuania and Romania reported a decline in prices. In light of this, central banks of the CESEE countries (e.g. in Hungary, Poland and Romania) have eased monetary policy further.

**Conflict in Ukraine poses risk to economic growth in CESEE**

The conflict between Russia and Ukraine and the related geopolitical tensions have triggered a pronounced economic downturn in both countries. The Russian and the Ukrainian economies have suffered from rising uncertainty, the severance of bilateral economic and trade relations as well as military action in eastern Ukraine. Economic growth basically stagnated in Russia in 2014 (+0.6%), and Ukraine went into a deep recession (-6.9%). From the second half of 2014 onward, the Russian economy was moreover dented by tightened international sanctions and the oil price slump. The latter hit Russia particularly hard given the country's excessive dependence on energy exports. As a consequence, Russia is forecast to fall into a deep recession in 2015. The European Commission, for instance, expects Russia's GDP to contract by 3.5%. The collapse in oil prices coupled with massive capital outflows (USD 152 billion in 2014) has put substantial pressure on the Russian ruble and the foreign exchange reserves held by the Bank of Russia. The ruble depreciated to record lows against both the euro and the U.S. dollar, which, in turn, pushed up inflation to 11% in December 2014. In response, the Bank of Russia hiked its key interest rate to 17% in December 2014.

Even though some CESEE countries maintain close economic ties with Russia, the direct impact of the conflict on their economies has to date remained relatively small. Yet, the fragile geopolitical situation continues to pose a risk to the economic outlook in this region.

**European integration has generated welfare gains in CESEE**

Recent turbulence notwithstanding, EU membership has all in all had a positive effect on the respective CESEE countries. In the decade since the 2004 enlargement round – a veritable landmark in European integration –, the CESEE EU Member States have seen their average per capita income (in purchasing power parities) augment by more than 60%, in spite of the

### Russia and its implications for Austria's real economy and banking system

*In view of the conflict in Ukraine, the EU adopted a series of sanctions against Russia in 2014 comprising diplomatic actions, restrictive measures against individual persons and entities, restrictions for Crimea and Sevastopol as well as measures targeting sectoral cooperation and exchanges with Russia ("economic" sanctions related to financial market restrictions and a trade embargo). Russia then responded by announcing an import ban on specific agricultural products from the EU. Apart from the economic sanctions, the Russian economy was hit hard by the fall in oil prices, which caused the Russian ruble to depreciate and inflation to accelerate markedly. The growth forecasts for Russia have been significantly revised downward given the fallout from the sanctions and the changed macroeconomic environment.*

#### **Crisis in Russia dampens economic growth in Austria ...**

*As a country that has traditionally maintained very close economic ties with Russia, Austria has felt an impact of the EU's measures against Russia through various channels. In 2013, Russia was Austria's tenth most important trade partner for goods exports and its eleventh most important trade partner for services exports. The value of exports goods potentially affected by the EU's trade embargo amount to EUR 478 million per year. Moreover, Austria is to lose some EUR 50 million per year from Russia's countermeasures. The macroeconomic effects resulting from the two-way sanctions impact the Austrian GDP – through the trade channel – only minimally, namely by a negative effect of around 0.1 percentage points. However, this computation does not account for either the negative ripples across the confidence channel, as reflected by investment and consumer spending, or the effects of Russia's and Ukraine's reduced demand for exports (in light of these two countries' shrinking GDP) on Austria. On the assumption that the oil price will remain unchanged from the level seen at the beginning of 2015, the OeNB expects the Russian economy to slide into a deep recession in 2015, with GDP growth contracting by some 4%. Such a recession would dampen Austria's GDP by another 0.1 percentage points.*

#### **... and weighs on Austrian banks' profitability and risk-bearing capacity**

*Russia is one of the core markets for Austrian banks that operate in CESEE. Their Russian business proved highly profitable in the past years thanks to rapid credit growth and low risk costs. Austrian banks' subsidiaries in Russia recorded profits also in 2014 despite the worsening conditions; the profits had, however, decreased year on year. After the Czech Republic, the Russian market was the second most important source of profit (accounting for EUR 629 million in the third quarter of 2014, or 28% of the positive net result in CESEE). The decline in profits was attributable to increased risk provisioning (up from a very low level), weaker credit growth, higher refinancing costs and, toward the end of 2014, the depreciation of the ruble. The outlook for 2015 remains gloomy. Austrian banks' profitability and risk-bearing capacity in Russia are weighed down in particular by a further deterioration of credit quality as a consequence of the expected recession in 2015, tight refinancing conditions, a highly volatile ruble and the generally heightened geopolitical risks.*

serious economic crisis. The differential vis-à-vis the average euro area income level has diminished by over 14 percentage points. Not only the newer, but also the older EU Member States, including, in particular, Austria, have benefited – in terms of significant growth stimuli – from the CESEE region's closer integration into European production networks, intensified trade and financial linkages and general cooperation in political and economic structures (including the successful introduction of the euro in several CESEE countries).

Lithuania's joining the euro area on January 1, 2015, marked another milestone in European integration. This means that today more than 337 million people in 19 countries use the euro as their currency. Progress has also been made in advancing the potential integration of the Western Balkans into the EU, with Albania being recognized as an EU candidate country in 2014. Also, the EU and Kosovo concluded a Stabilisation and Association Agreement.





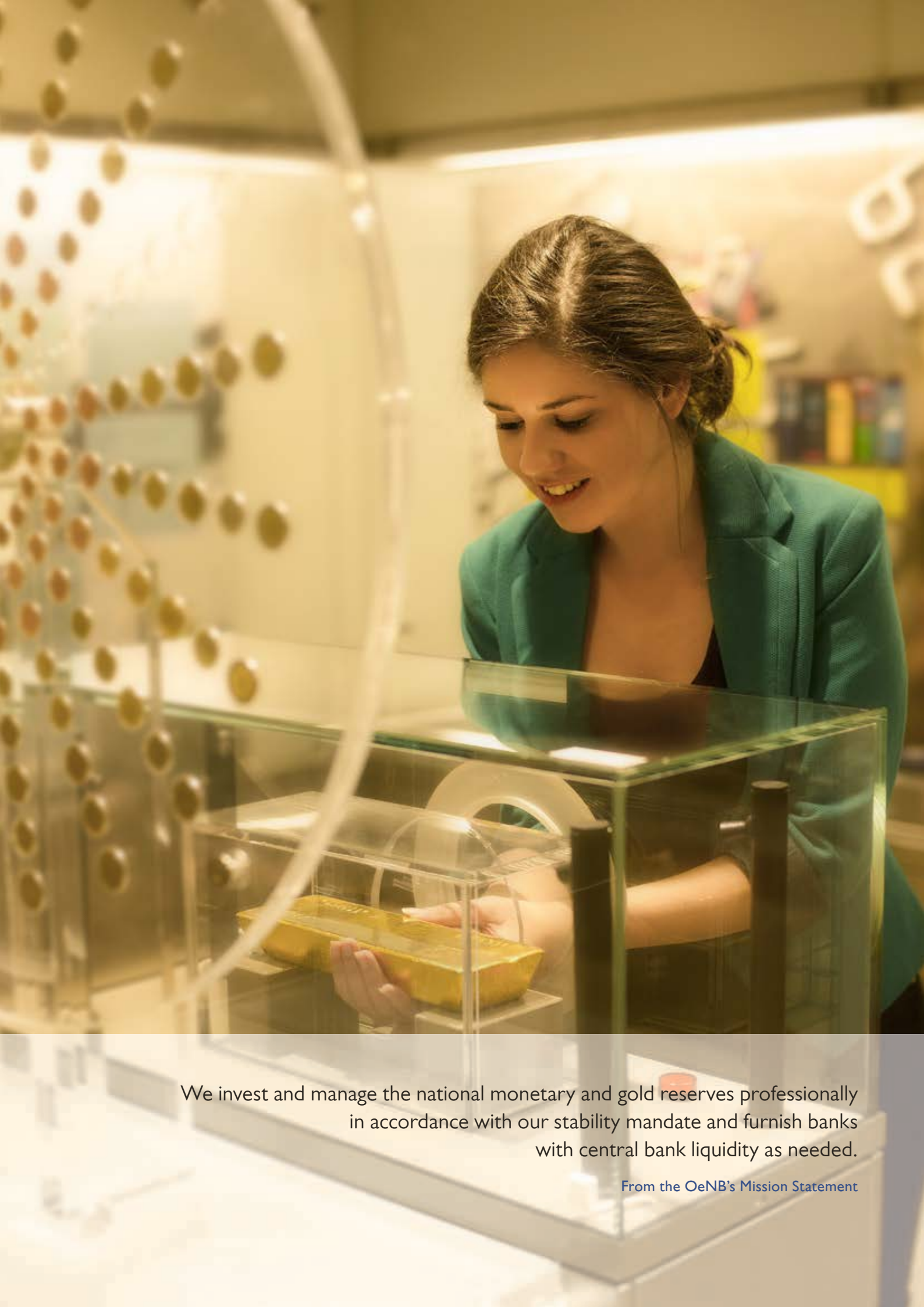
- Sonstiges (z.B. Vertrauenseffekte...)
- ▨ Revision externe Annahmen außer Deutschland
- Abwärtsrevision Deutschland
- BIP-Daten für 2014Q2-Q3
- Revision historischer BIP-Daten bis 2014Q1
- ◆ Gesamte Revision

Quelle:

[www.oenb.at](http://www.oenb.at)

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We invest and manage the national monetary and gold reserves professionally in accordance with our stability mandate and furnish banks with central bank liquidity as needed.

*From the OeNB's Mission Statement*

## Broadly diversified investment of reserve assets reduces risks to earnings in today's low-interest environment

### Financial markets caught between economic reality and central bank policy

The further easing of the monetary policy stance in the euro area in the course of 2014 has affected financial markets by driving down the yields on European government bonds to record lows and, in turn, by strengthening stock markets. The German Stock Index (DAX), for instance, reached a record high, exceeding 10,000 points for the first time ever. Investors' risk appetite was, however, repeatedly dampened by geopolitical unrest.

Weak economic activity in the U.S.A. in the first quarter of 2014, which was attributable to unfavorable weather conditions, fueled market uncertainty and caused the U.S. Dow Jones Industrial Average index to slump by 6.6%. Later in the year, increasingly positive economic data and the Federal Reserve's determinedly expansive interest rate policy drove the index up to new all-time highs. At end-2014, it had gained 7.5%.

### U.S. dollar benefits from economic recovery and the expected end of expansionary monetary policy

In the foreign exchange markets, the U.S. dollar benefited from the economic recovery in the second half of the year. In addition, markets increasingly expected the Fed to tighten its interest rate policy sooner than the ECB by embarking on a rate hike cycle. The U.S. dollar picked up in particular against the euro and the Japanese yen, and so did the pound sterling. The Japanese yen clearly lost against the major trading currencies, which was mainly due to weak economic performance and the slump in private consumption after government had raised the value-added tax.

In mid-January 2015, the Swiss National Bank (SNB) unexpectedly announced that it would discontinue the minimum exchange rate of the Swiss franc to the euro, which it had introduced in 2011. It had become ever more dif-

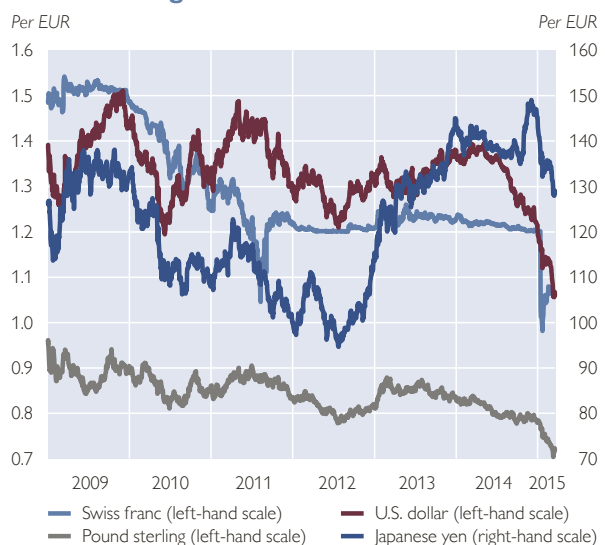
ficult for the SNB to uphold the exchange rate peg given the diverging monetary policies in the euro area and the U.S.A. and the renewed safe haven capital inflows to Switzerland. Following the announcement, the Swiss franc immediately appreciated by 15%. In the weeks that followed, this appreciation was reversed by no more than one-half.

Emerging markets suffered capital outflows in 2014 in light of the release of weaker economic data and the Fed's continued commitment to tapering its asset purchases. As a consequence, emerging market currencies, bond and stock prices proved highly volatile.

Crude oil prices declined sharply, falling by more than 50% (as measured in U.S. dollars) between mid-2014 and year-end to reach their lowest level since 2009. This slump in prices was caused by a combination of weak demand and increasing supply following stepped-up shale oil production in the U.S.A. and changes in OPEC supply policies. The currencies of oil-exporting countries like Norway or Russia proved highly sensitive to the rapid fall in oil prices and depreciated against the euro and the U.S. dollar. The gold price fell to a four-year

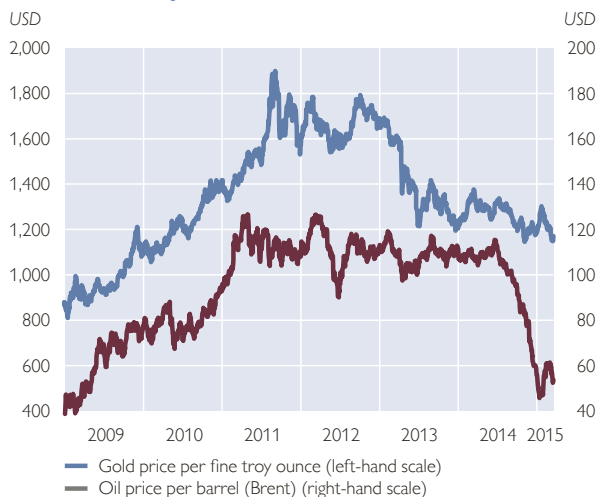
Chart 13

### Euro exchange rate



Source: Thomson Reuters.

Chart 14

**Gold and oil prices**

Source: Thomson Reuters.

low of USD 1,140 per fine troy ounce, inter alia as a consequence of a deteriorating inflation outlook.

**OeNB reserve management continued to face challenges in 2014**

In its investment policy, the OeNB took financial market developments into account early on in 2014 by cautiously expanding its foreign currency holdings. Security, liquidity and returns remain the major principles guiding the OeNB's investment activities. The OeNB's investment of reserves is governed by international best practice and is subject to a comprehensive risk management system. Moreover, it relies on the well-balanced allocation of foreign reserve assets that contributes to keeping returns stable. Within the framework of the ESCB and in close cooperation with the ECB and the other Euro-system central banks, the OeNB continues to ensure that banks have access to liquidity and thereby supports the stabilization of economic developments.

In the reporting year, Austria received more repayments of Special Drawing Rights (SDRs) allocated by the International Monetary Fund (IMF) than in previous years. The total net amount of SDRs repayable to Austria suggests that most regions have overcome the economic crisis. The value of SDRs has increased vis-à-vis the euro as the currencies contained in the SDR currency basket have appreciated.

### Five FAQs regarding the OeNB's gold holdings

#### What role does gold play for central banks?

Gold has traditionally played an important role in the international monetary system. Foreign reserve assets and gold holdings are key elements of a central bank's strategy for crisis prevention and management and have, indeed, repeatedly proved their ability to build confidence in difficult times. In its "Revised Guidelines for Foreign Exchange Reserve Management," the IMF explains that reserve assets may also include monetary gold.

#### What is the Central Bank Gold Agreement?

The Central Bank Gold Agreement, which was first concluded in 1999 and has been extended to 2019, reaffirms that gold remains an important asset in global monetary reserves. The central banks participating in the agreement have committed themselves to coordinate their gold transactions to avoid market disturbances and to be able to maintain market neutrality.

#### How much gold does the OeNB hold?

Austria's gold reserves, which are held by the OeNB, amount to 280 tons. This figure has remained unchanged since 2007. Austria's gold reserves are fully owned by the OeNB, which maintains and manages them with utmost care. The OeNB strives to minimize gold storage costs, while paying particular attention to keeping with its strategy on crisis prevention and management. Apart from maintaining physical gold holdings, central banks also carry out gold leasing transactions depending on the market situation. In a gold leasing transaction, book-entry gold is invested against the receipt of interest at maturity. Given the current market situation, the OeNB does not, at the present time, engage in gold leasing transactions.

According to the IMF, global public sector gold holdings amount to around 32,000 tons, with the United States owning the largest official gold reserves (8,134 tons), followed by Germany (3,389 tons) and the IMF (2,814 tons). Public sector gold holdings in the euro area currently total 10,794 tons.

#### Where does the OeNB store its gold holdings?

In line with the OeNB's current gold storage policy, 17% of its gold holdings are at present kept in Austria, 80% in the United Kingdom and 3% in Switzerland. The OeNB uses highly specialized and reliable storage sites, which not only meet the most stringent security standards but also keep the bulk of international gold holdings under lock and key and conduct a vast share of international transactions involving physical gold.

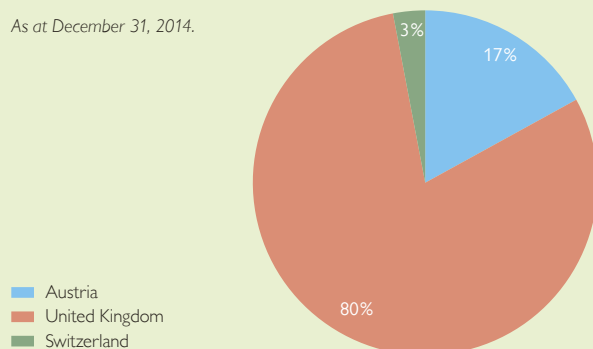
In May 2014, the OeNB, accompanied by representatives of the Austrian Court of Audit, conducted an on-site inspection of its gold reserves at a storage site in England during which no deficiencies were identified.

#### What does "Good Delivery" stand for?

"Good Delivery" is a quality standard that applies to all gold bars owned by the OeNB. It is a set of rules issued by the London Bullion Market Association (LBMA) that specify the weight and fineness of gold for the production of gold bars. As an international quality label, "Good Delivery" guarantees that gold bars comply with the fineness and weight standards as marked on their surface; it also guarantees their continued, uninterrupted storage in accepted storage sites. The "Good Delivery" status furthermore guarantees the worldwide acceptance and tradability of gold bars.

#### The OeNB's gold holdings by storage or delivery location

As at December 31, 2014.



Source: OeNB.



In cooperation with the ECB and the Austrian Financial Market Authority,  
we ensure the stability of banks and financial markets.

We welcome change and embrace forward thinking.

*From the OeNB's Mission Statement*

## New supervisory framework to maintain financial stability

### Austrian financial institutions faced with big challenges

In 2014, European banks continued to operate in an environment of weak economic growth, higher credit risk provisions and low interest rates, which drove down their profitability. The outlook for growth remains subject to downside risks both for the euro area and economies in Central, Eastern and Southeastern Europe (CESEE).<sup>1</sup> Geopolitical tensions surrounding Russia and Ukraine had repercussions above all on CESEE and therefore also on the activities of Austrian banks.

### Austrian banks' profitability affected by writedowns and difficult macrofinancial environment

The consolidated net profit of Austrian banks (including foreign subsidiaries) dropped by 57% year on year to stand at EUR 1.0 billion at the end of September 2014. This decline was driven primarily by higher risk provisions and writedowns, expenses in connection with the sale of foreign subsidiaries of Hypo Group Alpe-Adria as well as the effects of the low in-

terest rate environment. In 2013, Austrian banks had posted a net loss for the year, which had been attributable above all to a writedown of goodwill involving CESEE subsidiaries and losses associated with Hypo Group Alpe-Adria. The former mainly reflected low growth expectations and the weaker economic environment in CESEE.

### Profitability declines also in CESEE

Austrian banks' subsidiaries in CESEE continued to make an important positive contribution to the sector's consolidated net profit in 2014, but it was smaller than the year before. The smaller contribution was mostly due to increased risk provisioning in Romania, measures concerning foreign currency loans in Hungary and the deteriorating economic situation in Russia.

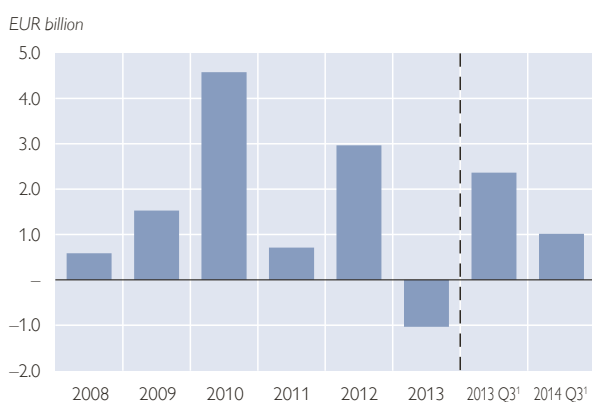
As a result, the net profit of Austrian banks' subsidiaries in CESEE (including one domestic bank's joint venture in Turkey) plummeted by 59% year on year to stand at EUR 0.9 billion in September 2014. Profit contributions from subsidiaries in the Czech Republic and Russia are still substantial, although profits posted in Russia went down 15% year on year (see box 7).

The outlook for CESEE for 2015 remains weak and is likely to add increasing pressure on loan quality and profitability. Comparatively sharp currency depreciations, such as the depreciation of the Russian ruble in late 2014, have limited the predictability of profitability figures and banks' capacity for internal capital generation. Furthermore, emerging economies (such as Turkey) in particular have been subject to the risk of capital outflows following an unexpected monetary normalization.

Overall, risks have been on the rise, given the relatively weak profitability of Austrian banks' domestic business and the heightened concentration of profits in only a small number of CESEE countries. The structural risks of the

Chart 15

### Consolidated net profit of Austrian banks



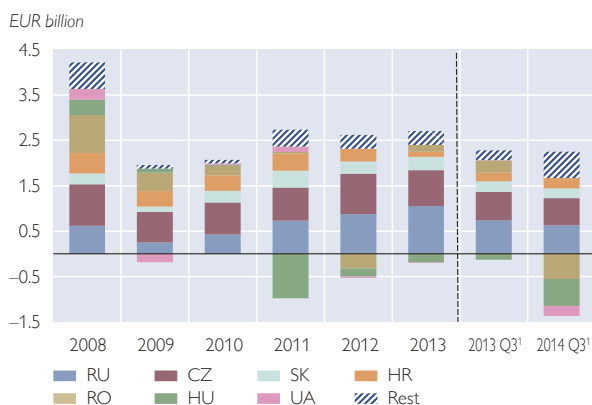
Source: OeNB.

<sup>1</sup> Data for the third quarter are not comparable with end-of-year data.

<sup>1</sup> In this section, the definition of CESEE also includes the countries of the Commonwealth of Independent States (CIS).

Chart 16

### Net profit of Austrian banks' subsidiaries in CESEE



Source: OeNB.

<sup>1</sup> Data for the third quarter are not comparable with end-of-year data.

Austrian banking system have remained high. Banks' exposures to CESEE apart, the Austrian banking system is still comparatively large and highly interlinked, with below-average capitalization levels compared to international peers.

### Capitalization of Austrian banks remains relatively weak despite some improvement

Austrian banks have continuously strengthened their capital positions in recent years. At end-September 2014, the sector's tier 1 ratio averaged 11.8%. This corresponds to an increase of more than 4 percentage points since the outbreak of the financial crisis in 2008. The common equity tier 1 (CET1, or core tier 1 capital) ratio also averaged 11.8% at the end of September 2014.

Box 9

### Hypo Group Alpe Adria AG and HETA Asset Resolution AG – major developments since 2014

The legal framework for the resolution of Hypo Alpe-Adria-Bank International AG (HBLnt) was adopted by the Austrian Council of Ministers on June 11, 2014, following the recommendations of the taskforce advising the government on how to handle Hypo Alpe Adria. This framework provided for splitting the bank's assets into core and noncore assets, with the intention of transferring the latter onto a wind-down agency, i.e. an entity without a banking license created for the purpose of selling off these assets while maximizing their sale value. This framework was implemented in the fall of 2014, by which time the necessary legal basis had been created. On October 30, 2014, the Austrian Financial Market Authority (FMA) issued the decision providing for the deregulation of HBLnt. As a deregulated unit, HBLnt is now called HETA Asset Resolution AG and no longer required to meet minimum regulatory capital requirements.

In parallel, the core banking assets intended for sale were removed from HBLnt and transferred to Hypo SEE-Holding, which has since been renamed Hypo Group Alpe Adria AG. This made Hypo Group Alpe Adria AG, which operates under an Austrian banking license, the new parent of the network of banking subsidiaries in Southeastern Europe (SEE) that HBLnt was required to sell by the end of 2015 under the restructuring plan approved by the European Commission. On December 23, 2014, HETA Asset Resolution AG reported to have signed a deal on the sale of the SEE network to a group of bidders consisting of a U.S. fund (Advent International) and the European Bank for Reconstruction and Development (EBRD). The sales transaction is scheduled to be closed by mid-2015.

On February 27, 2015, HETA informed the supervisory authorities as well as its owner, the Republic of Austria, that it was running the risk of insolvency according to preliminary results of the asset quality review. In his response, the finance minister declined to provide additional public funding (under the Financial Market Stability Act) to support ongoing capital and liquidity needs. Therefore, the FMA in its capacity as the Austrian resolution authority under the Bank Recovery and Resolution Act (BaSAG, i.e. the act transferring the new EU banking resolution regime into national law) issued a decision initiating the resolution of HETA.

During the preparation of the decision, the OeNB produced an expert opinion examining the effects that a potential default of HETA might have on the financial stability of Austria or other EU countries. In its opinion, the OeNB concluded that a default of HETA would have negative effects on the financial stability of the SEE countries and on the Austrian financial market. The decision published by the FMA on March 1, 2015, provides for a temporary moratorium on the liabilities of HETA against its creditors until May 31, 2016, in accordance with the BaSAG, to enable HETA to draw up a resolution plan which conforms with the aims of the new banking resolution regime.



Despite some improvement, the capital levels of Austrian banks continue to be below average compared with those of their international peers. This was also confirmed by the results of the comprehensive assessment of large European banks' balance sheets conducted by the ECB (see section "Substantial progress in establishing the banking union"). In view of the phasing in of more stringent capital requirements under Basel III and given their risk exposure to CESEE and the outstanding amount of foreign currency loans, Austrian banks will need to make further efforts to strengthen their risk-bearing capacity. This is all the more valid as capitalization stopped improving in 2014.

Austrian banks' exposure to geopolitically sensitive countries like Russia, Ukraine or Turkey, their overall strong focus on CESEE markets as well as outstanding Swiss franc-denominated loans in Austria and CESEE are the issues raised most frequently by investors and market participants. The entry into force of the Bank Recovery and Resolution Directive (BRRD), which allows a more extensive bail-in of creditors, in Austria in early 2015 puts pressure on banks' standalone ratings, i.e. the ratings that do not take into account implicit government guarantees.

#### **Low interest rate environment affects profitability of insurers and pension funds**

The ongoing low interest rate environment makes it a challenge for large investors that have sold products with guaranteed returns, like insurers or pension funds, to reinvest expiring assets without incurring higher risks. EU insurance companies are currently undertaking preparations for Solvency II, the sector's new capital framework, which will contribute to a further harmonization of the EU financial sector. Solvency II already provided the basis for the EU-wide stress test of the insurance sector that the European Insurance and Occupational Pensions Authority (EIOPA) conducted in fall 2014. The results reflected the sector's vulnerabilities in the low interest rate

environment and, especially for smaller companies, the need to step up the preparations for Solvency II.

#### **Payment systems – a major focus of supervision**

The smooth functioning of payment systems is a fundamental prerequisite for financial stability. Therefore, payment systems oversight is one of the key tasks of the OeNB. It covers a wide range of systems and services, from systems for settling large-value payments between banks to payments via mobile phone or electronic purse, which can be made without the use of a PIN.

In 2014, the OeNB's oversight activities included a comprehensive risk assessment given the first-time admission of a central counterparty in Austria. This assessment was based on the European Market Infrastructure Regulation (EMIR), which entered into force in 2012. Furthermore, in 2014 the OeNB contributed to recommendations on the security of Internet payments aimed at supporting consistent national supervisory practices in the EU.

Following an amendment of the Nationalbank Act, payment systems operators have been obliged since January 14, 2015, to notify the OeNB in writing about the start or suspension of the operation of a payment system and about its participants.

#### **Resolution versus insolvency**

Resolution differs from insolvency in that it is triggered at an earlier stage, i.e. when a bank is failing or likely to fail, and when resolution is in the public interest. A bank may be considered to be likely to fail if it must be expected, based on objective judgment, that the bank's debt becomes excessive or that the bank becomes unable to meet its payment obligations in the near future. In contrast, insolvency proceedings may only be initiated after banks have indeed failed to meet their payment obligations or once they have become unable to sustain their debt payments. While the purpose of insolvency proceedings is to meet as many claims of creditors as possible while respecting the principle of equal treatment, the rationale of resolution is to enable the bank to continue to provide critical functions, to avoid significant adverse consequences for financial stability, and to protect taxpayer money and depositor assets. Moreover, resolution requires that no creditor be left worse off than they would have been if the bank had been placed into insolvency proceedings.

### Key findings and recommendations of the IMF's Article IV consultations with Austria in fall 2014

The IMF visits member countries for bilateral Article IV consultations once a year. The latest Article IV consultations with Austria were concluded in September 2014. In the corresponding report, published in September 2014, the IMF found Austria to have come through the global economic and financial crisis relatively well. Given that the crisis had affected above all the banking sector and public debt, those were the two areas on which the IMF focused in its analysis.

In the IMF's view, Austrian banks will have to undertake further capital increases, as their capital positions remain below those of international peer banks. The IMF found the profitability of Austrian banks to be low (reflecting, among other things, the low level of interest rates), and it found asset quality to remain a challenge, above all for Austrian banks' subsidiaries in some CESEE countries. Asset quality and profitability could also be affected by a potential increase in geopolitical tensions surrounding Russia and Ukraine. In this context the IMF underlined the importance of risk-adequate provisioning. It also acknowledged action taken to improve the sustainability of the business models of Austrian banks' subsidiaries in CESEE, i.e. their higher reliance on local sources of funding, and recommended continued adherence to the set of macroprudential guidelines developed by the OeNB and the FMA ("Sustainability Package").

Despite recent reductions, Austria's public debt remains above the levels of other countries with a comparable rating. In this context, Austria was found to lack sufficient buffers to cope with intensifying aging cost pressures, potential further bank restructuring costs and risks from banks' CESEE exposure.

Moreover, the IMF recommended more ambitious structural public expenditure reforms in key areas such as pensions, health care, subsidies and fiscal federalism. Such reforms would generate savings that could be used for both accelerated debt reduction and lower labor taxation, including a reduction of social security contributions – measures that would increase labor supply and foster potential growth. Finally, the IMF called for measures to raise potential output growth by reforming the education system, facilitating access to financing and reducing administrative barriers for business start-ups.

### New macroprudential framework

The recent financial crisis has shown that supervision exclusively aimed at maintaining the

#### Implicit government guarantees

Austrian banks' ratings benefit from Austria's excellent sovereign creditworthiness. In their analyses, rating agencies take into account the financial strength of banks' home countries and factor in the likelihood of public support measures for banks that have run into difficulties. For this reason, the ratings of financial institutions are closely connected to the ratings of their home countries. A number of regulatory measures, for instance the Bank Recovery and Resolution Directive (BRRD), contribute to breaking the nexus between banks and sovereigns, thereby reducing the level of sovereign support in bank ratings.

solvency and stability of individual financial market participants (microprudential supervision) and monetary policy targeting price stability do not suffice to safeguard the stability of the financial system. The reasons for this are multiple and include

- the strong links between banks, which have increased the potential for contagion;
- the fact that the effects of banks' procyclical behavior on the stability of the financial system have been underestimated;
- the negative incentives arising from a "too big to fail" approach, implicit government

guarantees and the favorable tax treatment of debt capital.

### Establishment of the Austrian Financial Market Stability Board

Macroprudential supervision identifies and analyzes risks to the stability of the financial system in a forward-looking manner and thus closes the gap between microprudential supervision and monetary policy. To fulfill the macroprudential function in Austria, the Financial Market Stability Board (FMSB; in German: Finanzmarktstabilitätsgremium – FMSG) has been established (Articles 13 through 13b Financial Market Authority Act) as an additional pillar of the supervisory framework (Section V, Articles 22 through 24a Austrian Banking Act).

The FMSB is charged with strengthening cooperation in macroprudential supervision and promoting financial stability. It is composed of representatives of the Ministry of Fi-

Illustration 1



nance, the Fiscal Advisory Council (Fiskalrat), the Austrian Financial Market Authority (FMA) and the OeNB, with a finance ministry representative serving as the chair and the OeNB providing the secretariat. The FMSB is scheduled to hold four regular meetings per year; the inaugural meeting took place on September 8, 2014. In its second meeting in November 2014, the delegates discussed structural systemic risks in the banking sector. The use and calibration of systemic risk buffers and of the buffer for systemically important institutions with a view to addressing structural risks in the Austrian banking system were on the agenda of the third FMSB meeting. More detailed information can be found on the website of the FMSB.

plying with the Guiding Principles for foreign currency lending in CESEE issued by the OeNB and the FMA.

### Outstanding foreign currency loans on the decline in Austria and CESEE

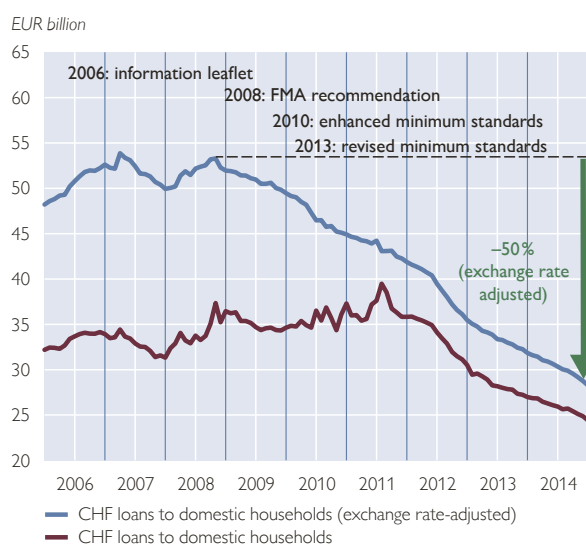
Continuing the trend of previous years, the amount of outstanding foreign currency loans in Austria went down further in 2014. Outstanding Swiss franc loans totaled close to EUR 30 billion in December 2014, with loans taken out by households accounting for EUR 24 billion thereof. Roughly three-quarters of these loans are due on maturity and linked with a repayment vehicle. Since the FMA recommendation of October 2008 to

### Macprudential measures implemented in Austria so far

For more than ten years, the FMA and the OeNB have pointed to the risks arising from foreign currency loans and loans with a repayment vehicle. As early as in 2003, the FMA published the first version of its Minimum Standards for Granting and Managing Foreign Currency Loans, which banks must comply with when extending loans in a foreign currency. In fall 2008, the FMA published a recommendation calling upon banks not to issue new foreign currency loans to households. The FMA Minimum Standards were extended in 2010 and reviewed in 2013 to take into account the relevant recommendations that the European Systemic Risk Board (ESRB) had published in the meantime. In addition, Austrian banks committed themselves in 2010 to com-

Chart 17

### Swiss franc-denominated loans to domestic households



Source: OeNB.

## **Five FAQs on macroprudential supervision in Austria**

### **Why do we need macroprudential supervision?**

Establishing a framework for macroprudential supervision was a key lesson learned from the financial crisis. Structural and cyclical systemic risks which may have serious consequences for the financial system and, subsequently, the real economy need to be identified as they are building up, and they need to be addressed with a specific set of instruments.

### **What are the objectives of macroprudential supervision, and how does it interact with microprudential supervision?**

Microprudential supervision monitors individual banks and reviews compliance with key qualitative (e.g. risk management) and quantitative criteria (e.g. regulatory capital ratios). Microprudential supervision focuses on creditor protection and on the soundness of individual banks. Macroprudential supervision, in contrast, focuses on maintaining the safety and soundness of the financial system as a whole, on reducing the likelihood of financial crises and their cost to society, and on sustaining economic growth.

### **What tools are in the macroprudential toolbox?**

Macroprudential supervision may require banks to build up and maintain different kinds of capital buffers (systemic risk buffer, countercyclical capital buffer, etc.). Subject to specific requirements, national supervisors may also exercise their national discretion to impose more stringent requirements than would apply under harmonized EU rules (e.g. higher regulatory capital and liquidity requirements, higher risk weights for individual risk positions, more stringent disclosure requirements). In the supervisory review and evaluation process, supervisors may impose capital measures and measures related to provisions, or restrict distributions.

The rationale of countercyclical capital buffers is to require banks to build up capital buffers in good times for use in bad times. Banks failing to meet their buffer requirement become subject to constraints on the distribution of their earnings and are required to submit a capital conservation plan. These tools apart, macroprudential supervision is working to raise awareness through communication initiatives.

### **Who is responsible for macroprudential supervision in Austria?**

The chief decision-making body for macroprudential supervision in Austria is the Financial Market Stability Board (FMSB), which may issue risk warnings and recommendations for action. FMSB members represent the Austrian Ministry of Finance, the Fiscal Advisory Council, the OeNB and the FMA, with a finance ministry representative serving as the chair. As the competent authority, the FMA will adopt macroprudential measures.

### **What is the role of the OeNB?**

The OeNB makes a significant contribution to macroprudential supervision in Austria by providing analyses on systemic risks and drafting reports, and by providing the secretariat for the FMSB. Moreover, it contributes to maintaining financial stability within its corresponding mandate (Articles 44b, 44c Nationalbank Act).

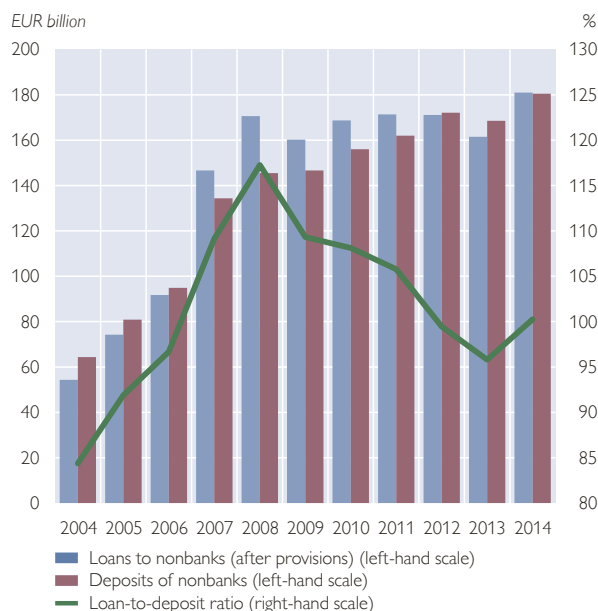
Austrian banks to stop granting foreign currency loans to households that do not have income in a matching currency, the amount of outstanding foreign currency loans has almost halved (adjusted for exchange rate effects). This decline notwithstanding, foreign currency loans continue to pose a risk to households and

to the stability of the Austrian financial system. After the Swiss central bank removed the cap on the EUR/CHF exchange rate on January 15, 2015, the Swiss franc appreciated notably; as a result, the amount of outstanding loans denominated in Swiss francs also increased sharply.

At mid-2014, Austrian banks' outstanding foreign currency loans in CESEE totaled around EUR 118 billion, EUR 79 billion of which had been issued indirectly, i.e. by Austrian banks' subsidiaries in CESEE, and another EUR 39 billion had been issued directly, i.e. by parent banks. The lion's share of these loans is denominated in euro (EUR 81 billion). The FMA's Minimum Standards and the Guiding Principles have encouraged Austrian banks' subsidiaries in CESEE to bring down the amount of outstanding foreign currency loans by EUR 9.5 billion or 11% since mid-2012. The outstanding amount of Swiss franc-denominated loans issued by Austrian banks in CESEE totaled EUR 13.7 billion in mid-2014; these loans are concentrated mainly in Hungary, Poland and Croatia. In these countries, the share of Swiss franc-denominated loans in total loans is generally high. Hungary and Croatia implemented measures to curb outstanding foreign currency loans in 2014 and 2015, respectively, which have negatively affected bank profitability. Austrian banks had extended Swiss franc-denominated loans mostly to households, whereas loans in U.S. dollars, which were outstanding above all in Russia and Turkey, had been granted predominantly to corporate customers.

Another macroprudential measure adopted by the Austrian supervisory authorities is the supervisory guidance to strengthen the sustainability of the business models of large internationally active Austrian banks ("Sustainability Package"), which was published in March 2012. Thanks to the Sustainability Package, Austrian banks' CESEE subsidiaries have achieved a significantly more balanced refinancing structure and reduced their dependency on liquidity transfers from their parent banks in Austria. The refinancing gap between local loans and deposits, which had reached its peak at EUR 27 billion in the first quarter of 2009, remained almost closed in September 2014, and intra-group liquidity transfers were cut to EUR 25 billion (compared to EUR 48 billion at their

Chart 18  
**Loan and deposit growth at Austrian banks' subsidiaries in CESEE**



Source: OeNB.

peak in the second quarter of 2011). These improvements were achieved mainly by an increase in local deposits.

### Numerous macroprudential measures at the European level

Since 2014, the new EU capital requirements (CRR/CRD IV)<sup>2</sup> have provided EU supervisors with a harmonized legal framework for macroprudential supervision. The new supervisory powers included in the framework take into account the systemic perspective on supervision, thereby complementing the traditional, solvency-oriented approach to the supervision of individual banks.

Across the EU, a number of Member States made use of the wide range of new macroprudential tools in 2014 to address risks to their financial systems.

They imposed above all additional capital buffers to address structural risks (systemic risk buffers) and to enhance the risk-bearing capac-

<sup>2</sup> Capital Requirements Regulation and Capital Requirements Directive IV.

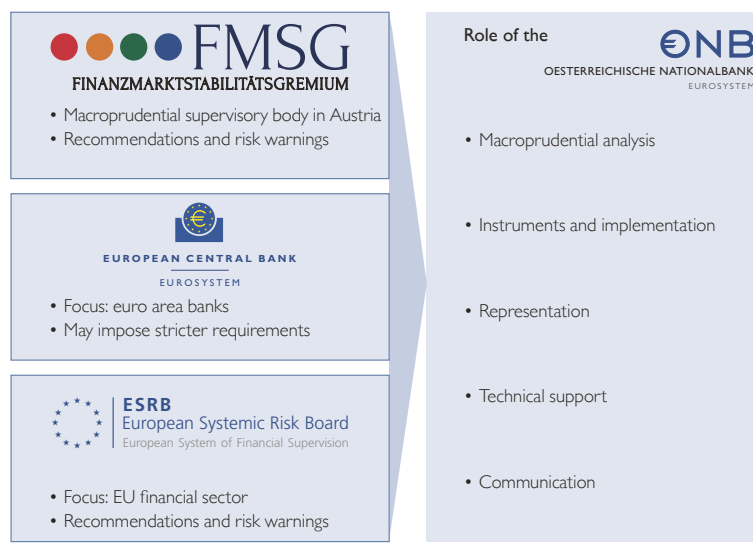
ity of the banking sector. A large part of EU Member States also took supervisory measures to address elevated risks in real estate financing. However, supervisory policies associated with risks in real estate markets are to some extent not based on harmonized EU law but on supplementary national legislation.

### Macprudential supervision and the Single Supervisory Mechanism

Under the EU regulation establishing the Single Supervisory Mechanism (SSM), the ECB was mandated with a range of specific responsibilities regarding the supervision of banks. The SSM became fully operational on November 4, 2014 (see section “Substantial progress in establishing the banking union”). These responsibilities do not only concern the supervision of individual banks (microprudential supervision), but also include macroprudential powers for the supervision of the banking sector as a whole. In principle, the national authorities of the Member States participating in the SSM remain in charge of macroprudential supervision at the national level. If deemed necessary, the ECB may, however, impose stricter supervisory measures on the basis of harmonized European banking law. For macroprudential supervision to be implemented effectively under the SSM, the ECB and the national authorities of the participating Member States have to comply with information and coordination requirements. The tasks and responsibilities that are not based on European law remain in the exclusive sphere of competence of the national supervisors.

Looking back on the first year of the new supervisory environment in Europe, it is evident that challenges will arise especially from the interplay of the tools in use. Also, experience has shown that coordination between supervisory authorities and the EU institutions as

### Macprudential supervision



well as communication with the general public are of utmost importance. The knowledge gained so far will feed into the preparations for a review of the legal framework for macroprudential supervision that the European Commission is set to conduct in 2015.

### Substantial progress in establishing the banking union Single Supervisory Mechanism fully operational

Since November 4, 2014, the ECB has been responsible for the supervision of banks in the euro area under the Single Supervisory Mechanism (SSM). Non-euro area EU Member States may participate in the SSM on a voluntary basis through close cooperation between the competent supervisory authorities. The SSM Regulation provides the legal basis of the SSM and is complemented by the SSM Framework Regulation, which sets out the practical arrangements of cooperation between the ECB and the national competent authorities.

Reflecting the decentralized organization of supervision under the SSM, the ECB and the national supervisory authorities have different tasks and responsibilities. The division of supervisory tasks depends on whether a supervised bank is deemed “significant” or “less sig-

nificant.” Significant institutions are under the direct supervision of the ECB. For these institutions, Joint Supervisory Teams (JSTs) have been formed, consisting of staff members of the ECB and the national supervisory authorities of those countries in which the bank is active. Each JST is headed by a coordinator, who is a staff member of the ECB. The JST coordinator is responsible for the implementation of supervisory tasks and activities. The size and composition of a JST depends on the type, complexity, size, business model and risk profile of the supervised bank.

Across the euro area, 123 banks<sup>3</sup> have been found to be significant so far. In terms of total assets, around 85% of the euro area banking sector are subject to direct supervision by the ECB. In Austria, eight banks<sup>4</sup> have been deemed significant. Including UniCredit Bank Austria, which is covered by the SSM through its Italian parent, more than 60% of Austrian banks’ assets are under direct supervision by the ECB.

To plan and execute the supervisory tasks conferred upon the ECB, the Supervisory Board was established as an internal ECB body. It takes draft supervisory decisions which it submits to the Governing Council of the ECB, the ultimate decision-making body of the ECB. These draft decisions are deemed adopted unless the Governing Council objects within a specified period.

Less significant banks continue to be under the direct supervision of the national supervisory authorities. In fulfilling this task, the national supervisors are not completely independent, as the ECB also oversees the system as a whole to ensure consistent and high-quality supervisory practice.

The FMA and the OeNB have retained important responsibilities under the new Euro-

pean supervisory regime. While the FMA continues to take supervisory decisions concerning – currently – 557 less significant banks, the OeNB remains in charge of all tasks in connection with the economic analysis of banks (“fact finding”).

### The comprehensive assessment – a health check for banks on an unprecedented scale

Before the ECB took over full responsibility for the supervision of banks in the euro area, the institutions deemed significant were subjected to a comprehensive assessment of their balance sheets. Cooperating with the national

competent authorities, the ECB carried out the comprehensive assessment between November 2013 and October 2014. The exercise consisted

#### Significant institutions and less significant institutions

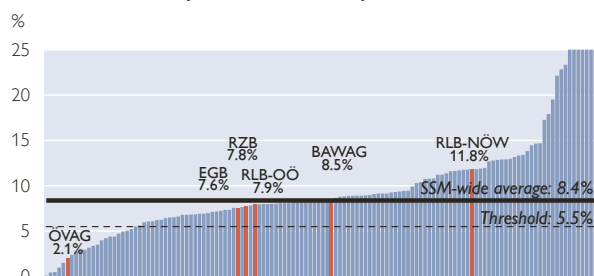
A bank is classified as a significant institution if it fulfills one of the following criteria:

- the total value of its assets exceeds EUR 30 billion;
- the ratio of its total assets to the participating country's GDP exceeds 20% and the value of its total assets exceeds EUR 5 billion;
- the bank has requested or received public funding from the European Financial Stability Facility (EFSF) or the European Stability Mechanism (ESM);
- the bank is one of the three largest banks established in a participating Member State, regardless of its absolute size;
- the total value of its assets exceeds EUR 5 billion and the ratio of its cross-border assets (liabilities) in more than one other participating Member State to its total assets (liabilities) is above 20%.

Chart 19

### Results of the comprehensive assessment of 130 SSM banks

#### CET1 ratio 2016 (adverse scenario)



Source: ECB, OeNB.

<sup>3</sup> With Lithuania joining the euro area on January 1, 2015, the number of significant institutions rose from 120 to 123.

<sup>4</sup> BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG, Erste Group Bank AG, Österreichische Volksbanken-AG, Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Raiffeisenlandesbank Oberösterreich AG, Raiffeisen Zentralbank Österreich AG, Sberbank Europe AG, VTB Bank (Austria) AG.

## Five FAQs on the Single Supervisory Mechanism (SSM)

### Why do we need the Single Supervisory Mechanism?

The goal of the SSM is to secure the safety and soundness of euro area banks, to contribute to the stability of the financial system in the EU and to develop common European supervisory standards and practices.

### What are the tasks and competences of the ECB within the SSM?

The tasks of the ECB include securing compliance with regulatory requirements (with regard to capital, leverage, liquidity and large exposures) as well as with due diligence requirements and risk management procedures for banks that are deemed significant. Its competences do not extend to resolution powers. When it comes to special supervisory powers (granting and withdrawing authorizations, assessing the acquisition of qualifying holdings), the ECB has the sole responsibility for both significant and less significant banks. In its supervisory capacity, the ECB may moreover exercise (direct) investigation powers over less significant banks (information requests, general examinations, on-site supervision).

### How does banking supervision work?

The banking union is based on harmonized EU rules for banks<sup>1</sup> (“Single Rulebook”). Moreover, the ECB provides the underlying supervisory framework by issuing regulations, guidelines, recommendations and instructions, and it is ultimately accountable for the effectiveness and consistency of the SSM. Within the SSM, the division of labor is such that significant banks are monitored by the ECB and less significant banks by the national supervisory authorities.

### What roles do the OeNB and the FMA play in the SSM?

Given the decentralized design of the SSM, the FMA and the OeNB continue to play a significant role in supervision. The operational part of (off-site and on-site) supervision has essentially remained with the national supervisory authorities also under the SSM. In Austria, the FMA remains the authority in charge of taking supervisory decisions concerning less significant banks, whereas this role has been transferred to the ECB for significant banks.

### What has changed for banks and their clients?

The SSM ensures consistency in supervision. Consistency in supervision is beneficial above all to small countries with substantial cross-border banking activities, such as Austria. Moreover, the new system has been set up to strengthen confidence in the financial sector and to ensure the sustained flow of credit to the economy.

<sup>1</sup> For instance, the Capital Requirements Regulation and Directive (CRR/CRD IV), the Bank Recovery and Resolution Directive (BRRD), and the regulation implementing the Single Resolution Mechanism (SRM-R).

of an asset quality review (AQR) based on balance sheet data as at December 31, 2013, and a stress test covering the period from 2014 to 2016. The results of the comprehensive assessment were published at the end of October 2014. They revealed a capital shortfall of EUR 25 billion across 25 banks in the euro area. Five of the six participating Austrian banks<sup>5</sup> passed the

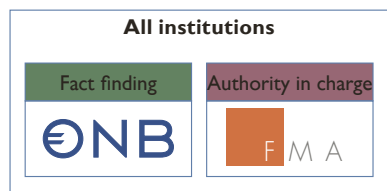
“health check,” holding sufficient capital buffers even under the adverse scenario (see chart 19). For ÖVAG (Österreichische Volksbanken-AG), which is known to be in the midst of a fundamental restructuring process, the stress test confirmed the analyses of the national supervisor, showing a capital shortfall of EUR 865 million for 2016 (not taking into account re-

<sup>5</sup> BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG, Erste Group Bank AG, Österreichische Volksbanken-AG, Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Raiffeisenlandesbank Oberösterreich AG, Raiffeisen Zentralbank Österreich AG. Bank Austria participated through its parent UniCredit Group.



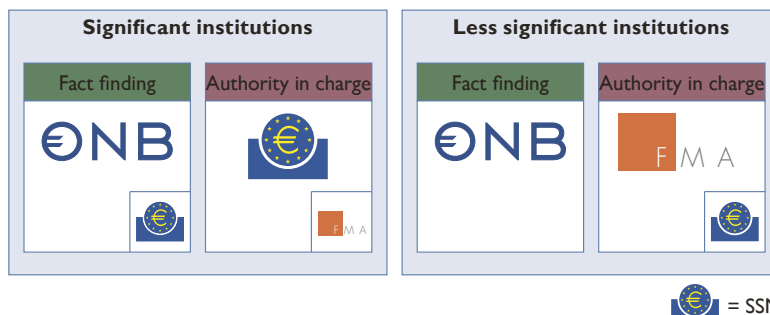
### Simplified illustration of banking supervision in Austria before and after the establishment of the SSM

#### Operational supervision before the SSM



Since November 4, 2014

#### Operational supervision under the SSM



structuring measures that are currently being implemented).

The objective of the comprehensive assessment was to make transparent banks' risks with a view to strengthening market participants' confidence in the banking system. Capital shortfalls that were identified in the AQR or under the baseline scenario or the adverse scenario in the stress test must be covered within six or nine months after publication.

#### Single Resolution Mechanism and harmonized deposit guarantee scheme starting to take shape

Complementing the SSM, the Single Resolution Mechanism (SRM) provides for a centralized European body responsible for decisions concerning bank resolution issues. The SRM comprises only Member States that participate in the SSM. It was established with a view to harmonizing resolution and recovery processes and making them more efficient. Under the

Box 13

#### Bank Recovery and Resolution Directive (BRRD) transferred into national law

Austria implemented the BRRD by adopting the Bank Recovery and Resolution Act, thereby creating a national legal framework for dealing with banks that are failing or likely to fail. This act, which has been effective since January 1, 2015, provides regulations for three areas and stages of supervisory involvement:

- (1) It prescribes the production of recovery plans<sup>1</sup> by banks and the production of resolution plans by the resolution authorities, empowering the latter to remove obstacles to resolution (prevention).
- (2) It enables supervisory authorities to intervene at an early stage, giving them additional powers to intervene (early intervention).
- (3) It provides for the establishment of a national resolution authority with adequate powers and tools (resolution). The new resolution authority is housed within the FMA. Under Austria's dual supervisory regime, the OeNB and the FMA cooperate closely also in this area. The OeNB created a separate organizational unit to deal with resolution issues. The resolution authority is entrusted with far-reaching powers and resolution tools, including, in particular, the bail-in of a bank's shareholders and creditors, which has been a binding resolution tool since January 1, 2015. The bail-in tool may not be applied, however, to deposits protected under deposit guarantee schemes, collateralized claims and liabilities to employees of the failing bank. Additional resolution instruments or powers include the right to sell the bank under resolution, the right to transfer its assets to a bridge institution (which must have a banking license), and the right to transfer its assets to a bad bank or wind-down agency.

<sup>1</sup> Already before the adoption of the Bank Recovery and Resolution Act, the obligation to produce recovery plans and resolution plans as well as the FMA's power of early intervention had been incorporated into the Austrian Banking Intervention and Restructuring Act and the Austrian Banking Act. The relevant provisions of the latter two acts were adapted to the BRRD and integrated into the Bank Recovery and Resolution Act.

new framework, excessively indebted banks can be resolved, enabling them to exit the market in a timely way without jeopardizing the stability of the financial system. Furthermore,

#### **Bridge institution**

Under the BRRD, a bridge institution may be established to continue the operation of crucial functions of a bank when the bank meets the conditions for resolution. Shares as well as viable assets may be transferred to the bridge institution, while nonviable assets will be wound up under insolvency proceedings. In the medium term, the bridge institution should be put up for sale, otherwise it may also be wound up under insolvency proceedings. A bridge institution is a legal person fully or partially owned by one or several public entities (in Austria, for instance, the central government, the FIMBAG (the stock corporation for financial investments of the Federal Republic of Austria) or the resolution authority). It is controlled exclusively by the resolution authority.

the SRM ensures that decisions on bank resolution are coordinated among all participating Member States. This mechanism is much more efficient than individual action by independent national authorities, in particular if a cross-border bank fails or is likely to fail.

Under the SRM, the Single Resolution Board (SRB) will be in charge of resolving failing banks, drawing on funds of the Single Resolution Fund (SRF). The SRB

became operational on January 1, 2015, starting work on the preparations for resolution planning, collecting information and cooperating with the national resolution authorities. From January 1, 2016, the SRB will be able to take measures concerning the resolution of banks. The SRB is composed of a chair, four further full-time members and one member appointed by each participating Member State, representing the national resolution authorities. The European Commission and the ECB have observer status. Other observers may be

invited if the need arises. The SRF is financed by contributions from the banking sector, with the level of individual contributions depending on a bank's size and risk profile. The SRF will be built up over an eight-year period starting on January 1, 2016. By 2024, the SRF volume is scheduled to have reached EUR 55 billion. This corresponds to at least 1% of the amount of covered deposits of all banks.

The Bank Recovery and Resolution Directive (BRRD) establishes common rules for the resolution of banks across the EU. It prescribes preventive measures such as the requirement for banks to produce recovery plans in which they explain what measures they would take if their financial situation were to deteriorate. Only if prevention and early intervention by the supervisory authority remain ineffective, a bank will be placed into resolution.

In spring 2014, the Directive on Deposit Guarantee Schemes was adopted, facilitating the harmonization of national deposit guarantee schemes across the EU. Member States must transpose the directive into national law by July 2015. It ensures the protection of savings deposits in all EU countries up to a harmonized coverage level of EUR 100,000 per depositor and bank. A further improvement the directive brought about is that banks will be required to contribute to deposit guarantee schemes on a regular basis (*ex ante*) and not – like previously – after bank failures (*ex post*). The deadline for depositors to get their money back will be reduced from 20 to 7 working days.





As a central economic policymaking institution, we seek to provide economic and financial expertise and guide policymakers with high-quality, reliable statistics.

*From the OeNB's Mission Statement*

## Enhancing statistics in line with European standards

### Impact of the transition to the ESA 2010 on the financial accounts for Austria

Over the past few years, the increasing integration of the global economy and, in particular, the recent economic and financial crisis have created new and complex challenges for public suppliers of statistics like the OeNB. New data, more detailed breakdowns, and the need to deliver data at ever shorter notice make the compilation and interpretation of financial statistics an increasingly dynamic business. Moreover, 2014 saw the transition to new versions of two fundamental international statistics standards – the European System of Accounts (ESA) 2010 and the sixth edition of the IMF’s Balance of Payments and International Investment Position Manual (BPM6). Also, there were substantial enhancements to monetary, payment systems and supervisory statistics in 2014.

The transition to the ESA 2010 had far-reaching implications for the presentation of financial assets and liabilities in the financial accounts. Holding companies and private foundations have been reclassified to the financial sector from “nonfinancial corporations” and “nonprofit institutions serving households,” respectively. Also, the reclassification of publicly controlled entities resulted in a decrease in the financial wealth and liabilities of corporations and of other financial institutions. In addition, pension entitlements reflecting commitments made by companies, banks and insurance companies and accrued in corporate-funded schemes are now shown under “additional financial assets of households.”

### Impact of the transition to the BPM6 on the Austrian balance of payments statistics

The OeNB has published the Austrian balance of payments statistics in line with the IMF’s BPM6 since June 2014. These new international standards in particular reflect the real economic conditions of globalized production processes. Classifying outsourced production processes to

“services” makes the balance of payments a qualitatively better basis for calculating international value chains. Furthermore, the new standards reduce statistical asymmetries by adapting the presentation of the current account and the external account in the system of national accounts. For Austria, the OeNB expects that, given the increase in GDP, the application of the new standards implies an ex post reduction of both the current account balance as a percentage of GDP and of the export ratio.

### New systems process multidimensional data

In October 2014, the OeNB for the first time processed multidimensional statistical data – in the form of payment statistics data cubes – in its new reporting data processing system and then made them available in its newly developed data warehouse. This was also the pilot project for the technical implementation of the much more comprehensive securities, credit and deposit statistics data cubes (dubbed “smart cubes”), which is scheduled for 2015. Furthermore, the payment systems statistics data cube is a practical model for the multiple use of one data source, as it serves payment systems oversight as well as monetary and external statistics.

### Successful operation and extension of CoCAS

The Common Credit Assessment System (CoCAS), developed jointly by the Deutsche Bundesbank and the OeNB, continued to be successfully operated and extensively used in 2014. In fulfilling their monetary policy implementation function, central banks use CoCAS under their in-house credit assessment systems to gauge the creditworthiness of nonfinancial corporations. According to the contractual arrangements underlying CoCAS, the Deutsche Bundesbank and the OeNB are equal partners, with the former being responsible for system operation and the latter being in charge of

model development. So far, the central banks of Spain, Belgium and (since March 2015) Portugal have become CoCAS users, which ensures that the related costs incurred by the OeNB are fully covered. CoCAS contributes to the further harmonization of the analytical environment in the Eurosystem. Both for reasons of cost effectiveness and from a strategic perspective, CoCAS is of key importance to the OeNB.

### **Basel III, ITS, SSM – new environment requires adjustment of analyses, standard breakdowns and secondary statistics**

The coming into effect of Basel III and the adoption of the Implementing Technical Standards (ITS) based on Basel III made it necessary to adjust all associated analyses, breakdowns and secondary statistics. Furthermore, the OeNB prepared new content for the supervisory function, extended the compilation of ECB consolidated bank data and reported to the ECB under the standardized Europe-wide Common Solvency Ratio Reporting (COREP) and the Financial Reporting (FINREP) frameworks. New statistical data were also added to reports to the BIS.

In 2014, the OeNB contributed to the enhancement of international reporting requirements by participating in a number of European working groups, which successfully improved the data used by international organizations. In addition to extending the FINREP framework, progress has been made in the Analytical Credit

Dataset (AnaCredit) initiative, which aims to develop a harmonized database for granular credit data within the Eurosystem, and in creating a common European Reporting Framework (ERF).

### **Innovations in monetary statistics**

In early 2015, the OeNB implemented the amendments to the ECB's regulations and guidelines concerning a wide range of statistics (monetary statistics, interest rate statistics, statistics on financial vehicle corporations, money market fund statistics and investment fund statistics). The amendments had become necessary following the transition to the ESA 2010 and because of new requirements issued by the ECB. The ECB monetary statistics now include not only a detailed breakdown by sector but also data on outstanding amounts within groups and detailed data about loan securitizations and other loan transfers.

In June 2014, the ECB announced that it would conduct a series of targeted longer-term refinancing operations (TLTROs) with a maturity of up to four years (see section "Further monetary accommodation") for banks that meet certain benchmarks related to their lending to the real economy. Participating banks are required to provide relevant quarterly reports until the end of the refinancing program in 2018. The participating banks' balance sheet data are used to calculate individual borrowing limits and are also compared with available monetary statistical data.





We and our subsidiaries provide secure cash and smoothly functioning payment services.

From the OeNB's Mission Statement



## Issuance of new Europa series of euro banknotes and progress in preparations for TARGET2-Securities

### OeNB serves as a cash supply hub in Europe

Cash continues to play a major role in Austria. In line with its legal mandate and in cooperation with its subsidiaries in charge of cash logistics and banknote printing – GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA) and the Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS) – the OeNB provides the Austrian population and economy with secure banknotes and coins.

Aside from playing a key role in Austria's cash cycle, the OeNB is also an important partner for many central banks in Central, Eastern and Southeastern Europe (CESEE), where the euro is widely used as a means of payment and store of value.

### The second series of euro banknotes

The issuance of the second series of euro banknotes, the Europa series, which began in 2013, continued in ascending order with the introduction of the new EUR 10 banknote on September 23, 2014. Benefiting from continuous progress in banknote security and technology, the new series of euro banknotes contributes essentially to ensuring even better protection against counterfeiting. Moreover, the special coating of the new EUR 5 and EUR 10 banknotes ensures longer durability. This means

the new banknotes need not be replaced as often as those of the first series and this, in turn, reduces both costs and the environmental impact.

In view of the introduction of the second series of euro banknotes, the OeNB stepped up its training and information activities and offered manufacturers of banknote handling machines, cash-in-transit companies and its partners in the banking and retail sectors the opportunity to test their systems. The general public has been extensively informed through various communication channels, including, importantly, the Internet.

### The circulation of banknotes and coins

By end-2014, the total value of euro banknotes in circulation had reached around EUR 1,016.5 billion, up 6.3% against end-2013. While cash continues to be the most popular means of payment in the euro area, this rise also reflects the euro's growing importance as an international reserve currency.

With a common currency, it is not possible to precisely determine country-specific cash circulation figures. The OeNB estimates that, based on the initial supply of euro cash, growth rates of cash withdrawals at cash machines and annual volumes of banks' cash withdrawals from the OeNB, the value of euro cash circulating in Austria comes to EUR 27 billion to EUR 30 billion.

Box 14

#### The new EUR 20 banknote

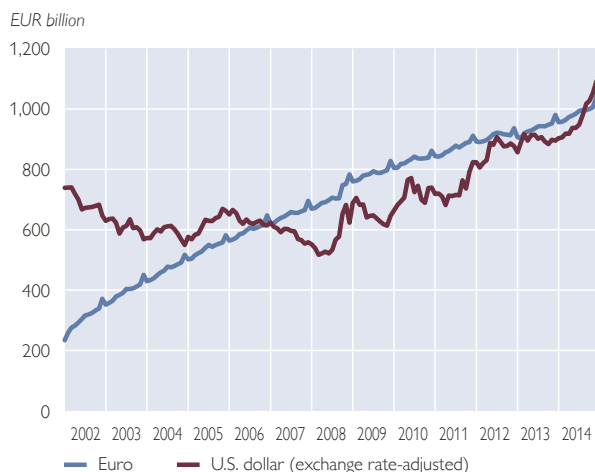
The new EUR 20 banknote featuring modern design elements and improved security features was presented to the public on February 24, 2015, and will be released on November 25, 2015, as the third banknote of the second euro banknote series, the Europa series.

The second series of euro banknotes represents an evolution from the first series. The design continues the "ages and styles" theme and maintains the dominant colors of the first series. Minor changes have been necessary, however, to integrate the improved security features. The authenticity of banknotes of the Europa series can easily be checked by applying the FEEL – LOOK – TILT test, which also served to check banknotes of the first series.



Chart 20

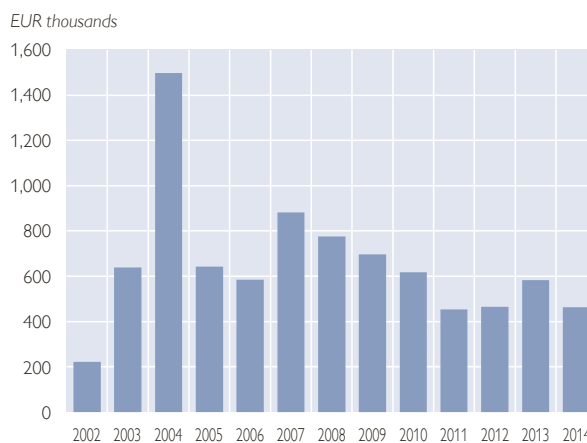
### Euro and U.S. dollar cash in circulation



Source: OeNB.

Chart 21

### Economic damage caused by euro counterfeits in Austria



Source: OeNB.

#### OeNB holds key position in cash supply

In 2014, the OeNB put a total of 1.59 billion banknotes into circulation; 1.62 billion banknotes were returned to the OeNB. This means that the OeNB managed 4.3% of total banknote withdrawals and 4.5% of total banknote lodgments across the Eurosystem. In Austria, a euro banknote is tested for authenticity and fitness on average three times a year by the OeNB or the GSA. Euro banknotes are only recirculated if they meet the strict quality standards established by the Eurosystem. The high quality of banknotes in circulation makes it easier for the population to test them for authenticity.

#### Number of euro counterfeits recovered in Austria remains low

In 2014, a total of 8,461 counterfeit euro banknotes were recovered from circulation in Austria. This corresponds to a share of 1% in the total quantity of counterfeit euro banknotes recovered in the euro area, which means that Austria ranks among the countries with the least incidences of counterfeiting. Mostly, counterfeiters targeted the EUR 50 and EUR 20 banknotes, which together accounted for 74% of all euro counterfeits recovered in Austria in 2014. While the number of counterfeit EUR 50

and EUR 20 banknotes went up, that of counterfeit EUR 100 banknotes went down, which means that the overall damage caused by counterfeits in Austria (around EUR 460,000) decreased by 20.5% against 2013.

#### Preparation for second series of euro banknotes involves numerous equipment tests

In the reporting year, the OeNB Test Center continued to perform free tests in line with ECB guidelines of banknote authentication devices and banknote counting and sorting machines as well as of related innovations in banknote authentication sensor technology. In 2014, the OeNB Test Center tested and approved a total of 134 devices in cooperation with 17 international manufacturers and carried out numerous equipment tests in preparation for the EUR 10 and EUR 20 banknotes of the second euro banknote series. The test results are published both on the OeNB and on the ECB websites.

#### Efficient and secure payment systems for the Austrian financial market

The Eurosystem and the OeNB operate powerful, secure and efficient interbank payment

systems for the Austrian financial market. TARGET2, the Eurosystem's payment system, provides real-time gross settlement services for national and cross-border large-value transactions in euro. The OeNB's Home Accounting Module Austria (HOAM.AT) enables holders of accounts with the OeNB to manage liquidity transfers, cash payments and standing facilities (deposit and marginal lending facilities) and to monitor compliance with minimum reserve requirements. For the Austrian financial market, around 2.9 million payment orders totaling around EUR 23,700 billion were settled via TARGET2 and HOAM.AT in 2014. Among the major developments in 2014 was the implementation of negative interest rates.

To settle national and cross-border interbank retail payments, market participants may use the clearing services provided by the OeNB and the GSA. In 2014, 547 million national interbank payments (totaling EUR 650 billion) and 37.8 million cross-border interbank payments (totaling EUR 86 billion) were processed via these clearing services. These figures confirm the success of these clearing services since the beginning of operations.

### Further progress in payments market integration

The implementation of the Single Euro Payments Area (SEPA) reached a major milestone in 2014. Since August 1, 2014, a single format has been used for settling credit transfers and direct debits in euro in 34 European countries. Over the next few years, the Eurosystem will explore further issues that contribute to rendering the payments market more integrated, innovative and competitive.

### New board to develop payments market strategies

In the beginning of 2014, the Euro Retail Payments Board (ERPb) was established to cooperate in developing the necessary visions and strategies for further payments market integration. Chaired by the ECB, the ERPb provides a platform for both supply and demand-side stakeholders in the payments market, including i.a. consumer representatives, retailers and enterprises as well as banks, payment and elec-

#### Negative interest rates

When interest rates are negative, the nominal value of current account deposits decreases at every maturity date. Since June 11, 2014, a negative deposit facility rate has applied to the euro-denominated current accounts of banks subject to minimum reserve requirements; and since November 1, 2014, a negative deposit facility rate has applied to the euro-denominated current accounts of banks that are not subject to minimum reserve requirements as well as to euro accounts of foreign institutions. Moreover, a negative deposit facility rate has applied since June 11, 2014, retroactively, to euro-denominated government current account deposits if they exceed a cumulative threshold value.

Box 15

### TARGET2-Securities: Next major Eurosystem project at the ready

*In June 2015, the Eurosystem will start operating TARGET2-Securities (TS2), a new infrastructure for the efficient, secure and harmonized settlement of securities transactions in Europe. The preparations for T2S are coordinated by the Eurosystem in close cooperation with 24 central securities depositories (CSDs) from 21 EU Member States. Migration to T2S will take place in four waves, starting in June 2015 and ending in February 2017. On September 12, 2016, the Oesterreichische Kontrollbank (OeKB), which serves as CSD in Austria, will migrate to T2S; from then on, the OeKB will settle securities transactions in euro exclusively in T2S. To meet market participants' requirements, the OeNB will provide the necessary cash accounts in T2S as of March 2016.*

*After the Deutsche Bundesbank, the Banco de España, the Banque de France and the Banca d'Italia had made T2S available for Eurosystem Acceptance Testing in spring 2014 and following the successful completion of these tests, the test phase was expanded to include CSDs and other central banks in October 2014. The OeNB successfully connected to T2S and started the first tests on the new platform in 2014. In parallel, progress was made in the harmonization of securities settlement in Europe, with a focus on harmonizing the settlement of corporate actions.*

*Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories, which entered into force in September 2014, for the first time lays down EU-wide rules regulating the supervision and activities of CSDs.*

tronic money institutions. Moreover, the representatives of five euro area central banks and the central bank of one Member State that has not yet adopted the euro participate on a rotating basis. The European Commission has been granted observer status. The work schedule for 2014 to 2016 comprises issues concerning the post-SEPA migration period (e.g. migration of niche products) as well as the electronic mandate for the SEPA direct debit scheme, instant payments and payment card standardization. Payment system innovations such as mobile, Internet or contactless payments will also be discussed.

### New payment systems regulations

To accommodate the speed of innovation in payment system technology and the steady increase of electronic payments (in particular card, Internet and mobile payments), the applicable legal framework had to be revised. To this end, the European Commission published a Payment Services Directive II (PSD II) proposal and a proposal for a regulation

**Elements of strong customer authentication**

- Ownership: something that only the user possesses (e.g. chipTAN device);
- knowledge: something that only the user knows (e.g. password, PIN);
- inherence: something the user is, i.e. a biometric characteristic (e.g. retina, fingerprint).

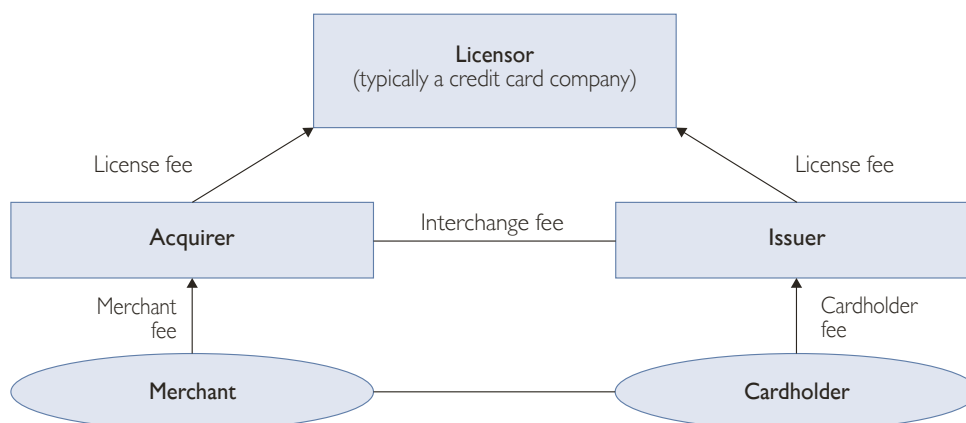
on interchange fees for card-based payment transactions.

### Negotiations on the legislative package for payment systems enter final round

The European Commission proposed that the PSD II should also cover the providers of new innovative payment services (e.g. Internet and mobile payments) and provide for their appropriate supervision and regulation. The services to be covered by the PSD II also include so-called payment initiation services and account information services. An important security aspect of Internet payments is the issue of unique and verifiable authentication, i.e. the question of how to ensure that it is a rightful user that initiates the payment. User authentication prevents unauthorized payments by third parties. The PSD II provides for the introduction of strong customer authentication. This means that carrying out a transaction requires the use of at least two elements in the categories “ownership,” “knowledge” and “inherence.” The PSD II proposal was negotiated intensively in 2014; the final version of the PSD II has not been adopted yet by the European Parliament and the EU Council. The legislative process is expected to be completed in mid-2015.

The second legislative initiative, the proposed multilateral interchange fee (MIF) regulation, concerns the capping of multilateral interbank fees applicable to card-based payment transactions. MIFs are fees paid between the banks involved in card-based payments – i.e. the merchant’s bank (acquirer) and the cus-

Illustration 4



tomer's bank (issuer); MIFs are determined by the credit card companies. In the end, it is the merchants or customers that pay the MIF-related costs via the price of a product. This means that MIFs potentially distort competition. The regulation therefore provides for in-

roducing caps for MIFs incurred in debit and credit card transactions. The regulation was adopted by the European Parliament in March 2015 and will now have to be formally adopted by the EU Council, a process that is likely to be completed before the summer of 2015.

## The OeNB's direct equity interests

### Supporting the OeNB in fulfilling its tasks

The following companies, in which the OeNB holds direct equity interests, support the OeNB in fulfilling its core tasks in cash production, cash provision and cashless payments: Münze Österreich Aktiengesellschaft (MÜNZE), the Oesterreichische Banknoten und Sicherheitsdruck GmbH (OeBS) and GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA). MÜNZE is in charge of minting, distributing and withdrawing divisional and negotiable coins; moreover, it produces and sells items made of precious and other metals. The banknote and security printer OeBS primarily produces banknotes, using state-of-the-art technologies and quality management to ensure the smooth fulfillment of orders. The cash logistics company GSA is responsible for the provision and coordination of cash processing services, for the distribution of banknotes and coins as well as their withdrawal from circulation, and for the processing of cashless payment transaction data. In addition, the GSA operates Clearing Service.Austria (CS.A) and Clearing Service.International (CS.I), which have been established to increase the safety and efficiency of the clearing of domestic and cross-border interbank retail payment transactions.

In 2014, MÜNZE supplied the OeNB with 493.0 million euro coins with a total face value of EUR 73.5 million. Within the Eurosystem, the OeBS produces the share of annual euro banknote production volumes assigned to Austria on the basis of its share in the ECB's capital key. In 2014, Austria's share in banknote production amounted to 85.0 million EUR 500 banknotes and 110.1 million EUR 20 banknotes

of the new Europa series. The GSA processed 1.61 billion banknotes and 2.20 billion coins in 2014.

The real estate group IG Immobilien as well as the premises management group BLM Betriebs-Liegenschafts-Management GmbH serve to optimally manage the OeNB's real estate holdings, including the real estate component of the OeNB's pension reserve assets. The two groups are, inter alia, responsible for preserving and raising the value of OeNB real estate holdings and for optimizing current earnings on the individual properties.

Quality, cost effectiveness and security continue to be the main guiding principles of the OeNB's subsidiaries in performing their tasks. Table 9 (p. 78) provides a list of the OeNB's direct and indirect equity interests.

### Highlights and challenges of the 2014 business year

In 2014, MÜNZE celebrated the 25<sup>th</sup> anniversary of its foundation as a subsidiary of the OeNB in 1989; the first of a long and impressive series of Vienna Philharmonic gold bullion coins was also minted in that year. As a consequence of the amendment to the Coinage Act that entered into force on July 1, 2014, MÜNZE will post a one-off rise in annual profits in the reporting year owing to transfers from provisions and reserves. This will raise MÜNZE's dividend payable to the OeNB. It must be pointed out in this context, however, that MÜNZE's risks have not decreased.

At the end of 2014, five BLM properties that had been put up for sale in an international tender procedure were sold to two Austrian long-term investors.

The OeNB –  
a sustainable enterprise



Our staff and their skills and commitment are our biggest asset.  
We are an equal opportunity employer, value diversity,  
and assist our employees in combining a career with family life.

*From the OeNB's Mission Statement*



## The OeNB enhances its intellectual capital and workflows

### The OeNB – a knowledge-based enterprise with an optimum business strategy

To further optimize its business area portfolio and performance processes, the OeNB launched a streamlining review project (OPAL) on June 1, 2014. The main focus of the OPAL project is the sustainable reduction of expenses. Moreover, it also serves to pool ideas on how to redefine the OeNB as a modern central bank that is best equipped to meet future challenges.

As an interim result and as a starting point for further optimization, the OeNB introduced a new organizational structure with effect from March 1, 2015. The new structure is based on a series of changes that will make it possible to realize efficiency gains and synergy effects in the future. One department, responsible for internal services and planning, was dissolved; the respective business areas have been allocated to other departments. In other departments, some func-

tions were shifted to other business areas, and some organizational units, such as equity interest management, were merged with other units. Further adjustments to the OeNB's organizational structure are to be implemented by end-2018.

In the reporting year, the OPAL optimization project served as a catalyst for innovation, channeling ideas for improvement within the OeNB, which is why the number of individual staff suggestions submitted via the standard process visibly declined in 2014.

### The OeNB's flexible human resources strategy

The number of staff members decreased slightly in 2014. Moreover, demographic developments led to shifts among the various age categories. Still, the average employee age (42.8 years) remained stable against the previous year. In the coming years, however, we expect this figure to

Box 16

#### Sustainable reform at the OeNB

*Over the past few years, the OeNB has evolved into a modern and sustainability-driven enterprise that has continuously implemented necessary internal reform. Thanks to efficient cost and process management, lean organizational structures, a focus on core tasks and regular adjustments to employees' Conditions of Service and pension rights, the OeNB has undergone a fundamental transformation as an enterprise. The recent past saw the completion or preparation of far-reaching reform measures, first and foremost:*

- *New conditions of employment for new hires took effect in July 2011. As these conditions reflect competitive industry standards, the OeNB will continue to be an attractive employer.*
- *The Act to Limit Specific Pension Benefits has been fully implemented as from January 1, 2015. For staff members employed under the first two generations of the OeNB's Conditions of Service (i.e. employees who joined the OeNB up to and including April 30, 1998) this implies a rise in the retirement entitlement age, significantly higher pension contributions while in active employment, the introduction of an averaging period for calculating pension benefits, significantly higher pension contribution rates for retired staff members, and annual pension benefit adjustments in line with the provisions of the General Social Security Act.*
- *The OPAL streamlining review launched in 2014 is the first review ever undertaken by the OeNB that involves all business areas. It is aimed at identifying substantial cost saving potential and conducted with the support of an external consulting company.*
- *Staff benefits and amenities are being critically evaluated and adjusted.*

*This reform trend, which started in the early 1990s, has brought about many changes in the past 25 years. Further reform measures implemented since 2009 include:*

- *sale of OeNB-owned hotels*
- *abolishment of accelerated incremental progression and upgrades to higher salary bands*
- *economy class only for business travel within Europe*
- *shutdown of the OeNB's branch offices in Salzburg and Klagenfurt*
- *sale of OeNB-owned housing*
- *creation of a Compliance Office*

rise because of the Act to Limit Specific Pension Benefits (Sonderpensionenbegrenzungs-gesetz) adopted by parliament in the summer of 2014. This act provides for an increase in the retirement eligibility age of staff members currently employed at the OeNB under the first two generations of its Conditions of Service.

**University program in financial market supervision**

This program was launched in 2011 in cooperation with the WU Executive Academy (Vienna University of Economics and Business) to provide academic training in supervisory basics.

On November 4, 2014, the Single Supervisory Mechanism (SSM) became fully operational. To prepare national central banks' staff for the challenges arising from European banking supervision, the ESCB launched a comprehensive training and mobility initiative – a fact that is reflected in the OeNB's mobility indicators: Both the number of in-house and external job rotations markedly rose in 2014.

Also, the year 2014 saw a new intake into the university program in financial market supervision, with 15 OeNB participants. However, the share of staff members having attended at least one training event per year declined to slightly below 58% in 2014. Though the fluctuation rate (persons having terminated their employment relationship with the OeNB relative to total staff) rose markedly in 2014, it remains at a very low level (1.7%). The long-term commitment of OeNB staff ensures that investment in training activities benefits the OeNB as a whole and that the acquired knowledge is put to sustainable use in the OeNB's task fulfillment.

In 2014, many staff members again made use of the OeNB's broad offer of flexible working arrangements, e.g. by opting for part-time employment, participation in the teleworking scheme or the opportunity to take a sabbatical. With these flexible models the OeNB has reacted to the ever-changing demands of modern professional life within an expert organization,

Table 2

**Indicators of investment in knowledge-based capital**

Indicator	Unit	2012	2013	2014
<b>Staff structure</b>				
Full-time equivalent staff (year-end)	number	1,071.7	1,089.1	1,084.0
aged up to 30 years	%	12.9	12.8	11.3
aged 31 to 40 years	%	24.2	24.4	27.6
aged 41 years or older	%	62.9	62.8	61.1
Fluctuation rate	%	0.7	0.9	1.7
Share of university graduates in total staff	%	51.9	54.1	56.4
<b>Gender management</b>				
Share of women in total staff	%	40	39	39
Share of women in the specialist career track	%	38	35	38
Share of women in management positions	%	22	25	26
<b>Flexible working arrangements</b>				
Part-time employees	%	10.5	11.2	11.6
Staff in teleworking scheme	%	5.4	6.3	7.6
Staff on sabbatical	number	8	4	6
<b>Mobility</b>				
In-house job rotations	number	41	39	46
Working visits to national and international organizations (external job rotations)	number	49	42	48
Working visits at the OeNB (incoming)	number	5	5	3
Interns	number	47	54	56
<b>Knowledge acquisition</b>				
Education and training days per employee (annual average)	days	4.6	3.8	3.7
Education and training participation rate (share of employees having attended at least one training event per year)	%	56.9	61.6	57.6

Source: OeNB.

Note: See the list of indicators available under [www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html](http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html) for definitions of these indicators.

at the same time ensuring a sound work-life balance. 2014 also saw adjustments to the OeNB's specialist career track and incentive structure.

The OeNB has long been committed to ensuring equal opportunities for women and men. A new statutory obligation, effective from January 1, 2014, is the requirement to comply with the Austrian Federal Equal Treatment Act (Bundes-Gleichbehandlungsgesetz). Against this background the OeNB has appointed four equal opportunities officers to serve as contacts for staff members seeking support or advice; these officers are also entrusted with developing measures for the fulfillment of the new legal requirements. In 2014, the OeNB drew up an action plan for promoting gender equality to address the underrepresentation of women.

### Compliance rules strengthen and protect the OeNB and its staff

In 2014, the OeNB for the first time conducted a compliance risk assessment exercise, with the main objective of identifying legal risks that might cause the OeNB to be held accountable under criminal law subject to the Austrian Corporate Accountability Act (Verbandsverantwortlichkeitsgesetz).

In line with its Mission Statement and its role as a socially responsible enterprise, the OeNB supports scientific projects, in par-

ticular in the areas of economics, as well as cultural and humanitarian aid projects. In 2013, the guidelines on donations and sponsoring were clarified and formal criteria were tightened so as to ensure the objective selection of projects to be subsidized, the standardized handling of grant requests and effective monitoring.

In the coming year, the new ESCB-wide ethics framework will require some changes to the OeNB's compliance framework. Moreover, the OeNB will draw up its first report under the Federal Public Corporate Governance Code (Bundes Public Corporate Governance Kodex) in 2015 (for the year 2014).

### OeNB optimizes operational risk monitoring

In the course of relaunching its operational risk management, internally referred to as "ORION," the OeNB implemented a new methodology for its operational risk monitoring in 2014. The new approach is consistent with the methodology applied across the ESCB. Following the relaunch of ORION, a leaner risk management process than in the past will make operational risks more transparent for the OeNB's management, enabling it to achieve an optimum cost/benefit ratio in steering the OeNB subject to the identified risks.

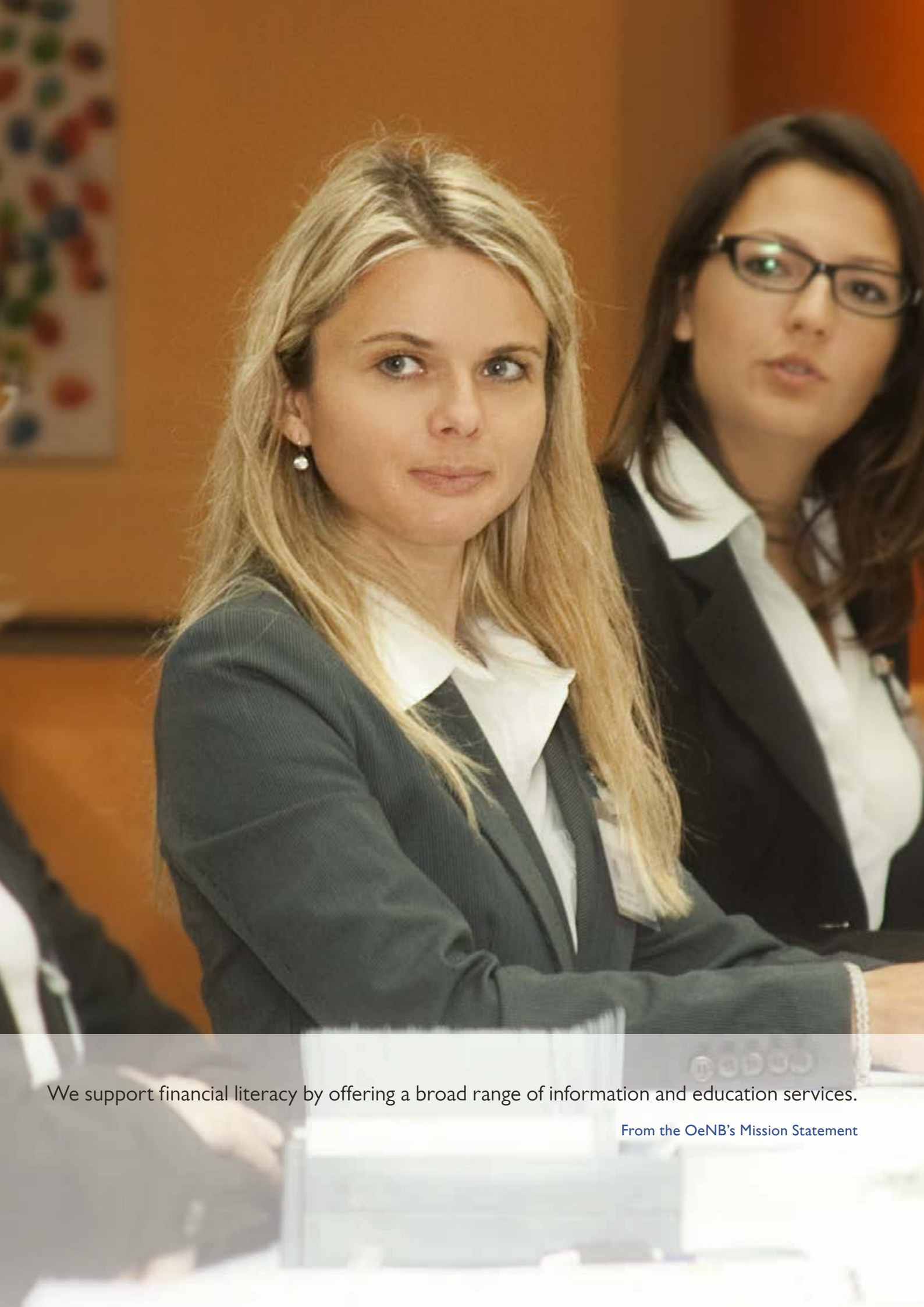
Table 3

#### Indicators of knowledge-based processes

Indicator	Unit	2012	2013	2014
<b>Management and process efficiency</b>				
Staff-to-manager ratio	persons	7.3	7.2	6.8
Certified areas	number	8	8	10
Entries in the OeNB's terminology database	number	21,043	21,260	21,545
Degree of automation in the procurement process	%	43	43	31
Error-free payment transactions	%	99.9	99.97	99.96
<b>Technical infrastructure</b>				
IT services for the ESCB/Eurosystem	number	4	4	4
Major IT projects	number	5	7	6
<b>Innovations</b>				
Staff suggestions for improvements	number	52	60	26
Mobile devices (excluding mobile phones)	number	679	776	800

Source: OeNB.

Note: See the list of indicators available under [www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html](http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html) for definitions of these indicators.



We support financial literacy by offering a broad range of information and education services.

From the OeNB's Mission Statement

## Keeping the public informed – PR work at the OeNB

### OeNB further expands financial literacy product portfolio

For many years, the OeNB has provided a broad range of products and services designed to promote financial literacy and economic understanding among the Austrian population: teaching materials, seminars for teachers, competitions, traveling exhibitions, workshops held at the OeNB's Money Museum, online tools (*Inflationscockpit*, *Finanzcockpit*) and information disseminated directly on site, especially by sending the Euro Bus on tour. To complement these efforts, the OeNB launched the so-called "Euro Logo Tour" in 2014. In the course of this initiative, the OeNB visits schools and organizes one-day workshops for 13- to 14-year-olds, who are given the opportunity to learn about the OeNB's core areas of expertise – price stability, payment transactions and cash – in their classrooms. After a pilot phase in Vienna and Lower Austria, this tour will be expanded to cover all of Austria in the school year 2015/16.

In addition to its permanent exhibition on Austria's monetary history, the OeNB's Money Museum showed a special exhibition under the heading "Shining Silver and Glittering Gold" in 2014. Since mid-February 2015, an exhibition about "Cowrie Shells, Gold and Digital Money – Types of Money" has been on display.

In 2014, the OeNB became a full member of the OECD's International Network on Financial Education. In the fall of the reporting year, the OeNB carried out the OECD's survey of household financial literacy in Austria. The results of this survey will be used for cross-country comparisons and for developing new financial literacy training initiatives.

### Targeted publication portfolio

With its broad range of publications – leaflets, periodicals, ad hoc publications, special issues – the OeNB informs the general public about the decisions and steps the Eurosystem takes to ensure price and financial market stability. The OeNB's publications thus serve as a medium for

bringing the Eurosystem's single monetary policy closer to the Austrian public and businesses. The scope, language and frequency of the individual products is closely aligned with the needs of their respective target groups (general public, media representatives, education sector, expert audience).

In its periodicals in the areas of economics, financial market policy and statistics, the OeNB regularly presents data and developments relating to the Austrian and global economy and financial markets, and reports on its tasks, activities and projects in its various business areas. Prominent examples include Facts on Austria and Its Banks and the OeNB's Sustainability Report. Monetary and economic policy-relevant studies and analyses, some of which have a regional focus such as Austria or Central, Eastern and Southeastern Europe (CESEE), are published in research publication series (e.g. Monetary Policy & the Economy, Financial Stability Report, Focus on European Economic Integration, Working Papers). The OeNB's publications are available on its website under [www.oenb.at](http://www.oenb.at). They are grouped according to subject and can be downloaded free of charge.

### Numerous conferences and presentations

Each year, the OeNB organizes around 200 events that serve as national and international platforms for an exchange of views on monetary and economic policy. These occasions are also used to strengthen and intensify the dialogue with the relevant institutions and partners in all business areas. The largest audiences (several hundred participants each) are reached with the annual Economics Conference in spring and the annual Conference on European Economic Integration (CEEI) in fall. Moreover, the OeNB regularly hosts *jour fixe* meetings, seminars and workshops catering to domestic and international participants. Some 700 presentations in front of external audiences additionally underline the fact that the expertise offered by OeNB staff is in high demand.

### Communicative challenges – intensified PR measures

The OeNB's communication and information activities in 2014 strongly focused on banking supervision issues: implementation of the Single Supervisory Mechanism (SSM), strengthening macroprudential supervision, as well as issues concerning individual banks, in particular Hypo Alpe Adria. But also the introduction of the new EUR 10 banknote of the second euro banknote series and the Single Euro Payments Area (SEPA) were central topics next to economic developments and monetary policy measures.

In its public relations work, the OeNB relies on tried and tested off- and online communication channels to disseminate information. The new OeNB website was very well received, recording an average of some 10,000 visits per day in the first year after its relaunch. Quarterly media tracking and analysis shows that the

OeNB is strongly represented in the media thanks to the technical analyses and expert opinions it provides. The results of the regularly conducted OeNB Barometer survey on public opinion on the OeNB and the euro document that confidence in the OeNB remains strong and its image sound. Against the background of a persistently difficult operating environment, this can be seen as a direct result of the OeNB's successful, well-targeted communication activities.

### OeNB strongly contributes at the international level

The OeNB is represented in 278 international forums and committees. In 2014, the work of most central economic policy bodies at European level focused on how to address and prevent crises, on the deepening of economic union and on the successful establishment of

Table 4

#### Indicators of knowledge-based output

Indicator	Unit	2012	2013	2014
<b>Cooperation and networks</b>				
National bodies with OeNB representatives	number	81	83	78
European and other international bodies with OeNB representatives (e.g. the ESCB)	number	261	244	278
Technical assistance activities with CESEE/CIS	days	373	569	565
Course participants at the Joint Vienna Institute (JVI)	number	1,947	2,145	2,286
OeNB-hosted national and international events	days	260	255	194
Lectures delivered by OeNB staff to external audiences	number	736	771	665
OeNB-financed scholarships	number	45	45	45
<b>Communication and information</b>				
Queries to OeNB hotlines	number	31,863	27,235	25,212
Research cooperation projects with external partners	number	79	74	56
Visitors to the Money Museum	number	18,730	18,733	16,059
Cash training course participants (including Euro Shop Tour)	number	11,368	17,342	14,192
Children and teachers reached through school activities	number	21,233	19,179	20,182
Contacts during the Euro Info Tour	number	32,513	41,956	36,103
Press conferences	number	16	14	14
Press releases	number	173	192	187
<b>Publications</b>				
Articles published by OeNB staff	number	178	125	117
of which: refereed papers	number	63	47	40
<b>Confidence and image</b>				
Confidence index in the second half of the year	%	58.0	57.0	57.0
OeNB image index in the second half of the year (values between 5.5 and 10.0 signal a positive image)	value	6.5	6.6	6.8

Source: OeNB.

Note: See the list of indicators available under [www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html](http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Intellectual-Capital-Report.html) for definitions of these indicators.

the European banking union. In this context, the OeNB's new teleconference system has made it possible to save both time and money.

### **JVI program reflects current economic (policy) issues**

In 2014, the Joint Vienna Institute (JVI) hosted a total of 117 course weeks, catering to the training needs of 2,286 participants. As one of the key sponsors of the JVI the OeNB organized eight seminars that focused on financial market stability, European integration, statistics, cash and payment processing, as well as financial literacy. The OeNB offered two new courses in 2014: "Integration in Europe: European Union and Eurasian Economic Union" and "Financial Education" – both of which were very well received. Since its foundation in 1992, the JVI has hosted 35,263 course participants, primarily from the CESEE region and CIS countries. The JVI's positive image

strengthens Vienna's reputation as an ideal location for international organizations and as a central information hub for CESEE.

### **OeNB supports Western Balkan countries in their accession efforts**

Since 2007, the OeNB has participated in technical assistance programs coordinated by the ECB and financed by the EU in the framework of the Instrument for Pre-accession Assistance (IPA). In 2014, the OeNB supported the Bank of Albania, the Central Bank of the Republic of Kosovo and the Central Bank of Montenegro in their capacity- and institution-building efforts, side by side with other central banks of the Eurosystem.

#### **Joint Vienna Institute (JVI)**

The JVI is a Vienna-based training center that provides courses for central bank and public sector officials from countries in Central, Eastern and Southeastern Europe (CESEE) and the Commonwealth of Independent States (CIS). Like the Austrian Ministry of Finance and the IMF, the OeNB is one of the main sponsors of the JVI, providing funding as well as organizing and holding courses.



Our social responsibility is also reflected in our support for science and research, humanitarian concerns, art, culture and environmental protection.

[From the OeNB's Mission Statement](#)



## The OeNB promotes research, science, art and culture

### Facilitating excellence in research and academic studies

The OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching has funded high-quality scientific projects in the disciplines economics, medicine (clinical research), social sciences and the humanities since 1966. In 2014, the Anniversary Fund provided a total of EUR 9.36 million to support 100 scientific projects with the intention of strengthening and securing Austria's position as a research location. Moreover, the OeNB provided EUR 17.7 million of funding to the National Foundation for Research, Technology and Development (FTE-Nationalstiftung).

By funding awards and grants such as the Klaus Liebscher Award, the Olga Radzyner Award, the Franz Weninger Award, the Heinz Kienzl Award and the Dr. Maria Schaumayer Grant, the OeNB also contributes to promoting young economic researchers in various areas of specialization. The Carl Menger Prize, which is co-sponsored by the Deutsche Bundesbank, the OeNB and the Swiss National Bank, was awarded for the first time in 2014. Furthermore, the OeNB's Visiting Research Program gives young researchers the opportunity to conduct their research directly at the OeNB. The OeNB also provides grants to students of business administration and commercial schools throughout Austria.

### Committed to Austria's cultural heritage

The OeNB's collection of historical string instruments numbers 38 instruments crafted by preeminent Italian luthiers, among them Antonio Stradivari and Guarneri del Gesù. The instruments are on loan to Austrian musicians, who in turn raise Austria's reputation as a land of music.

The OeNB supports contemporary music by awarding a Composition Prize jointly with the Austrian public broadcasting station Ö1. Students of composition at the five Austrian music universities located in Vienna, Linz, Salzburg and Graz are eligible for the prize. In 2014, the OeNB awarded prize money in the amount of EUR 10,000 to the winner, and commissioned him with writing a chamber music piece, which will be presented in 2015 in a concert performed with instruments from the OeNB's collection.

The OeNB has established two art collections, the first focusing on Austrian painting of the interwar period and the second on post-1945 Austrian sculptures and paintings. The OeNB's cultural activities help keep Austrian art in the country and thus help preserve this heritage for Austria and for future generations. Museums in Austria and other countries are highly interested in exhibiting works of the OeNB's collection.

# The OeNB dedicates itself to environmental protection

## Independent certification confirms the OeNB's commitment to the environment<sup>1</sup>

Since the OeNB introduced an environmental management system in line with the European Community Eco-Management and Audit Scheme (EMAS) in 1999, it has received numerous certificates and awards that underline its commitment to corporate social responsibility

### District cooling

This concept relies on cooling energy produced by putting cogenerated heat from power plants and waste incinerators through absorption chillers to cool down water. This chilled water is then piped to the customer in the same way as with district heating. Not only does this cooling method use sustainable and green energy, it also reduces electricity consumption as a whole.

(e.g. Austrian Ecolabel for environmentally compatible print products in 2010, Austrian EMAS environmental management award in 2012). The OeNB also cooperates with other forums in the area of environmental protection,

among them B.A.U.M. Österreich – Austrian Network for Sustainable Leadership, whose 25<sup>th</sup> anniversary was celebrated on the OeNB's premises on October 30, 2014.

## OeNB receives EU Ecolabel

On November 28, 2014, the Austrian Federal Minister of Agriculture, Forestry, Environment and Water Management for the first time awarded the EU Ecolabel to the OeNB (for its print production), confirming the application of green production materials and processes, the careful

### EU Ecolabel

This environmental label is awarded for high-quality products and services with a reduced ecological impact and high durability. The criteria based on which the EU Ecolabel is bestowed are developed by a group of experts and stakeholders from all EU Member States. The competent body in Austria is the Federal Ministry of Agriculture, Forestry, Environment and Water Management

use of resources and consistent waste minimization.

## Green energy management: district cooling and ISO 50001 certification

In the spring of 2014, the OeNB's energy management was audited for the first time and certified to the ISO 50001 standard. The reporting year also saw the operational implementation of district cooling at the OeNB, an innovative alternative for cooling server rooms and offices that will bring lasting cost reductions. On January 1, 2015, the OeNB switched electricity provider; it continues to exclusively procure certified green electricity from renewable resources (wind, sunlight, biomass, hydroelectricity). Thanks to the OeNB's exemplary energy management, it has been included as an EMAS and energy model company in a leaflet published by the Federal Ministry of Agriculture, Forestry, Environment and Water Management to mark 20 years of EMAS.

## Ecological indicators for the OeNB

Compared to previous years, the OeNB reduced its energy and water consumption in 2014 thanks to the new district cooling concept and targeted energy saving measures. This not only saves money but also represents an important contribution to climate protection.

The OeNB staff's need for business travel mainly arises from participation in international forums and committees, involvement in on-site bank inspections as well as public speaking engagements. While the bulk of business travel is by airplane, the OeNB's environmental protection team strives to raise the share of green mobility – also with regard to how staff members get to work – e.g. by providing incentives to opt for train rides. Further incentives and initiatives to increase the share of green mobility include an in-house charging station for electric bicycles as well as a Citybike bicycle rental station near the OeNB's headquarters and an annual in-house information campaign during the European Mobility Week.

<sup>1</sup> Environmental Statement in line with EMAS Regulation (EC) No 1221/2009.

Table 5

**The OeNB's ecological indicators**

	Site	2012	2013	2014	Unit	Benchmark <sup>1</sup>		
						+	~	-
<b>Energy</b>								
Electricity consumption per employee	head office	7.30	7.50	6.08	MWh	< 4.5	6	> 8
Heat consumption	head office	67	63	55	kWh per m <sup>2</sup>	< 110	130	> 150
Total energy consumption <sup>2</sup> of which renewable energy <sup>3</sup>	head office	10,985	10,527	9,028	MWh			
	head office	6,416	6,282	5,348	MWh			
<b>Water</b>								
Water consumption per employee <sup>3</sup>	head office	111	122	88	liters per day	< 60	100	> 120
<b>Consumption of materials and products</b>								
Total paper consumption per employee <sup>4</sup>	all sites	91	95	78	kg	< 100	200	> 500
Consumption of printing/photocopying paper per employee	all sites	6,113	7,969	7,066	sheets	< 8,000	10,000	> 12,000
Share of recycled photocopying paper	all sites	85	85	85	%	> 30%	20%	< 10%
Consumption of cleaning agents <sup>5</sup>	head office	15	24	18	g per m <sup>2</sup>	not available		
Total CO <sub>2</sub> emissions per employee <sup>6</sup>	all sites	1.27	1.22	1.46	tons	< 2.8	4	> 4.5

Source: OeNB.

<sup>1</sup> Source: Association of Environmental Management in Banks, Savings Banks and Insurance Companies, guideline of the Austrian Society for Environment and Technology (ÖGUT).

<sup>2</sup> Including diesel for the emergency generator (2012: 6,500 liters; 2013: 5,200 liters; 2014: 5,700 liters).

<sup>3</sup> The OeNB has used certified green electricity since 2010. The reduction of electricity and water consumption is the result of optimized processes and the use of district cooling from 2014.

<sup>4</sup> Paper consumption is based on procurement numbers and therefore includes stocks. Total consumption in 2014: 84,278 kg.

<sup>5</sup> Total consumption in 2014: 1,211 kg. The higher value observed in 2013 was caused by office relocations at the head office.

<sup>6</sup> Operation of facilities and business travel; total in 2014: 1,579 tons. Basis for calculation: CO<sub>2</sub> conversion factors according to the Environment Agency Austria (2013). Including energy consumption, business travel, vehicle fleet and the emergency generator. The calculations for 2014 are based on updated CO<sub>2</sub> equivalents; the values for the previous years are unchanged.

Note: EMAS requires the provision of data on biodiversity. Use of land expressed in m<sup>2</sup> of built-up area has no material impact on biodiversity in the case of the OeNB and is therefore not provided. Greenhouse gases and air pollutants such as CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and SO<sub>2</sub>, NO<sub>x</sub> and fine dust are either not emitted or amounts are negligible.

**EMAS and GRI validation**

This Sustainability Report (including the Annual Report and the Environmental Statement) published by the Oesterreichische Nationalbank has been validated in accordance with the EMAS Regulation by Quality Austria Trainings, Zertifizierungs und Begutachtungs GmbH, located at Zelinkagasse 10/3, 1010 Vienna, Austria, AT-V-0004, an independent certification, evaluation and validation organization.



The Lead Verifier herewith confirms that the OeNB's environmental policy, its environmental program and environmental management system, its environmental review and environmental audit procedures as well as the present Sustainability Report conform to Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 (EMAS Regulation) and validates the relevant information for the Environmental Statement in accordance with Annex IV point B (a) to (h).

Moreover, Quality Austria confirms that this report has been drafted in accordance with the G3.1 Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative (GRI), that the data and information disclosed for 2014 correspond to the documentation examined on-site and that the information provided in the GRI content index (which is available at www.oenb.at) are correct, so that Quality Austria can confirm the self-assessment at a reporting level of B.

Vienna, March 2015

*Konrad Scheiber*

Konrad Scheiber  
Managing Director, Quality Austria

*Martin Nohava*

Martin Nohava  
Lead Verifier

*Martina Göd*

Martina Göd  
Verifier

The next update of the Environmental Statement is due to be published as part of the OeNB's next Sustainability Report in May 2016.

Table 6

**OeNB transport mileage**

	2012	2013	2014
Business travel by airplane, km	2,977,737	2,541,935	2,638,889
Business travel by car, km	663,143	677,846	520,260
Business travel by train, km	175,800	175,200	168,000
Fuels for transports, liters	42,278	36,500	35,829

Source: OeNB.

**Environmental performance and program**

The OeNB's environmental protection efforts are summarized in its environmental program. In its procurement, for instance, the OeNB increasingly considers ecological aspects, such as environmentally friendly production, health issues, product durability and ease of maintenance, plastic minimization, use of domestic wood and green certification of suppliers.

Table 7

**Waste generation by the OeNB, 2012–2014**

Waste code number	2012	2013	2014
	kg		
<b>Nonhazardous materials</b>	<b>121,016</b>	<b>114,178</b>	<b>95,410</b>
Commercial waste <sup>1</sup>	91101 111,840	97,280	83,960
Electronic scrap	35202 3,756	3,333	1,694
Large electrical appliances	35221 0	25	176
Bulky waste	91401 5,420	11,020	6,420
Treated wood waste	17201 0	2,520	3,160
Nonhazardous waste per employee	113	105	88
<b>Hazardous materials</b>	<b>18,622</b>	<b>10,818</b>	<b>43,319</b>
Waste paint and varnish containing solvents	55502, 59405 14	163	52
Cooling apparatuses	35205 183	289	90
Unsorted batteries, lithium-ion batteries	35338, 35337 422	543	241
Lead accumulators <sup>2</sup>	35322 14,082	2,215	38,264
Oil separator contents <sup>3</sup>	54702 3,700	3,006	3,660
Fluorescent tubes, PCB-free capacitors	35210, 35339, 35209 36	998	3
Laboratory waste	59305 60	0	52
Monitors, waste from electrical and electronic equipment	35212, 35201, 35220 95	1,621	914
Cleaning agent waste	59405 0	43	0
Gases in pressure containers (fire extinguishers), aerosol cans	59802, 59803 0	1,910	13
Wastes from pharmaceuticals	53510 30	30	30
Hazardous waste per employee	17	10	40
<b>Recyclables<sup>4</sup></b>	<b>117,688</b>	<b>128,514</b>	<b>185,705</b>
Colored glass <sup>5</sup>	31469 3,660	1,810	1,810
Clear glass	31468 3,660	1,810	1,810
Metal/cans	35315 2,840	2,840	2,840
Biodegradable waste <sup>5</sup>	91701 12,890	12,890	12,890
Plastic packaging material	57118 5,800	5,800	5,800
Scrap metal <sup>6</sup>	35103, 35105 7,498	13,132	63,880
Waste paper	18718 81,340	85,960	86,570
Coated paper and cardboard	18702 0	4,272	10,105
<b>Total</b>	<b>257,326</b>	<b>253,510</b>	<b>324,434</b>

Source: OeNB.

<sup>1</sup> The reduction of commercial waste was attributable to consistent waste separation and reuse of recyclable materials; also, there were fewer remodeling works and office relocations at the head office than in the previous years.

<sup>2</sup> Renewal of uninterruptible power supply in 2014.

<sup>3</sup> Oil separators in the parking garage.

<sup>4</sup> Values for recyclables identical over several years in some instances; data as provided by waste disposal contractor.

<sup>5</sup> Including green waste (garden waste).

<sup>6</sup> In 2014, metal containers had to be disposed of.

Table 8

**The OeNB’s environmental performance in 2014 and environmental program for 2015**

	Responsible	Deadline	Status
<b>Further greening in procurement</b>			
Procuring environmentally friendly office furniture	specialist division, EPT <sup>1</sup>	2014/2015	at the implementation stage
Procuring office equipment with low energy consumption (laptops, tablets)	specialist division	2014	implemented
Procuring a money transporter with lower emission levels and better fuel economy	specialist divisions	2014	implemented
Hiring a cleaning contractor that implements an ISO 14001-based environmental management system	specialist division, EPT	2014	implemented
<b>Responsible resource use, reduction of emissions, further reduction of electricity consumption by 2%</b>			
Introducing “district cooling” project at the OeNB to reduce energy consumption	specialist divisions	2014	implemented
Optimizing the energy management concept, evaluating energy saving potential	specialist division	2015/2016	in preparation
Feasibility study: improving the facade insulation of the northern office building	specialist division	2015/2016	in preparation
Ventilators: switch to direct drive mechanisms; switch to more efficient motors; savings potential: 100,000 kWh per year	specialist division	2015	in preparation
Continued use of certified green electricity	specialist division	2015	at the implementation stage
Increasing pump performance to minimize energy consumption	specialist division	2014	continued
Implementing a demand-dependent lighting concept for work lamps	specialist division	2014	implemented
Controlling room cooling system via window sensors	specialist division	2014	implemented
Regulating cleaning agent use by applying dosage systems	specialist division	2014	implemented
Further increasing the use of LED lighting			
for safety lighting and hallway lighting in the OeNB’s main building and northern office building	specialist division	2015	at the implementation stage
for other areas, e.g. the parking garage ramp and floors	specialist division	2014	implemented
Promoting green mobility (bicycle parking and maintenance, bicycle rental system “Citybike”)	specialist division	ongoing	at the implementation stage
<b>Providing environmental awareness training</b>			
Drawing up instructions for optimized room cooling	EPT	2014	implemented
“Car-free day” and “day of the sun” information events: encouraging staff to use green alternatives	EPT	2015	at regular intervals
Cooperation projects on environmental issues (e.g. together with BMLFUW <sup>2</sup> , WWF, B.A.U.M. Österreich – Austrian Network for Sustainable Leadership)	EPT	2015/2016	at the implementation stage
Survey on the further development of the OeNB’s environmental management system	EPT	2015	in preparation
<b>Waste management</b>			
Information campaign, e.g. more information provided on the intranet, waste management guidelines	specialist division	2015	in preparation
Auditing the waste disposal contractor	waste management officer	2015	in preparation

Source: OeNB.

<sup>1</sup> Environmental protection team.

<sup>2</sup> Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management.

# Direct and indirect equity interests

Table 9

## Direct and indirect equity interests of the OeNB as on December 31, 2014

Share in %	Company	Capital issued
100	Münze Österreich Aktiengesellschaft, Vienna (Austria)	6,000,000.00 EUR
100	Schoeller Münzhandel GmbH, Vienna (Austria)	1,017,420.00 EUR
	100 Hans W. Hercher Münzen GmbH, Freiburg (Germany)	6,000,000.00 EUR
	(51) 51 WON-WorldofNumismatics GmbH, Dresden (Germany)	75,000.00 EUR
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	35,000.00 EUR
33.24	Casinos Austria AG, Vienna (Austria)	40,000,000.00 EUR
(33.24)	100 Casinos Austria AG Liegenschaftsverwaltungs- und Leasing GmbH, Vienna (Austria)	2,000,000.00 EUR
(33.24)	100 Cuisino GmbH, Vienna (Austria)	270,000.00 EUR
(33.24)	100 Casinos Austria Sicherheitstechnologie GmbH, Vienna (Austria)	500,000.00 EUR
(29.58)	89 Congress Casinos Baden BetriebsgmbH, Baden (Austria)	400,000.00 EUR
(33.24)	100 ÖLG Holding GmbH, Vienna (Austria)	5,000,000.00 EUR
(22.59)	67.97 Österreichische Lotterien GmbH, Vienna (Austria)	110,000,000.00 EUR
	(11.3) 50 Entertainment Glücks- und Unterhaltungsspiel Gesellschaft mbH, Vienna (Austria)	2,870,000.00 EUR
	(11.3) 100 Glücks- und Unterhaltungsspiel BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
	(11.3) 100 WINWIN International GmbH, Vienna (Austria)	35,000.00 EUR
	(11.3) 100 Win2day Entwicklungs- und BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
	(9.05) 80.08 Rabcat Computer Graphics GmbH, Vienna (Austria)	36,000.00 EUR
	(11.3) 100 Win2day International GmbH, Vienna (Austria)	35,000.00 EUR
	(11.28) 99.84 Win2day Belgium S.A., Brussels (Belgium), in liquidation	8,150,000.00 EUR
	(22.59) 100 Albanisch Österreichische Lotterien Holding GmbH, Vienna (Austria)	35,000.00 EUR
	(22.59) 100 Lotaria Kombetare Sh. P.K., Tirana (Albania)	1,201,950,000.00 ALL
(16.62)	50 Entertainment Glücks- und Unterhaltungsspiel Gesellschaft mbH, Vienna (Austria)	2,870,000.00 EUR
	(16.62) 100 Glücks- und Unterhaltungsspiel BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
	(16.62) 100 WINWIN International GmbH, Vienna (Austria)	35,000.00 EUR
	(16.62) 100 Win2day Entwicklungs- und BetriebsgmbH, Vienna (Austria)	35,000.00 EUR
	(13.31) 80.08 Rabcat Computer Graphics GmbH, Vienna (Austria)	36,000.00 EUR
	(16.62) 100 Win2day International GmbH, Vienna (Austria)	35,000.00 EUR
	(16.59) 99.84 Win2day Belgium S.A., Brussels (Belgium), in liquidation	8,150,000.00 EUR
(33.24)	100 Casinos Austria International Holding GmbH, Vienna (Austria)	30,000,000.00 EUR
(33.23)	99.98 Glücksrad Kft., Sopron (Hungary)	15,000,000.00 HUF
(33.24)	99.99 Inmobiliaria Ovalle S.A., Santiago (Chile)	1,139,000,000.00 CLP
(33.24)	100 Casinos Austria International (Mazedonien) Holding GmbH, Vienna (Austria)	35,000.00 EUR
(4.58)	13.77 Viage Productions S.A., Brussels (Belgium)	3,180,000.00 EUR
(32.91)	99 Casinos Austria International Belgium S.A., Brussels (Belgium)	61,500.00 EUR
(33.24)	100 Casinos Austria International GmbH, Vienna (Austria)	2,000,000.00 EUR
	(33.24) 100 Spielbanken Niedersachsen GmbH, Hannover (Germany)	15,000,000.00 EUR
	(33.24) 100 Casinoland IT-Systeme GmbH, Hannover (Germany)	25,000.00 EUR
	(31.24) 94 Casino Event Immobilien GmbH, Hannover (Germany)	25,000.00 EUR
(33.24)	100 Apollo Casino Resorts Limited, London (United Kingdom)	3,010,000.00 GBP
(33.24)	100 Leisure & Entertainment S.A., Salta (Argentina)	3,300,000.00 ARS
	(33.20) 99.88 Entretenimientos y Juegos de Azar (ENJ.A.S.A.) S.A., Salta (Argentina)	46,190,000.00 ARS
	(1.73) 5.21 Complejo Monumento Güemes S.A., Salta (Argentina)	459,259.00 ARS
	(31.51) 94.79 Complejo Monumento Güemes S.A., Salta (Argentina)	459,259.00 ARS
	(32.91) 99 Cachi Valle Aventuras S.A., Salta (Argentina)	208,838.00 ARS
	(3.29) 10 Red 21 de Cobranzas S.A., Salta (Argentina)	120,000.00 ARS
	(29.91) 90 Red 21 de Cobranzas S.A., Salta (Argentina)	120,000.00 ARS
(28.66)	86.23 Viage Productions S.A., Brussels (Belgium)	3,180,000.00 EUR
(33.24)	100 Casinos Austria Management Gesellschaft mbH, Vienna (Austria)	100,000.00 EUR
(33.24)	100 Casinos Odense K/S, Odense (Denmark)	1,300,000.00 DKK
(33.24)	100 Fortuna 1 ApS, Odense (Denmark)	125,000.00 DKK
(33.24)	100 Casinos Austria International (Czech) s.r.o., Prague (Czech Republic)	139,100,000.00 CZK
	(33.24) 100 Czech Casinos a.s., Prague (Czech Republic)	100,000,000.00 CZK
(24.93)	75 Pannon-Partner Kft., Sopron (Hungary)	330,000,000.00 HUF
	(24.93) 100 Casino Sopron Kft., Sopron (Hungary)	300,000,000.00 HUF
(33.24)	100 Casinos Austria (Swiss) AG, Zug (Switzerland)	20,000,000.00 CHF
	(33.24) 100 Casinos Austria Management AG, Chur (Switzerland)	500,000.00 CHF
	(33.24) 100 CAI Management AG, Zug (Switzerland)	200,000.00 CHF
	(33.24) 100 Casinos St. Moritz AG, St. Moritz (Switzerland)	3,500,000.00 CHF
	(33.24) 100 CAI Online AG, Zug (Switzerland)	1,200,000.00 CHF
(33.24)	100 Casinos Austria International Limited, Brisbane (Australia)	19,578,000.00 AUD
	(33.24) 100 Casinos Austria International (Canberra) Pty Limited, Brisbane (Australia)	2.00 AUD
	(33.24) 100 Casinos Austria Maritime Corp., Fort Lauderdale (U.S.A.)	50.00 USD
	(33.24) 100 CAI Ontario Inc., Port Perry (Canada)	1,725,000.00 CAD
	(23.93) 72 Great Blue Heron Gaming Com., Port Perry (Canada)	1,250,000.00 CAD
28.61	Argor Heraeus SA, Mendrisio (Switzerland)	6,369,000.00 CHF
(28.61)	100 Argor-Heraeus Deutschland GmbH, Pforzheim (Germany)	25,000.00 EUR
(28.61)	100 Argor-Heraeus Italia S.p.A., Cavenago di Brianza (Italy)	520,000.00 EUR
(25.18)	88 Argor-Heraeus Latin America SpA, Santiago (Chile)	5,000,000.00 USD

Table 9 continued

Share in %	Company	Capital issued
100	Oesterreichische Banknoten- und Sicherheitsdruck GmbH, Vienna (Austria)	10,000,000.00 EUR
50	PRINT and MINT SERVICES GmbH, Vienna (Austria)	35,000.00 EUR
90	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (Austria)	36,336.31 EUR
25	Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H., Vienna (Austria)	100,000.00 EUR
100	IG Immobilien Invest GmbH, Vienna (Austria)	40,000.00 EUR
100	Austrian House S.A., Brussels (Belgium)	5,841,610.91 EUR
100	City Center Amstetten GmbH, Vienna (Austria)	72,000.00 EUR
100	EKZ Tulln Errichtungs GmbH, Vienna (Austria)	36,000.00 EUR
100	HW Hohe Warte Projektentwicklungs- und ErrichtungsgmbH, Vienna (Austria)	35,000.00 EUR
100	IG Belgium S.A., Brussels (Belgium)	19,360,309.87 EUR
100	IG Döbling Herrenhaus-Bauträger GmbH, Vienna (Austria)	40,000.00 EUR
100	IG Hungary Irodaközpont Kft., Budapest (Hungary)	11,852.00 EUR
100	IG Immobilien Beteiligungs GmbH, Vienna (Austria)	40,000.00 EUR
100	IG Immobilien M97 GmbH, Vienna (Austria)	120,000.00 EUR
100	IG Immobilien Management GmbH, Vienna (Austria)	40,000.00 EUR
100	IG Immobilien Mariahilfer Straße 99 GmbH, Vienna (Austria)	72,000.00 EUR
100	IG Immobilien O20-H22 GmbH, Vienna (Austria)	110,000.00 EUR
25	MARINA CITY Entwicklungs GmbH, Vienna (Austria)	120,000.00 EUR
25	MARINA TOWER Holding GmbH, Vienna (Austria)	35,000.00 EUR
(25) 100	MARINA TOWER Entwicklungs GmbH, Vienna (Austria)	36,336.42 EUR
100	IG Netherlands N1 and N2 B.V., Hoofddorp (Netherlands)	91,000.00 EUR
40	U2 Stadtentwicklung GmbH, Vienna (Austria)	100,000.00 EUR
100	BLM Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	40,000.00 EUR
100	BLM-IG Bauträger GmbH, Vienna (Austria)	35,000.00 EUR
100	OWP5 Betriebs-Liegenschafts-Management GmbH, Vienna (Austria)	35,000.00 EUR

Source: OeNB, subsidiaries.

Note: Figures in parentheses represent the OeNB's indirect equity investments; figures without parentheses represent the shares held by the direct equity investor. The OeNB's share of the paid-up capital of the European Central Bank (ECB), Frankfurt (Germany), which totals EUR 10,825,007,069.61, amounted to 1.9631% as at December 31, 2014. The OeNB also holds 8,000 shares (at SDR 5,000 each) and 564 nonvoting shares in the Bank for International Settlements (BIS), Basel (Switzerland), as well as 74 shares (at EUR 125.00 each) in S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication), La Hulpe (Netherlands).

As required under Article 68 paragraph 4 Nationalbank Act, table 9 above shows information on all direct and indirect equity interests the OeNB holds in Austrian and foreign companies that, regardless of the size of the OeNB's participation,

are either intended to serve the OeNB's business operations or in which the OeNB holds a direct or calculated indirect equity interest of at least 20% of the share capital.



We are aware of our responsibility toward Austria and Europe and pursue effectiveness and efficiency in our work. Our endeavors are founded on technical expertise and social competence, transparency and responsible corporate governance.

*From the OeNB's Mission Statement*



Financial statements  
of the Oesterreichische Nationalbank  
for the year 2014

# Balance sheet as at December 31, 2014

## Assets

	December 31, 2014 EUR	December 31, 2013 EUR
<b>1 Gold and gold receivables</b>	8,892,006,229.75	7,842,819,188.98
<b>2 Claims on non-euro area residents denominated in foreign currency</b>	11,607,252,464.81	8,962,695,474.63
2.1 Receivables from the IMF	2,886,454,786.44	3,145,504,739.56
2.2 Balances with banks and security investments, external loans and other external assets	8,720,797,678.37	5,817,190,735.07
<b>3 Claims on euro area residents denominated in foreign currency</b>	829,263,581.87	694,805,968.94
<b>4 Claims on non-euro area residents denominated in euro</b>	2,040,691,641.13	1,858,155,920.03
4.1 Balances with banks, security investments and loans	2,040,691,641.13	1,858,155,920.03
4.2 Claims arising from the credit facility under ERM II	–	–
<b>5 Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	12,658,680,000.00	7,094,000,000.00
5.1 Main refinancing operations	3,076,000,000.00	1,220,000,000.00
5.2 Longer-term refinancing operations	9,582,680,000.00	5,874,000,000.00
5.3 Fine-tuning reverse operations	–	–
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	–
5.6 Credits related to margin calls	–	–
<b>6 Other claims on euro area credit institutions denominated in euro</b>	174,087.35	146,091.69
<b>7 Securities of euro area residents denominated in euro</b>	16,404,129,517.03	16,862,400,057.94
7.1 Securities held for monetary policy purposes	6,129,322,865.03	7,102,305,078.82
7.2 Other securities	10,274,806,652.00	9,760,094,979.12
<b>8 General government debt denominated in euro</b>	407,966,957.05	410,887,194.16
<b>9 Intra-Eurosystem claims</b>	30,023,321,762.51	43,507,394,069.55
9.1 Participating interest in the ECB	221,613,272.84	212,118,362.10
9.2 Claims equivalent to the transfer of foreign reserves	1,137,636,924.67	1,122,511,702.45
9.3 Claims related to the issuance of ECB debt certificates <sup>1</sup>	x	x
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	28,664,071,565.00	42,172,764,005.00
9.5 Other claims within the Eurosystem (net)	–	–
<b>10 Items in course of settlement</b>	–	–
<b>11 Other assets</b>	9,963,943,193.88	10,252,170,664.10
11.1 Coins of euro area	115,509,199.58	106,325,491.17
11.2 Tangible and intangible fixed assets	147,983,214.75	146,576,231.05
11.3 Other financial assets	8,396,758,202.03	8,613,078,904.47
11.4 Off balance sheet instruments' revaluation differences	–	55,366,469.01
11.5 Accruals and prepaid expenses	397,235,800.72	557,388,053.81
11.6 Sundry	906,456,776.80	773,435,514.59
	<b>92,827,429,435.38</b>	<b>97,485,474,630.02</b>

<sup>1</sup> Only an ECB balance sheet item.

## Liabilities

	December 31, 2014	December 31, 2013
	EUR	EUR
<b>1 Banknotes in circulation</b>	26,236,845,780.00	24,497,459,700.00
<b>2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	12,636,298,100.62	14,937,903,985.72
2.1 Current accounts (covering the minimum reserve system)	11,676,298,100.62	12,036,903,985.72
2.2 Deposit facility	960,000,000.00	2,181,000,000.00
2.3 Fixed-term deposits	–	720,000,000.00
2.4 Fine-tuning reverse operations	–	–
2.5 Deposits related to margin calls	–	–
<b>3 Other liabilities to euro area credit institutions denominated in euro</b>	–	–
<b>4 Debt certificates issued<sup>1</sup></b>	×	×
<b>5 Liabilities to other euro area residents denominated in euro</b>	2,688,712,076.96	308,575,489.07
5.1 General government	181,107,501.34	215,610,325.99
5.2 Other liabilities	2,507,604,575.62	92,965,163.08
<b>6 Liabilities to non-euro area residents denominated in euro</b>	461,287,628.53	246,687,650.67
<b>7 Liabilities to euro area residents denominated in foreign currency</b>	122,247.64	129,091.23
<b>8 Liabilities to non-euro area residents denominated in foreign currency</b>	–	–
8.1 Deposits, balances and other liabilities	–	–
8.2 Liabilities arising from the credit facility under ERM II	–	–
<b>9 Counterpart of Special Drawing Rights allocated by the IMF</b>	2,070,380,641.89	1,941,719,785.16
<b>10 Intra-Eurosystem liabilities</b>	30,082,509,505.12	39,148,233,209.66
10.1 Liabilities equivalent to the transfer of foreign reserves <sup>1</sup>	×	×
10.2 Liabilities related to the issuance of ECB debt certificates	–	–
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–
10.4 Other liabilities within the Eurosystem (net)	30,082,509,505.12	39,148,233,209.66
<b>11 Items in course of settlement</b>	–	2,439.55
<b>12 Other liabilities</b>	437,340,880.22	357,855,495.35
12.1 Off balance sheet instruments' revaluation differences	8,841,874.98	–
12.2 Accruals and income collected in advance	3,018,881.77	12,653,743.51
12.3 Sundry	425,480,123.47	345,201,751.84
<b>13 Provisions</b>	5,364,946,517.29	5,003,897,805.83
<b>14 Revaluation accounts</b>	8,594,878,230.43	6,805,515,322.10
<b>15 Capital and reserves</b>	4,228,551,037.55	4,217,357,575.88
15.1 Capital	12,000,000.00	12,000,000.00
15.2 Reserves	4,216,551,037.55	4,205,357,575.88
<b>16 Profit for the year</b>	25,556,789.13	20,137,079.80
	<b>92,827,429,435.38</b>	<b>97,485,474,630.02</b>

<sup>1</sup> Only an ECB balance sheet item.

## Profit and loss account for the year 2014

	Year ending December 31, 2014 EUR	Year ending December 31, 2013 EUR
1.1 Interest income	1,018,373,724.44	1,209,799,187.32
1.2 Interest expense	-240,746,162.01	-375,898,179.19
<b>1 Net interest income</b>	<b>777,627,562.43</b>	<b>833,901,008.13</b>
2.1 Realized gains/losses arising from financial operations	77,390,263.22	106,871,397.05
2.2 Writedowns on financial assets and positions	-145,306,432.96	-72,841,514.46
2.3 Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks	-325,000,000.00	-300,000,000.00
<b>2 Net result of financial operations, writedowns and risk provisions</b>	<b>-392,916,169.74</b>	<b>-265,970,117.41</b>
3.1 Fees and commissions income	4,474,864.14	3,747,262.98
3.2 Fees and commissions expense	-4,076,870.64	-3,319,865.52
<b>3 Net income from fees and commissions</b>	<b>397,993.50</b>	<b>427,397.46</b>
4 Income from equity shares and participating interests	280,048,962.56	89,624,301.40
5 Net result of pooling of monetary income	-19,007,963.98	-26,946,888.26
6 Other income	23,990,811.94	60,316,719.62
<b>Total net income</b>	<b>670,141,196.71</b>	<b>691,352,420.94</b>
7 Staff costs	-139,416,332.75	-135,588,531.17
8 Expenses for retirement	-31,152,280.05	-113,946,392.12
9 Administrative expenses	-83,869,569.58	-81,552,540.51
10 Depreciation of tangible and intangible fixed assets	-13,025,210.10	-13,925,206.71
11 Banknote production services	-20,858,835.88	-19,018,292.84
12 Other expenses	-41,061,779.98	-28,994,349.44
<b>Total expenses</b>	<b>-329,384,008.34</b>	<b>-393,025,312.79</b>
<b>Operating profit</b>	<b>340,757,188.37</b>	<b>298,327,108.15</b>
13 Corporate income tax	-85,189,297.09	-74,581,777.04
	255,567,891.28	223,745,331.11
14 Transfer to the pension reserve and central government's share of profit	-230,011,102.15	-203,608,251.31
<b>15 Profit for the year</b>	<b>25,556,789.13</b>	<b>20,137,079.80</b>

## Notes on the financial statements 2014

### General notes on the financial statements

#### Legal framework

The Oesterreichische Nationalbank (OeNB) is obligated under Article 67 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank 1984 (Nationalbank Act) as amended<sup>1</sup> to prepare its balance sheet and its profit and loss account in conformity with the rules established by the Governing Council of the ECB under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB and of the ECB). These rules apply as laid down in the recast Accounting Guideline adopted by the Governing Council of the ECB on November 11, 2010.<sup>2</sup> The OeNB's financial statements for the year 2014 were prepared fully in line with the provisions set forth in this guideline. Activities not covered by the Accounting Guideline are to be treated as regulated by the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence Nationalbank Act and by the provisions of the third volume of the Unternehmensgesetzbuch (Commercial Code) referred to in Article 67 paragraph 3 Nationalbank Act. The OeNB is exempt from Article 199 Commercial Code (contingent liabilities arising from guarantees) and from Articles 244 et seq. Commercial Code (consolidated financial statements). Moreover, Article 68 paragraph 3 Nationalbank Act exempts the OeNB from the obligation to include management's discussion and analysis under Article 243 Commercial Code.

#### Format of the balance sheet and the profit and loss account

The balance sheet and the profit and loss account, i.e. the financial statements, for 2014 were prepared in the format laid down by the Governing Council of the ECB.

#### Accounting policies

The OeNB's financial statements are prepared in conformity with the provisions governing the Eurosystem's accounting and reporting of operations, which follow accounting principles harmonized by EU law and generally accepted international accounting standards. In particular, the following accounting principles contained in these standards have been applied:

- economic reality and transparency
- prudence
- recognition of post-balance sheet events
- materiality
- going-concern basis
- accruals principle
- consistency and comparability

#### Time of recording

Foreign exchange transactions, financial instruments denominated in foreign currency and related accruals must be recorded at trade date (economic approach) while securities transactions (including transactions with equity instruments) denominated in foreign currency may be recorded according to the cash/settlement approach. Interest accrued in relation to foreign currency transactions, including premiums or discounts, must be recorded on a daily basis from the spot settlement date. To record specific euro-denominated transactions, financial instruments and related accruals, the Eurosystem national central banks (NCBs) may use either the economic or the cash/settlement approach.

Foreign currency transactions whose exchange rate is not fixed against the accounting currency are recorded at the euro exchange rate prevailing on the day of the transaction.

#### Basis of accounting

At year-end, both financial assets and liabilities are to be revalued at current market prices or

<sup>1</sup> The Nationalbank Act was last amended with effect from January 14, 2015.

<sup>2</sup> Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2010/20, as amended on December 15, 2014, ECB/2014/54).

rates. This applies equally to transactions that are disclosed in the balance sheet and to transactions that are not.<sup>3</sup> The arbitrage pricing principle is used to value gold interest rate swaps and gold forward interest rate swaps by splitting the products into those components that are traded on international exchanges and valuing them at the respective rates (LIBOR curve, gold swap rates and gold forward rates).

The acquisition cost and the value of each currency position corresponds to the aggregate holdings in any one currency, reflecting all relevant asset or liability positions and all relevant on balance sheet items as well as transactions that are not disclosed in the balance sheet. Holdings of Special Drawing Rights (SDRs), including holdings of specific foreign currencies that serve to hedge the SDR currency risk, are treated as a single holding. Own funds invested in foreign exchange assets are treated as a separate currency item under *other financial assets*, as are any equity instruments (equity shares or equity funds) denominated in foreign currency.

Revaluation of securities and investment fund shares/units takes place on a code-by-code basis, i.e. securities with the same ISIN number/type are grouped together.

The Governing Council decided in 2014 that the securities currently held for monetary policy purposes are to be accounted for at amortized cost (subject to impairment), regardless of the holding intention. The new valuation approach did not result in any adjustment of the comparable numbers, given that these securities were already valued accordingly. Securities purchased under the first and second Covered Bond Purchase Programmes (CBPP1 and CBPP2) are subject to impairment by the OeNB. Securities purchased under the third Covered Bond Purchase Programme (CBPP3), the Securities Markets Programme (SMP) and the Asset-Backed Securities Purchase Programme (ABSPP) are tested for impairment by the ECB under a uniform Eurosystem impairment framework.

Marketable securities classified as held-to-maturity and illiquid equity shares are all valued at amortized cost subject to impairment.

The prices of master fund shares are calculated daily by the designated custodian bank or the master fund, using established market information systems on the basis of the assets held by the subfunds. In addition, the master funds, the custodian banks and the fund managers regularly confer to adjust the valuation of sub-fund assets and to reconcile the pricing of less liquid or illiquid assets, which is not exclusively based on established market information systems.

Participating interests are valued on the basis of the net asset value of the respective company.

#### Income recognition

Premiums or discounts arising on securities are calculated and presented as part of interest income and are amortized over the remaining life of the securities.

Gains and losses realized in the course of transactions are taken to the profit and loss account. The net average cost method is used on a daily basis for gold, foreign currency instruments and securities to compute the acquisition cost of items sold, having regard to the effect of exchange rate and/or price movements. As a rule, the difference between the sales price of each transaction and the average acquisition cost of all purchases on a given business day results in realized gains or losses. In the case of net sales, the calculation of the realized gain or loss is based on the average cost of the respective holding for the preceding day.

Unrealized revaluation gains are not taken to the profit and loss account, but transferred to a revaluation account on the liabilities side of the balance sheet. Unrealized losses are recognized in the profit and loss account when they exceed previous revaluation gains registered in the corresponding revaluation account; they

<sup>3</sup> Transactions that are not disclosed in the balance sheet are recorded and disclosed separately because the Eurosystem's accounting format does not provide for off balance sheet transactions.

may not be reversed against new unrealized gains in subsequent years. Unrealized losses in any one security or currency are not netted with unrealized gains in other securities or currencies, since netting is prohibited under the ECB's Accounting Guideline.

In derogation from general accounting policies, alternative valuation methods may be applied to synthetic instruments; unrealized gains and losses resulting from the valuation of the individual instruments that constitute the synthetic instruments may be netted at year-end.

### Tangible and intangible fixed assets

*Tangible and intangible fixed assets* are valued at cost less depreciation. Depreciation is calculated on a straight-line basis from the quarter after acquisition throughout the expected economic lifetime of the assets (table 1).

Table 1

Asset	Depreciation period
Computers, related hardware and software, motor vehicles	4 years
Intangible assets	5 years
Equipment, furniture and plant in building	10 years
Buildings	25 years
Fixed assets costing less than EUR 10,000 net of value added tax (low-value assets)	no capitalization

### Realized gains and losses and revaluation differences and their treatment in the financial statements of December 31, 2014

Realized gains and losses as well as revaluation differences on OeNB investments are shown in table 2.

### Banknotes in circulation and intra-Eurosystem balances

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes. The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key.

The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% have been allocated to the NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to the OeNB is disclosed in the balance sheet under liability item 1 *Banknotes in circulation*.

The difference between the value of the euro banknotes allocated to the OeNB in accordance with the banknote allocation key and the value of the euro banknotes that the OeNB actually puts into circulation gives rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the subitems *Intra-Eurosystem*

Table 2

	Realized gains profit and loss item 2.1 (posted to profit and loss account) EUR million	Realized losses profit and loss item 2.1 (posted to profit and loss account) EUR million	Unrealized losses profit and loss item 2.2 (posted to profit and loss account) EUR million	Change in unrealized gains (posted to revaluation accounts) EUR million
Gold	–	–	–	+1,049.187
Foreign currency				
Holdings for own account	59.747	–53.928	–140.850	+452.320
Securities				
Holdings for own account	51.582	–7.195	–3.325	+309.003
Investment of own funds	28.712	–1.534	–1.131	+8.821
Monetary policy operations	0.007	–0.001	–	–
Equity interests (investment of own funds)	–	–	–	–30.726
<b>Total</b>	<b>140.048</b>	<b>–62.658</b>	<b>–145.306</b>	<b>+1,788.605</b>

*claims/intra-Eurosystem liabilities: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem.*

From the cash changeover year until five years following the cash changeover year, the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted in order to avoid significant changes in NCBs' relative income positions as compared to previous years. The adjustments are effected by taking into account the differences between the average value of banknotes put in circulation by each NCB in the reference period and the average value of banknotes that would have been allocated to them during that period under the ECB's capital key. The adjustments are reduced in annual stages until the first day of the sixth year after the cash changeover, when income on banknotes is allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital. In the reporting year, the adjustments resulted from the entry of Latvia (2014), Estonia (2011) and Slovakia (2009) into the euro area. The respective adjustment periods will terminate at the end of 2019, 2016 and 2014, respectively.

The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under item 1 *Net interest income* of the profit and loss account.

The Governing Council of the ECB has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB as well as the income arising from securities purchased under the SMP, ABSPP and CBPP3 is due in full to the NCBs in the same financial year it accrues. Unless otherwise decided by the Governing Council, the ECB will distribute this income in January of the following year in the form of an interim distribution of profit. This amount is distributed in full unless the ECB's net profit for the year is less than its combined income earned on euro banknotes in circulation and the aforementioned asset purchase programmes and subject to any decisions by the Governing Council to make transfers to the provision for foreign exchange rate, interest rate, credit and gold price risks. The Governing Council may

also decide to charge costs incurred by the ECB in connection with the issue and handling of euro banknotes against income earned on euro banknotes in circulation.

The amount distributed to the NCBs is disclosed in the profit and loss account under item 4 *Income from equity shares and participating interests*.

## **Risk management**

Financial risks and operational risks that the OeNB incurs as a result of its central banking activities have a crucial impact on its financial result and on its ability to continue as a going concern. The OeNB's risk management is based on binding rules; risk is determined by means of recognized procedures, and risk control is guaranteed through continuous monitoring and is adjusted if required. Moreover, regular reporting procedures have been put in place.

## **Financial risk**

The financial risk categories relevant to the OeNB are market, credit and market liquidity risk. Reserve asset and risk management principles are laid down in a *rule book* adopted by the OeNB's Governing Board. Reserve assets are invested by the OeNB's Treasury Department on the basis of a risk budget that reflects the risk limits designated by the Governing Board, as adopted by the latter on proposal of the Risk Committee. The Risk Committee monitors continuous compliance with the risk budget based on specific risk measurement systems and methods. These systems and methods serve to quantify market and credit risk, accounting for loss-absorbing balances on revaluation accounts to the extent that may be used to absorb losses (because netting is prohibited, netting on a currency revaluation account in the event of risk may only be performed against the same currency). The Treasury Department reports regularly to the Risk Committee, which in turn reports to the Governing Board. Strategies for broadening diversification to include new currencies and types of investment as well



as the methods and limits used in risk measurement must be authorized by the Governing Board.

### Market risk

Market risk is the risk of exposure arising from movements in markets, in particular exchange rate and interest rate changes. To account for risk budget constraints, the Investment Committee defines a strategic asset allocation framework subject to the conditions endorsed by the Governing Board, which include concentration limits for each currency and a standard conservative investment policy in line with central bank requirements. The risk budget also provides benchmarks for managing currency risk and interest rate risk. Compliance with the Treasury Department's risk budget is monitored with value at risk (VaR) calculations for market risk. The ECB calculates market risk associated with the conduct of Eurosystem monetary policy operations by means of the risk measure expected shortfall (ES). VaR and ES calculations are uniformly based on one-year horizons and confidence intervals of 99%. A three-month risk horizon is calculated in addition to risk bandwidths.

The actual risk exposure depends on the amount of assets invested, including gold and SDRs, as well as on the amount of own funds and earmarked funds invested.

In addition, the OeNB makes provision commensurate to its relative capital share in the ECB's paid-up capital for ECB investment risks and for risks arising for the ECB in conducting single monetary policy operations.

The OeNB calculates the risk involved in real estate holdings using an index for real estate stocks that is also based on VaR calculations with a one-year horizon and a confidence interval of 99%.

### Credit risk

Credit risk is the risk that a counterparty will fail to meet some or all of its obligations. In principle, the OeNB manages the credit risk

arising from its own funds portfolio and related investment activities with a limit system which provides real-time information on all risk limits and exposures and which is an integral part of monitoring the use of the OeNB's risk budget. Credit risk arising from monetary policy operations is calculated by the ECB and accounted for on a pro rata basis in OeNB risk reporting. The VaR and ES calculations of ECB and OeNB risk are consistently based on a one-year horizon and a confidence interval of 99%.

### Market liquidity risk

Market liquidity risk is the risk that a market may be too thin or may not be able to fully accommodate all trades, so that the securities trading volume is lower than desired and securities cannot be traded quickly enough or perhaps only at a discount. To prevent incurring market liquidity risk, the OeNB analyzes the market liquidity of financial products, adjusts holdings to issuing volumes and limits the maximum residual maturities of transactions. Security and liquidity considerations take precedence over yield in managing assets.

### Operational risk

Operational risk is the risk of incurring losses due to defects, inadequate procedures or systems, human error or unforeseen events affecting operations. Management of operational risk at the OeNB is governed by the rules laid down in its *Risk and Crisis Management Handbook (ORION)*. Risk valuation takes into account the impact of various risks on the OeNB's reputation and corporate objectives, the probability of their occurrence, and any financial losses which might occur. Risks are monitored on an ongoing basis and are reported to management at regular intervals.

### Provisions for financial risks and other loss-absorbing capital

In line with the principle of universality, the OeNB's financial risks are covered by the full range of its financial buffers, i.e. by all financial buffers that it maintains specifically to cover financial risks as well as by any other financial buffers that may be used to absorb balance sheet losses. In calculating risk exposure, balances on revaluation accounts against which losses may be offset are recognized as risk-mitigating factors. On December 31, 2014, provisions for financial risks were high enough to offset the OeNB's exposure.

Table 3 shows the changes in provisions for financial risks and other loss-absorbing capital from December 31, 2013, to December 31, 2014.

### IT security policy

IT security policy defines guidelines and provisions to guarantee a high level of security for the development, operation and use of IT systems at the OeNB. The following bodies and persons have key responsibilities in the IT security process:

- The IT security board, which provides advice on IT security and coordinates and con-

trols related activities and which puts into force IT security provisions;

- The IT security manager, who is responsible for the technical accuracy of the measures submitted for approval as well as for initiating and implementing IT security processes;
- The IT security experts, who are responsible for drafting and implementing IT security guidelines and IT specifications; and
- The technical experts in charge of the respective products.

Regular tests and reports are part of the framework of the IT security processes.

### Related-party transactions

Article 237 no. 8b Commercial Code stipulates that notes on financial statements must include information about material transactions with related parties that were concluded under other than normal market conditions. The OeNB has in place a special reporting framework and a separate internal control system for such instances.

Any business the OeNB transacted with related parties in 2014 was at market conditions.

In the financial year 2014, the OeNB provided funding to economic research institutions (WIFO, IHS, wiiw) and to the Joint

Table 3

	December 31, 2013 EUR million	Increase EUR million	Decrease EUR million	December 31, 2014 EUR million
<b>I. Provisions for financial risks</b>				
L 15.2 Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
L 13 Risk provisions equivalent to reserves	2,850.000	+325.000	–	3,175.000
	<b>4,823.263</b>	<b>+325.000</b>	<b>–</b>	<b>5,148.263</b>
<b>II. Loss-absorbing capital</b>				
L 15.2 Profit-smoothing reserve	51.686	+8.937	–	60.623
L 15.2 OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund (initial funding)	31.500	–	–	31.500
OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–	1,500.000
	<b>1,583.186</b>	<b>+8.937</b>	<b>–</b>	<b>1,592.123</b>
<b>Total</b>	<b>6,406.449</b>	<b>+333.937</b>	<b>–</b>	<b>6,740.386</b>

Note: L = liability item.

Vienna Institute, with total funding running to EUR 6.122 million (2013: EUR 5.805 million).

The Republic of Austria is the holder of 100% of the OeNB's shares. Pursuant to Article 69 paragraph 3 Nationalbank Act, the central government's share of profit corresponds to 90% of the OeNB's profit for the year after corporate income tax, and by decision of the General Meeting, the central government addi-

tionally receives a dividend of up to 10% of its share of the OeNB's capital.

### Net equity

The definition of net equity is in line with Eurosystem provisions established by the ECB (table 4).

Table 4

	December 31, 2013	Increase	Decrease	December 31, 2014
	EUR million	EUR million	EUR million	EUR million
L 13 Risk provisions equivalent to reserves	2,850.000	+325.000	–	3,175.000
L 14 Revaluation accounts <sup>1</sup>	6,805.515	+1,792.568	–	8,598.083
L 15.1 Capital	12.000	–	–	12.000
L 15.2 Reserves				
Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
Profit-smoothing reserve	51.686	+8.937	–	60.623
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching				
OeNB Anniversary Fund (initial funding)	31.500	–	–	31.500
OeNB Anniversary Fund National Foundation endowment	1,500.000	–	–	1,500.000
<b>Net equity</b>	<b>13,223.964</b>	<b>+2,126.505</b>	<b>–</b>	<b>15,350.469</b>

Note: L = liability item.

<sup>1</sup> Includes unrealized valuation gains as well as revaluation effects from the revaluation of securities and equity interests recorded in the opening balance sheet of January 1, 1999, which have not been released yet.

## Development of the OeNB's currency positions in the financial year 2014

Table 5

	December 31, 2014	December 31, 2013	Change	%
	EUR million	EUR million	EUR million	
Gold and gold receivables	8,892.006	7,842.819	+1,049.187	+13.4
Claims on non-euro area residents denominated in foreign currency	11,607.252	8,962.695	+2,644.557	+29.5
Claims on euro area residents denominated in foreign currency	829.264	694.806	+134.458	+19.4
Other assets	59.964	85.105	–25.141	–29.5
less:				
Liabilities to euro area residents denominated in foreign currency	0.122	0.129	–0.007	–5.4
Liabilities to non-euro area residents denominated in foreign currency	–	–	–	–
Counterpart of Special Drawing Rights allocated by the IMF	2,070.381	1,941.720	+128.661	+6.6
Other liabilities	0.702	2.786	–2.084	–74.8
Revaluation accounts <sup>1</sup>	97.112	33.180	+63.932	+192.7
	<b>19,220.169</b>	<b>15,607.610</b>	<b>+3,612.559</b>	<b>+23.1</b>
Transactions that are not disclosed in the balance sheet (net)	–689.182	–2,177.350	+1,488.168	–68.3
<b>Total</b>	<b>18,530.987</b>	<b>13,430.260</b>	<b>+5,100.727</b>	<b>+38.0</b>

<sup>1</sup> Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities as on December 31, 2013, and December 31, 2014, respectively.

## Notes on the balance sheet

### Assets

#### 1 Gold and gold receivables

Closing balance	EUR million	
December 31, 2014	8,892.006	
December 31, 2013	7,842.819	
Change	+1,049.187	(+13.4%)

This item comprises the OeNB's gold holdings, which amounted to 9,002,111.050 fine ounces or 279,996.98 kg of fine gold on December 31, 2014, unchanged from 2013. At a market value of EUR 987.769 per fine ounce (i.e. EUR 31,757.51 per kg of fine gold), the OeNB's gold holdings were worth EUR 8,892.006 million on the balance sheet date.

The annual change reflects valuation as on December 31, 2014.

#### 2 Claims on non-euro area residents denominated in foreign currency

Closing balance	EUR million	
December 31, 2014	11,607.252	
December 31, 2013	8,962.695	
Change	+2,644.557	(+29.5%)

Table 6 shows the changes in asset item 2.1 *Receivables from the IMF*.

*Receivables from the IMF* fell by EUR 190.222 million in 2014 on account of net credit and debit entries.

The changes in receivables from the IMF, moreover, reflect valuation changes, net exchange rate gains and book value reconciliation (totaling +EUR 37.001 million).

The IMF remunerates participations in the Fund at a rate of remuneration that is updated weekly. In 2014, this rate hovered between 0.03% and 0.13% per annum, mirroring the prevailing SDR rate.

*SDR holdings*<sup>4</sup> were recognized in the balance sheet at SDR 1,594.1 million at December 31, 2014. The decrease in holdings by EUR 90.569 million on balance in 2014 resulted from the net sale of SDRs equivalent to –EUR 214.537 million. The remuneration of the participation in the IMF, interest credited, realized gains/losses and revaluation differences totaled +EUR 123.968 million.

Under the IMF's Articles of Agreement, the OeNB is obligated to provide currency on demand in exchange for SDRs up to the point at which its SDR holdings are three times as high as its net cumulative allocation of SDRs, which in the OeNB's case totaled SDR 1,736.3 million at the balance sheet date. See the *Notes on transactions not disclosed in the balance sheet*

Table 6

	December 31, 2014	December 31, 2013	Change	%
	EUR million	EUR million	EUR million	
Total claims (Austrian quota) equivalent to SDR 2,113.9 million <sup>1</sup>	2,520.614	2,363.974	+156.640	+6.6
less:				
Balances at the disposal of the IMF	2,039.817	1,729.956	+309.861	+17.9
Receivables from the IMF	480.797	634.018	–153.221	–24.2
SDR holdings	1,900.796	1,991.365	–90.569	–4.5
Other claims against the IMF	504.862	520.122	–15.260	–2.9
<b>Total</b>	<b>2,886.455</b>	<b>3,145.505</b>	<b>–259.050</b>	<b>–8.2</b>

<sup>1</sup> Pursuant to federal law as promulgated in Federal Law Gazette No. 309/1971, the OeNB manages the entire quota on its own account on behalf of the Republic of Austria.

<sup>4</sup> Pursuant to federal law as promulgated in Federal Law Gazette No. 440/1969, the OeNB is entitled to participate in the SDR system on its own account, but on behalf of the Republic of Austria, and to enter the SDRs purchased or allocated gratuitously on the asset side of the balance sheet.

for information about this obligation to provide currency on demand.

The OeNB's claims arising from the *New Arrangements to Borrow (NAB)* in connection with IMF concessional programs are shown under *other claims against the IMF*. Federal law as promulgated in Federal Law Gazette I No. 114/2010 authorized the OeNB to increase its credit line under the NAB to up to SDR 3.6 billion on behalf of the Republic of Austria. Since the NAB entered into force on March 11, 2011, resources totaling SDR 571.4 million have been drawn from the OeNB's credit line. Repayments ran to SDR 148.0 million, bringing net drawings to SDR 423.4 million, which is equivalent to EUR 504.9 million. The *transactions not disclosed in the balance sheet* included a contingent liability to the IMF under the NAB – against remuneration, the IMF could call on these resources for lending purposes, which would result in a claim of the same size – as on December 31, 2014.

Federal law as promulgated in Federal Law Gazette I No. 101/2013 authorized the OeNB to provide a temporary credit line with a maximum amount of EUR 6.13 billion under a bilateral agreement with the IMF. In this connection, a contingent liability to the IMF on which the IMF could call against remuneration, resulting in a claim of the same size, was included in the *transactions not disclosed in the balance sheet* as on December 31, 2014.

Table 7 shows the changes in asset item 2.2 *Balances with banks and security investments, external loans and other external assets*.

### 3 Claims on euro area residents denominated in foreign currency

Table 8 shows the changes in *claims on euro area residents denominated in foreign currency*.

In 2014, an additional USD 20 million was made available in the form of further EUR/USD swaps between the ECB and the Federal Reserve Bank of New York under the Federal Reserve's Term Auction Facility. All euro/U.S. dollar swaps were reversed in 2014.

### 4 Claims on non-euro area residents denominated in euro

Table 9 shows the changes in asset item 4.1 *Claims on non-euro area residents denominated in euro* on December 31, 2013, and December 31, 2014.

The change in securities resulted chiefly from transactions. As in 2013, on the balance sheet date, there was no requirement to impair the portfolio of securities classified as held-to-maturity. Marketable securities classified as held-to-maturity are assets with fixed or determinable repayment amounts and fixed maturity, for which there is a positive intent to hold to maturity. Securities other than those

Table 7

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	1,065.727	622.816	+442.911	+71.1
Securities	7,655.071	5,194.374	+2,460.697	+47.4
<b>Total</b>	<b>8,720.798</b>	<b>5,817.190</b>	<b>+2,903.608</b>	<b>+49.9</b>

Table 8

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	0.084	0.231	-0.147	-63.6
Securities	829.180	694.575	+134.605	+19.4
<b>Total</b>	<b>829.264</b>	<b>694.806</b>	<b>+134.458</b>	<b>+19.4</b>

Table 9

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
Securities	610.757	427.016	+183.741	+43.0
Marketable securities classified as held-to-maturity	1,429.935	1,431.140	-1.205	-0.1
<b>Total</b>	<b>2,040.692</b>	<b>1,858.156</b>	<b>+182.536</b>	<b>+9.8</b>

Table 10

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
5.1 Main refinancing operations	3,076.000	1,220.000	+1,856.000	+152.1
5.2 Longer-term refinancing operations	9,582.680	5,874.000	+3,708.680	+63.1
5.5 Marginal lending facility	–	–	–	–
<b>Total</b>	<b>12,658.680</b>	<b>7,094.000</b>	<b>+5,564.680</b>	<b>+78.4</b>

held to maturity are recognized at market value.

## 5 Lending to euro area credit institutions related to monetary policy operations denominated in euro

Table 10 shows the changes in liquidity-providing transactions executed by the OeNB.

In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, any risks from monetary policy operations, if they were to materialize, should eventually be shared in full by the Eurosystem NCBs, in proportion to the ECB capital key shares prevailing in the respective financial year.

### 5.1 Main refinancing operations

*Main refinancing operations* are regular liquidity-providing reverse transactions carried out by the Eurosystem NCBs with a weekly frequency in the form of standard (variable or fixed rate) tender operations. All main refinancing operations in 2014 were carried out as fixed rate tender procedures with full allotment.<sup>5</sup> The interest rate on main refinancing operations was cut twice in 2014, by 0.10 percentage points each.

<sup>5</sup> Decision of the Governing Council of the ECB of March 4, 2010 (as amended on October 6, 2011).

<sup>6</sup> Decision of the Governing Council of the ECB of July 29, 2014.

The latest reduction was on September 10, 2014. On December 31, 2014, the main refinancing rate thus came to 0.05% per annum.

### 5.2 Longer-term refinancing operations

*Longer-term refinancing operations* (LTROs) are regular liquidity-providing reverse transactions that are carried out through monthly standard tenders and that have a maturity of three months. Special-term refinancing operations with a maturity of one maintenance period were discontinued as of July 9, 2014.

In 2014, the Governing Council of the ECB decided to conduct two targeted longer-term refinancing operations (TLTROs) with a special term of 45 months and 48 months, respectively, and with the option of early full or partial repayment after two years.<sup>6</sup> The OeNB concluded TLTROs to the amount of EUR 7.6 billion with Austrian banks. Early repayment on LTROs with a special term of three years and a total of EUR 6.5 billion allotted in 2011 came to EUR 1.3 billion in 2014. Moreover, early repayment of EUR 2.1 billion was made in 2014 on LTROs with a total of EUR 9.2 billion allotted in 2012. Thus, the amount out-

standing on LTROs on December 31, 2014, came to EUR 9.0 billion.

All LTROs conducted in 2014 were fixed rate tender procedures with full allotment.

### 5.5 Marginal lending facility

In 2014, Austrian banks obtained a total of EUR 995 million of overnight liquidity against eligible assets under the marginal lending facility. No such operations were outstanding on December 31, 2014.

### 6 Other claims on euro area credit institutions denominated in euro

Closing balance	EUR million
December 31, 2014	0.174
December 31, 2013	0.146
Change	+0.028 (+19.2%)

This item comprises claims not related to monetary policy operations.

### 7 Securities of euro area residents denominated in euro

Table 11 shows the changes in *securities of euro area residents denominated in euro* from December 31, 2013, to December 31, 2014.

#### 7.1 Securities held for monetary policy purposes

This item contains securities acquired by the OeNB within the scope of the first, second and third Covered Bond Purchase Programmes (CBPP1, CBPP2 and CBPP3)<sup>7</sup> and public debt securities acquired within the scope of the Securities Markets Programme (SMP)<sup>8</sup> (table 12).

The Governing Council decided in 2014 that the securities currently held for monetary policy purposes are to be accounted for at

Table 11

	December 31, 2014 EUR million	December 31, 2013 EUR million	Change EUR million	%
7.1 Securities held for monetary policy purposes	6,129.323	7,102.305	-972.982	-13.7
7.2 Other securities	10,274.807	9,760.095	+514.712	+5.3
of which:				
Marketable securities other than held-to-maturity	6,388.021	5,664.852	+723.169	+12.8
Marketable securities classified as held-to-maturity	3,886.786	4,095.243	-208.457	-5.1
<b>Total</b>	<b>16,404.130</b>	<b>16,862.400</b>	<b>-458.270</b>	<b>-2.7</b>

Table 12

	December 31, 2014		December 31, 2013		Change		Market value	
	Book value EUR million	Market value EUR million	Book value EUR million	Market value EUR million	Book value EUR million	%	EUR million	%
CBPP1	829.142	854.251	1,303.039	1,343.135	-473.897	-36.4	-488.884	-36.4
CBPP2	494.353	540.680	524.899	548.368	-30.546	-5.8	-7.688	-1.4
CBPP3	570.758	574.170	–	–	+570.758	x	+574.170	x
SMP	4,235.070	4,706.681	5,274.367	5,586.948	-1,039.297	-19.7	-880.267	-15.8
<b>Total</b>	<b>6,129.323</b>	<b>6,675.782</b>	<b>7,102.305</b>	<b>7,478.451</b>	<b>-972.982</b>	<b>-13.7</b>	<b>-802.669</b>	<b>-10.7</b>

<sup>7</sup> Decision of the ECB of July 2, 2009 (ECB/2009/16), of November 3, 2011 (ECB/2011/17) and of October 15, 2014 (ECB/2014/40).

<sup>8</sup> Decision of the ECB of May 14, 2010 (ECB/2010/5).

amortized cost (subject to impairment), regardless of the holding intention. The new valuation approach did not result in any adjustment of the comparable numbers, given that these securities had already been valued accordingly as on December 31, 2013.

Under the CBPP1, the ECB and the NCBs purchased euro-denominated covered bonds issued in the euro area. The purchases under this program were fully implemented by the end of June 2010. The CBPP1 initiative provided for purchases by Eurosystem NCBs of securities with a nominal value of EUR 60 billion, the OeNB's share of which was EUR 1.5 billion.

Under the CBPP2, the ECB and the NCBs purchased euro-denominated covered bonds issued in the euro area with the objective of easing funding conditions for credit institutions and enterprises, as well as encouraging credit institutions to maintain and expand lending to their clients. The program ended on schedule on October 31, 2012. The CBPP2 initiative ultimately led to securities purchases in the Eurosystem totaling EUR 16.4 billion in nominal terms, of which the OeNB acquired covered bonds to the amount of some EUR 0.5 billion.

In October 2014, the Governing Council of the ECB announced the technical features of the CBPP3. Under this program, the ECB and the NCBs started to purchase euro-denominated covered bonds issued in the euro area with the objective of easing funding conditions for credit institutions. This program will last at least two years. Under the CBPP3, securities purchases in the Eurosystem totaled EUR 27.9 billion in nominal terms as on December 31, 2014, of which the OeNB acquired covered bonds to the amount of EUR 0.5 billion.

Under the SMP, which was established in May 2010, the ECB and the NCBs were able to purchase euro area public and private debt securities to address the malfunctioning of certain segments of the euro area debt securities markets and to restore the proper functioning of the monetary policy transmission mecha-

nism. By decision of the Governing Council of the ECB, the SMP was discontinued with immediate effect from September 2012.<sup>9</sup>

Total Eurosystem NCB holdings of SMP securities amounted to EUR 149.3 billion as on December 31, 2014, of which the OeNB holds securities worth some EUR 4.4 billion.

Profits or losses on securities held for monetary policy purposes are pooled and redistributed within the framework of the allocation of monetary income within the Eurosystem. Any losses from holdings of CBPP1 and CBPP2 securities are not shared by the Eurosystem NCBs. In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, any losses from holdings of CBPP3 and SMP securities, if they were to materialize, should eventually be shared in full by the Eurosystem NCBs, in proportion to the ECB capital key shares prevailing in the respective business year.

Just like on December 31, 2013, the impairment test of the monetary policy security holdings under the CBPP1, CBPP2, CBPP3 and SMP, which was harmonized across the Eurosystem, did not result in any requirement to impair on December 31, 2014.<sup>10</sup>

## 7.2 Other securities

The change in *other securities* resulted chiefly from transactions. On December 31, 2014, there was no requirement to impair the portfolio of securities classified as held-to-maturity. Securities other than those held to maturity are recognized at market value.

## 8 General government debt denominated in euro

Closing balance	EUR million	
December 31, 2014	407.967	
December 31, 2013	410.887	
Change	-2.920	(-0.7%)

<sup>9</sup> Decision of the Governing Council of the ECB of September 6, 2012.

<sup>10</sup> Decision of the Governing Council of the ECB of January 7, 2015.



This balance sheet item corresponds fully to the claim on the Austrian Federal Treasury from silver commemorative coins issued before 1989, based on the 1988 Coinage Act as promulgated in Federal Law Gazette No. 597/1988 as amended. Table 13 shows the changes in 2014.

Table 13

<i>EUR million</i>	
Government remuneration for silver commemorative coins returned to Münze Österreich AG	+4.160
Proceeds from metal recovery	-1.266
Redemptions made from the central government's profit share in 2013	-5.814
<b>Total</b>	<b>-2.920</b>

The central government will have to repay any redeemable amount outstanding on December 31, 2040, in equal annual installments over the five following years (2041 to 2045). For the estimated unredeemable amount outstanding, the OeNB has entered a provision on the liability side of the 2014 financial statements. The actual amount can be determined only at the end of 2040.

## 9 Intra-Eurosystem claims

	<i>EUR million</i>	
Closing balance		
December 31, 2014	30,023.322	
December 31, 2013	43,507.394	
Change	-13,484.072	(-31.0%)

This balance sheet item consists of the claims arising from the OeNB's share of the ECB's capital and the claims equivalent to the transfer

of foreign reserves to the ECB. Furthermore, this item shows net claims related to the allocation of euro banknotes within the Eurosystem. Table 14 shows the changes in *intra-Eurosystem claims* from December 31, 2013, to December 31, 2014.

### 9.1 Participating interest in the ECB

This subitem shows the share that the OeNB holds in the capital of the ECB. As a result of the regular adjustment of the shares of the NCBs in the ECB's capital key due every five years and of Latvijas Banka becoming a Eurosystem member on January 1, 2014, the OeNB's percentage share in the fully paid-up capital of the ECB rose to 2.8053% as on December 31, 2014, (December 31, 2013: 2.7847%).

### 9.2 Claims equivalent to the transfer of foreign reserves

This subitem represents the OeNB's claims arising from the transfer of foreign reserve assets to the ECB. The claims are denominated in euro at the original conversion rate, so that the OeNB does not have a claim on the ECB for the retransfer of foreign reserve assets. These claims are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted by a 15% haircut. See the *Notes on transactions not disclosed in the balance sheet* for information about additional capital contributions transferred to the ECB. The claim shown in the financial statements for 2014 rose by EUR 15.125 million from December 31, 2013, on account of the regular adjust-

Table 14

	December 31, 2014	December 31, 2013	Change	
	<i>EUR million</i>	<i>EUR million</i>	<i>EUR million</i>	%
9.1 Participating interest in the ECB	221.613	212.118	+9.495	+4.5
9.2 Claims equivalent to the transfer of foreign reserves	1,137.637	1,122.512	+15.125	+1.3
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	28,664.072	42,172.764	-13,508.692	-32.0
<b>Total</b>	<b>30,023.322</b>	<b>43,507.394</b>	<b>-13,484.072</b>	<b>-31.0</b>

Table 15

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
11.1 Coins of euro area	115.509	106.326	+9.183	+8.6
11.2 Tangible and intangible fixed assets	147.983	146.576	+1.407	+1.0
11.3 Other financial assets	8,396.758	8,613.079	-216.321	-2.5
11.4 Off balance sheet instruments' revaluation differences	–	55.366	-55.366	-100.0
11.5 Accruals and prepaid expenses	397.236	557.388	-160.152	-28.7
11.6 Sundry	906.457	773.436	+133.021	+17.2
<b>Total</b>	<b>9,963.943</b>	<b>10,252.171</b>	<b>-288.228</b>	<b>-2.8</b>

ment of the ECB's capital key and of Latvijas Banka's Eurosystem membership.

#### 9.4 Net claims related to the allocation of euro banknotes within the Eurosystem

This item reflects the OeNB's claims vis-à-vis the Eurosystem relating to the allocation of euro banknotes within the Eurosystem (see also *Banknotes in circulation and intra-Eurosystem balances*).

### 11 Other assets

Table 15 shows the changes in *other assets*.

#### 11.1 Coins of euro area

This item represents the OeNB's stock of fit coins issued by euro area countries.

#### 11.2 Tangible and intangible fixed assets

*Tangible and intangible fixed assets* comprise OeNB premises, assets under construction, equipment (including computers, related hardware and software, and motor vehicles), tangible real assets and rights of use and exploitation. Table 16 shows the changes in premises.

Table 16

EUR million	
Purchase and production costs incurred until December 31, 2013 <sup>1</sup>	120.545
Purchases in 2014	1.804
Sales (at cost) in 2014	–
Accumulated depreciation	60.640
Book value on December 31, 2014	61.709
Book value on December 31, 2013	64.507
Annual depreciation in 2014	4.602

<sup>1</sup> Premises acquired prior to December 31, 1956, were booked at the cost recorded in the schilling opening balance sheet (Federal Law Gazette No. 190/1954).

Table 17 shows the changes in *assets under construction*.

Table 17

EUR million	
Purchase and production costs incurred until December 31, 2013	4.561
Purchases in 2014	3.398
Sales (at cost) in 2014	–
Transfer	-0.041
Book value on December 31, 2014	7.918
Book value on December 31, 2013	4.561

Expenditures for the purchase of software in the Eurosystem so far have been capitalized under *assets under construction*.

Table 18 shows the changes in *equipment*.

Purchase costs incurred until December 31, 2013	84.563
Purchases in 2014	9.712
Sales (at cost) in 2014 <sup>1</sup>	6.362
Accumulated depreciation	57.901
Transfer	0.041
Book value on December 31, 2014	30.053
Book value on December 31, 2013	29.201
Annual depreciation in 2014	8.405

<sup>1</sup> The balance between the book value of sales and the underlying historical costs less accumulated depreciation is EUR 0.496 million.

Table 19 shows the changes in *tangible real assets*.

Purchase costs incurred until December 31, 2013	50.063
Purchases in 2014	0.014
Sales (at cost) in 2014	–
Accumulated depreciation	1.828
Accumulated appreciation	9.269
Book value on December 31, 2014	48.249
Book value on December 31, 2013	48.235
Annual depreciation in 2014	–

*Tangible real assets* comprise the coins of the OeNB's Money Museum and the OeNB's collection of historical string instruments. On December 31, 2014, the OeNB's collection of valuable string instruments encompassed 29 violins, 6 violoncellos and 3 violas. The string instruments are on loan to renowned musicians under the OeNB's cultural promotion program.

*Intangible fixed assets* consist of the right to use and exploit a movie project commissioned by the OeNB, entitled "Prägende Veränderung – Aufbruch nach Europa" (table 20).

Purchase costs incurred until December 31, 2013	0.090
Purchases in 2014	–
Sales (at cost) in 2014	–
Accumulated depreciation	0.036
Book value on December 31, 2014	0.054
Book value on December 31, 2013	0.072
Annual depreciation in 2014	0.018

### 11.3 Other financial assets

Table 21 shows the changes in *other financial assets*.

EUR 1,622.957 million of the OeNB's total securities portfolio represent investments of pension reserve assets, another EUR 1,582.896 million reflect investments of the OeNB *Anniversary Fund for the Promotion of Scientific Research and Teaching* (of which EUR 1,529.805 million were earmarked as an endowment for the National Foundation for Research, Technology and Development, also referred to in brief as the National Foundation). Under its own funds management, the OeNB had invested EUR 4,107.214 million.<sup>11</sup> Revaluations of the portfolios resulted in unrealized price gains of EUR 63.397 million and unrealized price losses totaling EUR 1.131 million.

Of the *participating interests*, EUR 781.777 million formed part of the own funds portfolio and EUR 299.383 million part of the invest-

	December 31, 2014 EUR million	December 31, 2013 EUR million	Change EUR million	%
Securities	7,313.067	7,498.413	–185.346	–2.5
Participating interests	1,081.160	1,111.859	–30.699	–2.8
Other investment	2.531	2.807	–0.276	–9.8
<b>Total</b>	<b>8,396.758</b>	<b>8,613.079</b>	<b>–216.321</b>	<b>–2.5</b>

<sup>11</sup> The OeNB's own funds shown under liabilities include its capital, the reserve for non-domestic and price risks, the profit-smoothing reserve, earmarked ERP capital and the risk provisions.

ment portfolio relating to investments of the pension reserve. Table 22 shows the changes in *participating interests*.

	EUR million
Net asset value on December 31, 2013	1,111.859
Purchases in 2014	–
Sales in 2014 (at book value)	–
Annual depreciation in 2014	–
Revaluation in 2014	–30.698
Net asset value on December 31, 2014	1,081.161

*Other investments* mainly consist of short-term and overnight funds, EUR 2.314 million of which represent investments of pension reserve assets.

#### 11.4 Off balance sheet instruments' revaluation differences

	EUR million	
Closing balance		
December 31, 2014	–	
December 31, 2013	55.366	
Change	–55.366	(–100.0%)

The amount shown on December 31, 2013, resulted from book value reconciliation and realized gains/losses on forward sales and purchases.

#### 11.5 Accruals and prepaid expenses

Table 23 shows the changes in *accruals and prepaid expenses*.

#### 11.6 Sundry

Table 24 shows the changes in *sundry assets*.

Pursuant to Article 3 paragraph 2 European Recovery Program (ERP) Fund Act, the

	December 31, 2014 EUR million	December 31, 2013 EUR million	Change EUR million	%
Accrued income	14.118	15.213	–1.095	–7.2
Prepaid expenses	364.337	512.696	–148.359	–28.9
Accrued interest paid	18.781	29.479	–10.698	–36.3
<b>Total</b>	<b>397.236</b>	<b>557.388</b>	<b>–160.152</b>	<b>–28.7</b>

	December 31, 2014 EUR million	December 31, 2013 EUR million	Change EUR million	%
Claims arising from ERP loans to companies	692.227	682.599	+9.628	+1.4
Claims on the tax authorities arising from corporate income tax prepayment	–	23.523	–23.523	–100.0
Schilling coins	4.157	3.793	+0.364	+9.6
Shareholder loans	–	35.346	–35.346	–100.0
Advances on salaries	8.674	8.661	+0.013	+0.2
Accounts receivable	4.359	3.973	+0.386	+9.7
Advances	9.569	13.923	–4.354	–31.3
Claims on Münze Österreich AG in respect of simultaneous capitalization of the dividend claim in 2014	184.819	–	+184.819	x
unsettled schilling coin returns	0.054	0.037	+0.017	+45.9
Other accounts receivable	2.598	1.581	+1.017	+64.3
<b>Total</b>	<b>906.457</b>	<b>773.436</b>	<b>+133.021</b>	<b>+17.2</b>

Table 25

	December 31, 2014 EUR million	December 31, 2013 EUR million	Change EUR million
Euro banknotes actually put into circulation and taken out of circulation by the OeNB (unadjusted)	-2,427.226	-17,675.304	+15,248.078
Adjusted for:			
Liability resulting from the ECB's share in euro banknotes in circulation <sup>1</sup>	-2,281.354	-2,130.168	-151.186
Claims related to the allocation of euro banknotes within the Eurosystem (Capital Share Mechanism – CSM)	+30,945.425	+44,302.932	-13,357.507
Net claims related to the allocation of euro banknotes within the Eurosystem	+28,664.072	+42,172.764	-13,508.692
<b>Euro banknotes in circulation<sup>2</sup></b>	<b>26,236.846</b>	<b>24,497.460</b>	<b>+1,739.386</b>

<sup>1</sup> The amount corresponds to the OeNB's share of the 8% of the total value of euro banknotes in circulation within the euro area that is allocated to the balance sheet of the ECB.

<sup>2</sup> This corresponds to 2.581% of the total amount of euro banknotes in circulation within the euro area. (December 31, 2013: 2.562%).

OeNB's maximum financing commitment corresponds to the sum by which the federal debt was written down initially (EUR 341.955 million) plus interest accrued on a reserve account (EUR 651.165 million on December 31, 2014). The ERP loan portfolio managed by the OeNB thus totaled EUR 993.120 million on December 31, 2014. The provisions governing the extension of loans from this portfolio are laid down in Article 83 Nationalbank Act.

The residual terms of advances on salaries almost exclusively exceed one year. All advance payments are secured by life insurance plans.

*Other claims* on December 31, 2014, mainly comprised claims arising from day-to-day business.

## Liabilities

### 1 Banknotes in circulation

Closing balance	EUR million	
December 31, 2014	26,236.846	
December 31, 2013	24,497.460	
Change	+1,739.386	(+7.1%)

This item reflects the value of euro banknotes in circulation allocated to the OeNB (table 25).

See section *Banknotes in circulation and intra-Eurosystem balances* for further explanations on this item.

Table 26 shows annual averages of the value of *banknotes in circulation* during the past five years.

Table 26

	Euro banknotes in circulation, annual average EUR million	Change	
		EUR million	%
2010	20,341	+1,018	+5.3
2011	21,270	+929	+4.6
2012	22,204	+934	+4.4
2013	23,188	+984	+4.4
2014	25,250	+2,062	+8.9

### 2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

Table 27 shows the changes in *liabilities to euro area credit institutions related to monetary policy operations denominated in euro*.

#### 2.1 Current accounts (covering the minimum reserve system)

This subitem contains the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves with the OeNB. Since June 2014, the reserves held in excess of minimum requirements are remunerated at the lower rate of either 0% or the deposit facility rate.

#### 2.2 Deposit facility

The *deposit facility* refers to overnight deposits placed with the OeNB by banks that access the

Table 27

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
2.1 Current accounts (covering the minimum reserve system)	11,676.298	12,036.904	-360.606	-3.0
2.2 Deposit facility	960.000	2,181.000	-1,221.000	-56.0
2.3 Fixed-term deposits	-	720.000	-720.000	-100.0
<b>Total</b>	<b>12,636.298</b>	<b>14,937.904</b>	<b>-2,301.606</b>	<b>-15.4</b>

Eurosystem's liquidity-absorbing standing facility at the deposit facility rate determined by the Governing Council of the ECB. In 2014, the volume of such transactions averaged EUR 130.017 million.

### 2.3 Fixed-term deposits

In 2014, *fixed-term deposits* of between EUR 720.000 million and EUR 8,385.000 million were made at interest rates of between 0.02% per annum and 0.25% per annum.

## 5 Liabilities to other euro area residents denominated in euro

Closing balance	EUR million	
December 31, 2014	2,688.712	
December 31, 2013	308.575	
Change	+2,380.137	(n.a.)

*Liabilities to other euro area residents denominated in euro* consist of general government deposits of EUR 181.108 million (-EUR 34.502 million).

## 6 Liabilities to non-euro area residents denominated in euro

Closing balance	EUR million	
December 31, 2014	461.288	
December 31, 2013	246.688	
Change	+214.600	(+87.0%)

*Liabilities to non-euro area residents denominated in euro* consist of balances of central banks,

credit institutions and supranational financial institutions headquartered outside the euro area.

## 9 Counterpart of Special Drawing Rights allocated by the IMF

Closing balance	EUR million	
December 31, 2014	2,070.381	
December 31, 2013	1,941.720	
Change	+128.661	(+6.6%)

This item represents the counterpart in euro of the SDR 1,736 million allocated gratuitously to the OeNB by the IMF, measured at current market values at the reporting date. The OeNB was allocated SDRs on January 1 from 1970 to 1972, from 1979 to 1981 and on August 28 and September 9, 2009. The increase in this item resulted mainly from realized exchange rate differences and book value reconciliation.

## 10 Intra-Eurosystem liabilities

Closing balance	EUR million	
December 31, 2014	30,082.510	
December 31, 2013	39,148.233	
Change	-9,065.723	(-23.2%)

This item shows the OeNB's net liabilities arising from transactions with the NCBs participating in TARGET2 and with the ECB. It also comprises the nonremunerated intra-Eurosystem balances between the ECB and the OeNB resulting from EUR/USD swap transactions. Moreover, this item covers net claims arising at

year-end from the difference between monetary income to be pooled and distributed, the balances arising from any redistribution of ECB seigniorage income, and pro rata expenditure in connection with losses incurred in respect of Eurosystem monetary policy operations.

The ECB remunerates *intra-Eurosystem liabilities* with the ECB (excluding the above-mentioned swap transactions) on a daily basis at the prevailing marginal interest rate for the Eurosystem's main refinancing operations.

## 12 Other liabilities

Table 28 shows the changes in *other liabilities*.

### 12.3 Sundry

Table 29 shows the changes in *sundry liabilities*.

Pursuant to Article 69 paragraph 3 Nationalbank Act, the *central government's share of profit* corresponds to 90% of the profit for the year after tax and after transfers to the pension reserve.

The subitem *schilling banknotes in circulation with an exchange deadline* is attributable to schilling banknotes with an exchange deadline which were still outstanding on December 31, 2014. Like 2013, 2014 did not mark the end of the exchange period of any schilling banknote.

According to the General Meeting's decision, EUR 10 million of the profit for the year 2013 were apportioned to the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching*. The initial OeNB Anniversary Fund was thus endowed with EUR 38.672 million. Of these funds, EUR 9.797 million were paid out in 2014; another EUR 18.440 million of the remaining undisbursed funds of EUR 28.875 million had been committed by December 31, 2014. In 2014, the OeNB's General Council endorsed 100 new projects which will receive funding amounting to EUR 9.357 million. This means that since funds were first pledged as financial assistance in 1966, a total of EUR 761.899 million has been paid out.

The OeNB transfers the amounts appropriated each year for the National Foundation (investment income of EUR 49.2 million in total

Table 28

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	8.842	–	+8.842	x
12.2 Accruals and income collected in advance	3.019	12.654	–9.635	–76.1
12.3 Sundry	425.480	345.201	+80.297	+23.3
<b>Total</b>	<b>437.341</b>	<b>357.855</b>	<b>+79.486</b>	<b>+22.2</b>

Table 29

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
Central government's share of profit	230.011	181.234	+48.777	+26.9
Liability from schilling banknotes in circulation with an exchange deadline	112.557	113.695	–1.138	–1.0
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	28.875	28.231	+0.644	+2.3
OeNB Anniversary Fund National Foundation endowment	49.184	17.713	+31.471	+177.7
Settlement account with the tax authorities	–	0.349	–0.349	–100.0
Sundry	4.853	3.979	+0.874	+22.0
<b>Total</b>	<b>425.480</b>	<b>345.201</b>	<b>+80.279</b>	<b>+23.3</b>

for 2014) the day after the OeNB's General Meeting.

### 13 Provisions

Table 30 shows the changes in *provisions*.

*Risk provisions* are made for foreign exchange rate, interest rate, credit and gold price risks. To calculate the need to allocate or release risk provisions, the OeNB uses bandwidths for all financial risks it incurs, including the risks arising from the Eurosystem's single monetary policy. These bandwidths are based on risk calculations using VaR and ES (expected shortfall) calculations with a confidence level of 99% over a one-year horizon (plus a three-month horizon for market risk). The bandwidths also reflect the results of stress scenarios for the risks associated with the conduct of Eurosystem monetary policy operations. Taking into account the respective prohibition of

netting in the Accounting Guideline, balances on revaluation accounts that may be used to absorb losses are used as a risk-mitigating factor in calculating market risk.

Taking monetary policy, macroeconomic and financial stability considerations into account, the Governing Board determines the size of the risk provisions every year on the basis of the risk bandwidths. In the financial statement for 2014, EUR 325 million were allocated to the risk provisions. As defined by the ECB, these risk provisions constitute central bank-specific provisions equivalent to reserves and are to be included in net equity.

The Nationalbank Act is the legal basis for the OeNB's retirement plan for employees recruited up to April 30, 1998. To cover its liability under this retirement plan, the OeNB is obligated by law to hold a *pension reserve*. Following a change in the retirement plan, staff recruited since May 1, 1998, stands to receive

Table 30

	December 31, 2013 EUR million	Transfer from EUR million	Transfer to EUR million	December 31, 2014 EUR million
<b>Risk provisions</b>	2,850.000	–	+325.000	3,175.000
<b>Pension reserve</b>	1,897.106	–	+0.734	1,897.840
<b>Personnel provisions</b>				
Severance payments	61.259	–7.611	+1.097	54.745
Anniversary bonuses	11.112	–1.091	+3.301	13.322
Residual leave entitlements	12.761	–0.371	+0.980	13.370
Supplementary contributions to pension plans	15.070	–	+2.203	17.273
Pension fund contributions	0.955	–0.250	+0.545	1.250
Provisions for death gratuity payments	0.664	–	+0.112	0.776
Provisions for prepaid salaries in 2013 and 2014	0.440	–0.440	+0.432	0.432
Provisions for compulsory social security contributions	0.126	–0.126	+0.137	0.137
Sabbaticals	0.181	–0.092	–	0.089
Provision for pending employment lawsuits	0.352	–	+0.075	0.427
<b>Other provisions</b>				
Schilling banknotes without an exchange deadline	146.429	–2.640	–	143.789
Estimated unredeemable amount outstanding from the Austrian Federal Treasury for silver commemorative coins issued before 1989	–	–	+27.788	27.788
Accounts payable	0.657	–0.657	+0.364	0.364
Accounts payable to subsidiaries	1.938	–1.938	+1.191	1.191
Corporate income tax	–	–	+7.624	7.624
Provisions for pending lawsuits	3.992	–	+4.301	8.293
Other	0.856	–0.652	+1.033	1.237
<b>Total</b>	<b>5,003.898</b>	<b>–15.868</b>	<b>+376.917</b>	<b>5,364.947</b>



a state pension supplemented by an occupational pension from an externally managed pension fund. For this supplementary pension, the OeNB took out a contract effective May 1, 1999, which applies to employees hired from May 1, 1998. With the OeNB's direct liability to pay retirement benefits now limited to staff recruited before May 1, 1998, the *pension reserve* set up to secure this liability has become a closed system. Article 81 Second Stability Act 2012 (2. Stabilitätsgesetz 2012) established a new legal situation with regard to OeNB pension entitlements. From January 1, 2013 until December 31, 2014, the OeNB retained a specified amount of contributions from the monthly salaries (Pensionsbeitrag; 3%) of all employees who joined the OeNB until March 30, 1993, and from the pensions (Pensionssicherungsbeitrag; 3.3%) of all retired OeNB employees and transferred this amount to the central government.

The Act to Limit Specific Pension Benefits (Sonderpensionenbegrenzungsgesetz – SpBegrG), which parliament adopted on June 12, 2014, and which entered into force on January 1, 2015, resulted in an adjustment of the actuarial calculation of the *pension reserve* as on December 31, 2014. As a result of the higher pension entitlement age, the introduction of an assessment period for the wage base of pension claims (Durchrechnungszeitraum), the transfer to the *pension reserve* of pension contributions retained from monthly salaries or pensions, the termination of the entitlement to death gratuity payments to the dependents of retired employees, the capping of pensions and the linking of valorization of pensions to the adjustments under the General Social Security Act from the second calendar year of retirement have led to a reduction of EUR 267.011 million in the actuarial present value of the *pension reserve*.

During the annual review of the discount rate used to calculate the actuarial present value of the projected pension benefits<sup>12</sup>, the discount

rate was reduced from 2.998% per annum to 2.76% per annum on account of the sustained period of low interest rates. The lower discount rate assumption implies an increase in the amount of reserve assets required to meet future pension obligations by EUR 66.483 million.

Moreover, the most recent mortality tables are used to calculate the actuarial present value of the projected pension benefits.<sup>13</sup> The calculation takes into account three reasons (death, disability or attainment of pension entitlement age) that entitle employees or their dependents to receive benefits from the *pension reserve*.

The pension entitlement age is governed by the provisions in the respective Conditions of Service and service contracts, in observance of the Act to Limit Specific Pension Benefits. In the 2014 financial statements, the pension scheme liabilities for current employees were stated pro rata; those for retired employees were stated at their net present value.

The actuarial present value of projected pension benefits amounted to EUR 2,012.427 million on December 31, 2014; it was fully covered by the *pension reserve* and hidden reserves in the real estate portfolio.

*Provisions for severance payments, anniversary bonuses and residual leave entitlements* are calculated according to actuarial principles; the corresponding discount rate assumption for December 31, 2014, was reduced from 2.83% per annum to 2.76% per annum. No discount for employee fluctuation was applied in calculating *provisions for severance payments and for anniversary bonuses*.

The *provisions for schilling banknotes without an exchange deadline* were drawn down for exchanges of schilling banknotes.

#### 14 Revaluation accounts

The amounts on the *revaluation accounts* (table 31) reflect the valuation gains established in the course of the valuation of assets (on a curren-

<sup>12</sup> The calculation of the discount rate is based on zero coupon euro interest rate swaps with a residual maturity of 15 years. The seven-year moving average of the swap curve as published by the Deutsche Bundesbank, increased by a spread, and the seven-year average of the Harmonised Index of Consumer Prices (HICP) for the euro area are taken into account in the calculation formula.

<sup>13</sup> AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler (actuarial basis for pension insurance published by the Austrian actuaries association AVÖ).

Table 31

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
<b>Revaluation accounts</b>				
Gold	6,674.176	5,624.989	+1,049.187	+18.7
Foreign currency	546.239	93.919	+452.320	n.a.
Securities	662.398	343.843	+318.555	+92.6
Participating interests	440.032	470.731	-30.699	-6.5
Coins of the OeNB's Money Museum	9.269	9.269	-	-
<b>Total</b>	<b>8,332.114</b>	<b>6,542.751</b>	<b>+1,789.363</b>	<b>+27.3</b>
<b>Unrealized valuation gains from January 1, 1999 (initial valuation)</b>				
Participating interests	262.764	262.764	-	-
<b>Total</b>	<b>8,594.878</b>	<b>6,805.515</b>	<b>+1,789.363</b>	<b>+26.3</b>

Table 32

	December 31, 2014	December 31, 2013	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	60.623	51.686	+8.937	+17.3
Reserve for nondomestic and price risks	1,973.263	1,973.263	-	-
OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching	1,531.500	1,531.500	-	-
Earmarked capital funded with net interest income from ERP loans	651.165	648.909	+2.256	+0.3
<b>Total</b>	<b>4,216.551</b>	<b>4,205.358</b>	<b>+11.193</b>	<b>+0.3</b>

cy-by-currency and code-by-code basis) as on December 31, 2014. Those gains are realizable only in the context of future transactions in the respective category or may be used to reverse revaluation losses that may arise in future years.

## 15 Capital and reserves

According to Article 8 Nationalbank Act, the capital of the OeNB is EUR 12 million. Since May 27, 2010, the Republic of Austria has been the sole shareholder of the OeNB, with the Ministry of Finance acting as the shareholder's representative.

Table 32 shows the changes in reserves.

The change in the *profit-smoothing reserve* resulted from allocations out of the profit for the year 2013, which were made according to the General Meeting's decision of May 27, 2014.

The *reserve for nondomestic and price risks* serves to cover the risks associated with foreign currency and security prices.

The capital of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* consists of its initial funding (EUR 31.5 million) and of an endowment to support the National Foundation (EUR 1.5 billion), which was established in 2003 by earmarking funds reappropriated from the *freely disposable reserve fund* (EUR 545 million) and from the *general reserve fund* (EUR 955 million).

Funds earmarked for appropriation by the Anniversary Fund may be used to cover a potential loss for the year.

*Earmarked capital funded with net interest income from ERP loans* represents the cumulative interest income accruing to the OeNB from lending out of the ERP loan portfolio managed by the OeNB. Appropriation of this ERP capital is subject to international law; this item is earmarked exclusively for ERP loans. ERP capital must not be used to cover any loss for the year.

## Notes on transactions not disclosed in the balance sheet

Table 33 shows the changes in *transactions not disclosed in the balance sheet*.

## Notes on the profit and loss account

Table 34 shows the changes in the *profit and loss account*.

### 1 Net interest income

*Net interest income* represents the balance of interest income and interest expense (table 35).

### 2 Net result of financial operations, writedowns and risk provisions

Table 36 shows *realized gains/losses arising from financial operations*.

Table 37 shows *writedowns on financial assets and positions*.

The *net result of financial operations, writedowns and risk provisions* reflects transfers to

risk provisions of EUR 325 million in 2014 (2013: EUR 300 million).

### 4 Income from equity shares and participating interests

Table 38 shows *income from equity shares and participating interests*.

The financial statements 2014 include the 2013 dividends (EUR 67.700 million) and 2014 dividends (EUR 184.819 million) of Münze Österreich AG, as an amendment of the 1988 Coinage Act (as amended) resulted in a simultaneous capitalization of the dividend claim for the first time in 2014.

As decided by the Governing Council of the ECB, EUR 15 million of the ECB's 2014 income of EUR 125.8 million on euro banknotes in circulation (seigniorage income) and of the ECB's income of EUR 729.9 million on SMP, CBPP3 and ABSPP securities were retained and transferred to the ECB's *provision for foreign exchange rate, interest rate, credit and gold price risks*. The remaining seigniorage income of EUR 840.7 million was distributed to the

Table 33

	December 31, 2014	December 31, 2013
	EUR million	EUR million
Obligation under the IMF's Articles of Agreement to expand SDR holdings to up to three times the amount of SDRs received gratuitously <sup>1</sup>	4,310.346	3,833.794
Contingent liabilities to the IMF under the New Arrangements to Borrow (NAB) <sup>1</sup>	3,763.024	3,482.543
Contingent liabilities to the IMF under a bilateral agreement <sup>1</sup>	6,130.000	6,130.000
Obligation to make supplementary contributions to the stake in the capital of the BIS (8,564 shares of SDR 5,000 each)	38.294	35.914
Forward purchases (euro forward transactions and swaps)	1,247.756	2,232.716
Forward sales (foreign currency-denominated forward transactions and swaps) <sup>2</sup>	1,256.598	2,177.350
Book value reconciliation and realized gains/losses on forward sales and purchases	8.842	55.366
Liabilities from foreign currency investments effected in the OeNB's name for third account	8.215	22.296
Repayment obligation equivalent to interest accrued on pension contributions paid by OeNB staff terminating employment	12.897	12.432
Contingent liabilities in respect of the funding gap in the pension reserve	–	39.317
Contingent liabilities equivalent to the OeNB's share of the maximum of EUR 50 billion of reserve assets that the ECB may require the euro area NCBs to transfer under Article 30.1 of the Statute of the ESCB and of the ECB	981.550	968.500
Contingent liabilities arising from bank guarantees given	111.000	111.000
Contingent assets arising from bank guarantees received	7.191	7.863
Contingent assets from a guarantee of the OeKB in respect of payment transactions	1,000.000	1,000.000

<sup>1</sup> The IMF could call on these contingent liabilities against remuneration, giving rise to a corresponding claim of the same size.

<sup>2</sup> This item includes U.S. dollar-, pound sterling- and Japanese yen-denominated forward sales to hedge the SDR currency risk as at December 31, 2014, and December 31, 2013.

Table 34

	2014	2013	Change <sup>1</sup>	
	EUR million	EUR million	EUR million	%
1 Net interest income	777.628	833.901	-56.273	-6.8
2 Net result of financial operations, writedowns and risk provisions	-392.916	-265.970	+126.946	+47.7
3 Net income from fees and commissions	0.398	0.427	-0.029	-6.8
4 Income from equity shares and participating interests	280.049	89.624	+190.425	n.a.
5 Net result of pooling of monetary income	-19.008	-26.947	-7.939	-29.5
6 Other income	23.991	60.317	-36.326	-60.2
<b>Total net income</b>	<b>670.141</b>	<b>691.352</b>	<b>-21.211</b>	<b>-3.1</b>
7 Staff costs	-139.416	-135.589	+3.827	+2.8
8 Expenses for retirement	-31.152	-113.946	-82.794	-72.7
9 Administrative expenses	-83.870	-81.553	+2.317	+2.8
10 Depreciation of tangible and intangible fixed assets	-13.025	-13.925	-900	-6.5
11 Banknote production services	-20.859	-19.018	+1.841	+9.7
12 Other expenses	-41.062	-28.994	+12.068	+41.6
<b>Total expenses</b>	<b>-329.384</b>	<b>-393.025</b>	<b>-63.641</b>	<b>-16.2</b>
<b>Operating profit</b>	<b>340.757</b>	<b>298.327</b>	<b>+42.430</b>	<b>+14.2</b>
13 Corporate income tax	-85.189	-74.582	+10.607	+14.2
	<b>255.568</b>	<b>223.745</b>	<b>+31.823</b>	<b>+14.2</b>
14 Transfer to the pension reserve and central government's share of profit	-230.011	-203.608	+26.403	+13.0
<b>15 Profit for the year</b>	<b>25.557</b>	<b>20.137</b>	<b>+5.420</b>	<b>+26.9</b>

<sup>1</sup> Absolute increase (+) or decrease (-) in the respective item.

Table 35

	2014	2013	Change	
	EUR million	EUR million	EUR million	%
Net interest income from foreign currency investments	134.264	125.152	+9.112	+7.3
Net interest income from euro investments	336.051	275.081	+60.970	+22.2
Monetary policy operations	316.095	401.300	-85.205	-21.2
Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem	65.353	245.680	-180.327	-73.4
Transfer of foreign reserve assets to the ECB	1.600	5.342	-3.742	-70.0
TARGET2 transactions	-61.733	-220.852	-159.119	-72.0
Other	-14.002	2.198	+16.200	n.a.
<b>Total</b>	<b>777.628</b>	<b>833.901</b>	<b>-56.273</b>	<b>-6.8</b>

Table 36

	2014	2013	Change	
	EUR million	EUR million	EUR million	%
Foreign currency transactions	5.819	50.361	-44.542	-88.4
Securities transactions	71.571	56.510	+15.061	+26.7
<b>Total</b>	<b>77.390</b>	<b>106.871</b>	<b>-29.481</b>	<b>-27.6</b>

Table 37

	2014	2013	Change	
	EUR million	EUR million	EUR million	%
Securities	-4.456	-36.389	-31.933	-87.8
Foreign currency	-140.850	-36.452	-104.398	n.a.
<b>Total</b>	<b>-145.306</b>	<b>-72.841</b>	<b>-72.465</b>	<b>-99.5</b>

Table 38

	2014	2013	Change	
	EUR million	EUR million	EUR million	%
Dividends				
BIS	2.083	3.117	-1.034	-33.2
Münze Österreich AG	252.519	36.500	+216.019	n.a.
Profit distributions by				
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA)	0.175	0.115	+0.060	+52.2
Distribution of ECB seigniorage income	23.585	38.142	-14.557	-38.2
Distribution of ECB profit	1.687	11.750	-10.063	-85.6
<b>Total</b>	<b>280.049</b>	<b>89.624</b>	<b>+190.425</b>	<b>n.a.</b>

Table 39

	2014	2013
	EUR million	EUR million
Net monetary income to be pooled	317.343	499.799
Net redistribution of monetary income	279.036	463.491
<b>Monetary income reallocation for the reporting year</b>	<b>-38.307</b>	<b>-36.308</b>
Net income resulting from the revision of monetary income of the previous years	+7.130	+0.395
Realized gains from the liquidation of collateral	+12.169	-
	-19.008	-35.913
Transfers from provisions in respect of Eurosystem monetary policy operations	-	+8.966
<b>Total</b>	<b>-19.008</b>	<b>-26.947</b>

NCBs at the end of January 2015, with the OeNB receiving EUR 23.6 million of this amount.

## 5 Net result of pooling of monetary income

Table 39 shows the net result arising for the OeNB from the calculation of monetary income in the Eurosystem.

The calculation of monetary income every year is made in accordance with Article 32 of the Statute of the ESCB and of the ECB.

The amount of the OeNB's monetary income is determined by measuring the actual

annual income that it derives from the earmarkable assets held against its liability base. The liability base consists of banknotes in circulation, liabilities to euro area credit institutions related to monetary policy operations denominated in euro, net intra-Eurosystem liabilities resulting from the issuance of ECB debt certificates, from TARGET2 transactions and from the allocation of euro banknotes within the Eurosystem. Any interest on these liabilities is deducted from the monetary income to be pooled.

The earmarkable assets consist of the following items: lending to euro area credit insti-

tutions related to monetary policy operations denominated in euro, net intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB, net intra-Eurosystem claims resulting from TARGET2 transactions and net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; moreover, a limited amount of the OeNB's gold holdings in proportion to its capital key share (gold is considered to generate no income).

Securities acquired by the OeNB under the CBPP1 and CBPP2 initiatives generate income at the latest available marginal rate for the Eurosystem's main refinancing operations. Where the value of the OeNB's earmarkable assets exceeds, or falls short of, the value of its liability base, the difference is offset by applying the latest available marginal rate for the Eurosystem's main refinancing operations to the value of the difference.

The monetary income pooled by the Eurosystem is allocated among NCBs according to the subscribed ECB capital key.

## 6 Other income

*Other income* comprises i.a. rental income and income from transactions between the OeNB and OeNB subsidiaries and/or the ECB amounting to EUR 10.969 million and the FMA's reimbursement of OeNB banking supervision costs amounting to the statutory maximum of EUR 8 million.

## 7 Staff costs

The cost of current employees falls under the heading *staff costs*. These costs are reduced by recoveries of salaries.

*Salaries* rose by EUR 4.893 million (+4.3%) net to EUR 118.415 million against the previous year. The OeNB's outlays were reduced by recoveries of salaries totaling EUR 6.056 million for staff members on secondment to subsidiaries and foreign institutions.

The four members of the OeNB's Governing Board received emoluments totaling EUR 1.106 million in 2014 (2013: EUR 1.075 million; table 40).

With regard to the remuneration of Governing Board members, the Federal Constitutional Act on the Limitation of Remunerations for Public Officials stipulates that the emoluments of the central bank governor must not exceed those of the Austrian Federal Chancellor. The emoluments of the other members of the Governing Board, in turn, must not exceed the emoluments of the Governor of the OeNB. In line with the provisions of the Federal Constitutional Act on the Limitation of Remunerations for Public Officials, the emoluments for the members of the OeNB's Governing Board were increased by 1.6% per annum from January 1, 2014. Remuneration in kind (tax value of the private use of company cars, insurance subsidies) and other benefits totaled EUR 0.045 million. The emoluments of the OeNB's President and Vice President amounted to EUR 0.118 million in 2014 (2013: EUR 0.116 million). The members of the General Council

Table 40

	Emoluments EUR million
Governor Ewald Nowotny	0.2954
Vice Governor Andreas Ittner	0.2784
Executive Director Kurt Pribil	0.2662
Executive Director Peter Mooslechner	0.2662

Table 41

	Reporting date December 31 <sup>1</sup>			Annual average <sup>1</sup>		
	2014	2013	Change	2014	2013	Change
FTEs in core business areas <sup>2</sup>	1,084.0	1,089.1	-5.1	1,092.7	1,083.9	+8.8
Total	1,234.8	1,232.9	+1.9	1,241.3	1,230.7	+10.6

<sup>1</sup> Figures include part-time employees on a pro rata basis.

<sup>2</sup> Excluding employees on secondment or leave (such as maternity and parental leave).

may donate EUR 250 to charity for every day they participate in a meeting of the General Council or one of its committees. Travel expenses associated with the exercise of General Council members' functions are appropriately reimbursed.

Table 41 shows the changes in staff in terms of full-time equivalents (FTEs) staff.

*Expenses for severance payments and contributions to severance funds* came to EUR 1.668 million (2013: EUR 4.321 million) and EUR 0.593 million (2013: EUR 0.513 million), respectively. Expenses for severance payments for management officials (Governing Board members) totaled EUR 0.0235 million in 2014.

*Expenses for compulsory social security contributions as well as compulsory contributions and charges related to wages and salaries* totaled EUR 20.351 million (+EUR 1.010 million or +5.2%). Of this amount, EUR 11.690 million (+EUR 0.770 million or +7.1%) were social security contributions, EUR 5.056 million (+EUR 0.160 million or +3.3%) were contributions to the Family Burden Equalization Fund, and EUR 3.392 million (+EUR 0.102 million or +3.1%) were municipal tax payments.

## 8 Expenses for retirement

This item includes pension plan contributions made in 2014 to the externally managed pension fund and respective reserves set aside, amounting to EUR 6.586 million (2013: EUR 6.586 million). Pension payments totaled EUR 118.172 million (+2.8%), of which EUR 93.606 million were covered by the investment income of the pension reserve. The cost of remunerating retired board members or their dependents amounted to EUR 4.201 million.

## 9 Administrative expenses

*Administrative expenses* include, among other things, rent, operating expenses, maintenance and repair costs of EUR 31.925 million (+EUR 1.124 million) as well as banknote processing expenses of EUR 11.389 million (–EUR 0.454

million). The headline figure also includes EUR 4.193 million (–EUR 0.826 million) that were refunded by OeNB subsidiaries or the ECB, in particular rent, operating costs and security-related service costs, part of which subsidiaries must reimburse to the OeNB. Furthermore, expenses for the OeNB's project to analyze and optimize its business area portfolios (OPAL) came to EUR 1.304 million, and expenses for the establishment of the Single Supervisory Mechanism (SSM) amounted to EUR 1.451 million. Administrative expenses for auditing the financial statements came to EUR 0.109 million (2013: EUR 0.109 million), those for other certification services of the auditor to EUR 0.022 million (2013: EUR 0.083 million).

## 11 Banknote production services

Expenses for *banknote production services* result above all from the purchase of euro banknotes from the OeBS.

## 12 Other expenses

*Other expenses* include EUR 27.788 million of transfers to the provision for the estimated unredeemable amount outstanding from the Austrian Federal Treasury for silver commemorative coins issued before 1989.

## 13 Corporate income tax

Pursuant to Article 72 paragraph 1 Nationalbank Act, the operating profit of the annual accounts drawn up pursuant to Article 67 Nationalbank Act and in accordance with Article 69 paragraph 1 Nationalbank Act constitutes the OeNB's taxable income within the meaning of Article 22 paragraph 1 of the Körperschaftsteuergesetz (Corporation Tax Act) 1988.

## 14 Transfer to the pension reserve and central government's share of profit

The *transfer to the pension reserve and the central government's share of profit* are shown in table 42.

Table 42

	2014	2013	Change	
	<i>EUR million</i>	<i>EUR million</i>	<i>EUR million</i>	%
Transfer to the pension reserve under Article 69 paragraph 2 Nationalbank Act	–	22.374	–22.374	–100.0
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	230.011	181.234	+48.777	+26.9
<b>Total</b>	<b>230.011</b>	<b>203.608</b>	<b>+26.403</b>	<b>+13.0</b>

## Post-balance sheet events

### Eurosystem entry

After Lithuania had fulfilled the conditions for euro introduction, Lietuvos bankas acceded to the Eurosystem on January 1, 2015. As a result of its membership in the Eurosystem pursuant to Article 48.1 of the Statute of the ESCB and of the ECB, Lietuvos bankas was required to fully pay up its share in the ECB's subscribed capital, and pursuant to Article 30.1 of the

Statute of the ESCB and of the ECB, it was obligated to transfer foreign reserve assets to the ECB in an amount corresponding to its subscribed capital share.

As a result of the change in the capital key following Lietuvos bankas' entry into the Eurosystem, the OeNB's share in the ECB's paid up capital (capital key) declined from 2.8053% to 2.7888%. The OeNB's share in the ECB's subscribed capital now comes to 1.9631%.



**GOVERNING BOARD (DIREKTORIUM)**

Governor Ewald Nowotny  
 Vice Governor Andreas Ittner  
 Executive Director Kurt Pribil  
 Executive Director Peter Mooslechner

**GENERAL COUNCIL (GENERALRAT)**

President Claus J. Raidl  
 Vice President Max Kothbauer  
 August Astl  
 Elisabeth Gürtler-Mauthner (until May 27, 2014)  
 Gottfried Haber  
 Erich Hampel  
 Anna Maria Hochhauser  
 Johann Marihart (until July 31, 2014)  
 Werner Muhm  
 Gabriele Payr  
 Walter Rothensteiner  
 Dwora Stein  
 State Commissioner Harald Waiglein  
 Deputy State Commissioner Alfred Lejsek

In accordance with Article 22 paragraph 5 Nationalbank Act, the following representatives of the Central Staff Council participated in discussions on personnel, social and welfare matters:

Robert Kocmich  
 Birgit Sauerzopf (from March 1, 2014)  
 Ferdinand Mramor (until February 28, 2014)

Vienna, March 26, 2015



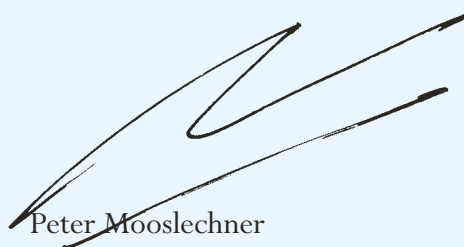
Ewald Nowotny



Andreas Ittner



Kurt Pribil



Peter Mooslechner

# Audit opinion



**Oesterreichische Nationalbank, Wien**  
 Bericht über die Prüfung des Jahresabschlusses zum 31. Dezember 2014  
 26. März 2015

## Bestätigungsvermerk

### Bericht zum Jahresabschluss

Wir haben den beigefügten Jahresabschluss der

**Oesterreichische Nationalbank,  
 Wien,**

für das **Geschäftsjahr vom 1. Jänner 2014 bis zum 31. Dezember 2014** unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2014, die Gewinn- und Verlustrechnung für das am 31. Dezember 2014 endende Geschäftsjahr sowie den Anhang.

### *Verantwortung der gesetzlichen Vertreter für den Jahresabschluss und die Buchführung*

Die gesetzlichen Vertreter der Gesellschaft sind für die Buchführung sowie für die Aufstellung eines Jahresabschlusses verantwortlich, der ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den sondergesetzlichen Bestimmungen des Nationalbankgesetzes 1984 in der geltenden Fassung und den ergänzenden Bestimmungen der vom Rat der Europäischen Zentralbank gemäß Artikel 26 Abs 4 des "Protokolls über die Satzung des Europäischen Systems der Zentralbanken und der Europäischen Zentralbank" mittels der "Guideline of the European Central Bank of 11 November 2010 on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks (ECB/2010/20)" in der Fassung vom 15. Dezember 2014 (ECB/2014/54) erlassenen Vorschriften, vermittelt. Diese Verantwortung beinhaltet: Gestaltung, Umsetzung und Aufrechterhaltung eines internen Kontrollsystems, soweit dieses für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, damit dieser frei von wesentlichen Fehldarstellungen ist, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern; die Auswahl und Anwendung geeigneter Bilanzierungs- und Bewertungsmethoden; die Vornahme von Schätzungen, die unter Berücksichtigung der gegebenen Rahmenbedingungen angemessen erscheinen.

### *Verantwortung des Abschlussprüfers und Beschreibung von Art und Umfang der gesetzlichen Abschlussprüfung*

Unsere Verantwortung besteht in der Abgabe eines Prüfungsurteils zu diesem Jahresabschluss auf der Grundlage unserer Prüfung. Wir haben unsere Prüfung unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und Grundsätze ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern, dass wir die Standesregeln einhalten und die Prüfung so planen und durchführen, dass wir uns mit hinreichender Sicherheit ein Urteil darüber bilden können, ob der Jahresabschluss frei von wesentlichen Fehldarstellungen ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen hinsichtlich der Beträge und sonstigen Angaben im Jahresabschluss. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers unter Berücksichtigung seiner Einschätzung des Risikos eines Auftretens wesentlicher Fehldarstellungen, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern. Bei der Vornahme dieser Risikoeinschätzung berücksichtigt der Abschlussprüfer das interne Kontrollsystem, soweit es für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der Gesellschaft von Bedeutung ist, um unter Berücksichtigung der Rahmenbedingungen geeignete Prüfungshandlungen festzulegen, nicht jedoch um ein Prüfungsurteil über die Wirksamkeit der internen Kontrollen der Gesellschaft abzugeben. Die Prüfung umfasst ferner die Beurteilung der Angemessenheit der angewandten Bilanzierungs- und Bewertungsmethoden und der von den gesetzlichen Vertretern vorgenommenen wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Jahresabschlusses.

Wir sind der Auffassung, dass wir ausreichende und geeignete Prüfungsnachweise erlangt haben, sodass unsere Prüfung eine hinreichend sichere Grundlage für unser Prüfungsurteil darstellt.

### Prüfungsurteil

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss nach unserer Beurteilung den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2014 sowie der Ertragslage der Gesellschaft für das Geschäftsjahr vom 1. Jänner 2014 bis zum 31. Dezember 2014 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung.

### Aussagen zum Geschäftsbericht

Auf den gemäß § 68 Abs 1 NBG zu erstellenden Geschäftsbericht finden die Bestimmungen des § 243 Abs 1 bis 3 UGB (Lagebericht), mit Ausnahme von Abs 2 letzter Satz und Abs 3 Z 2 und Z 5, UGB Anwendung.

Der Geschäftsbericht ist auf Grund der gesetzlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob die sonstigen Angaben im Geschäftsbericht nicht eine falsche Vorstellung von der Lage der Gesellschaft erwecken. Der Bestätigungsvermerk hat auch eine Aussage darüber zu enthalten, ob der Geschäftsbericht mit dem Jahresabschluss in Einklang steht.

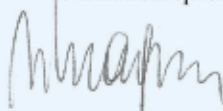
Der Geschäftsbericht steht nach unserer Beurteilung in Einklang mit dem Jahresabschluss.

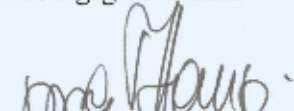
Wien, am 26. März 2015



KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

  
 Dr. Martin Wagner  
 Wirtschaftsprüfer

  
 ppa Mag. Monika Hansi  
 Wirtschaftsprüferin

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss samt Geschäftsbericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs 2 UGB zu beachten.

# Audit opinion – OeNB translation for information purposes

**Oesterreichische Nationalbank, Vienna**

*Audit opinion on the German version of the financial statements as of December 31, 2014*

*March 26, 2015*

## Audit opinion

### **Report on the financial statements**

We have audited the accompanying financial statements of the

**Oesterreichische Nationalbank,  
Vienna,**

for the *fiscal year from January 1, 2014, to December 31, 2014*, including the OeNB's accounts. These financial statements comprise the balance sheet as of December 31, 2014, the profit and loss account for the fiscal year ended December 31, 2014, and the notes.

### **Management's responsibility for the financial statements and for the accounting system**

The management of the company is responsible for the accounts maintained by the company and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, and under the special provisions of the Nationalbank Act 1984, as amended, as well as the supplementary provisions established by the Governing Council of the ECB, pursuant to Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank, in the rules laid down in the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20), as amended by the ECB's Guideline of 15 December 2014 (ECB/2014/54). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility and description of the type and scope of the statutory audit**

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and with Austrian standards on auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit so as to obtain reasonable assurance whether the financial statements are free from material misstatement.

**Oesterreichische Nationalbank, Vienna***Audit opinion on the German version of the financial statements as of December 31, 2014*

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit opinion**

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the company as of December 31, 2014, and of its financial performance for the fiscal year from January 1, 2014, to December 31, 2014, in accordance with Austrian Generally Accepted Accounting Principles.

**Statement on the Annual Report**

The provisions of Article 243 paragraphs 1 to 3 of the Commercial Code (Report of the Management Board) with the exception of paragraph 2 last sentence and paragraph 3 nos. 2 and 5 Commercial Code are applicable to the Annual Report to be prepared under Article 68 paragraph 1 Nationalbank Act.

Pursuant to statutory provisions, the Annual Report is to be audited as to whether the other disclosures are not misleading with respect to the company's financial position. The auditors' report also has to contain a statement as to whether the Annual Report is consistent with the financial statements.

In our opinion, the Annual Report is consistent with the financial statements.

Vienna, March 26, 2015

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Martin Wagner	p.p. Monika Hansi
Wirtschaftsprüfer	Wirtschaftsprüfer

The financial statements including our audit opinion may be published or distributed only as audited by us. This auditors' report applies exclusively to the full German version of the financial statements and Annual Report of the Oesterreichische Nationalbank. Any other versions are subject to Article 281 paragraph 2 Commercial Code.

## Profit for the year and proposed profit appropriation

With the statutory allocation of the central government's share of EUR 230.011 million of the OeNB's profit having been made in line with Article 69 paragraphs 2 and 3 Nationalbank Act (item 14 of the profit and loss ac-

count), the balance sheet and the profit and loss account show a profit for the year 2014 of EUR 25,556,789.13. On March 26, 2015, the Governing Board endorsed the following profit appropriation proposal to the General Council:

	<i>EUR</i>
to pay a 10% dividend on the OeNB's capital stock of EUR 12 million	1,200,000.00
to allocate to the OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching for promotion by the OeNB	10,000,000.00
to transfer to the profit-smoothing reserve	14,356,789.13
	<b>25,556,789.13</b>

## Report of the General Council on the Annual Report and the financial statements for 2014

The General Council (Generalrat) fulfilled the duties incumbent on it under the Nationalbank Act 1984 by holding regular meetings, by convening subcommittees to examine specific issues and by making informed decisions.

The Governing Board (Direktorium) periodically reported to the General Council on the OeNB's operations and results, on the conditions in the money, capital and foreign exchange markets, on important day-to-day management issues, on all developments of significance for an appraisal of monetary and economic developments, on the arrangements made for auditing the OeNB's finances, and on any other significant dispositions and events affecting the OeNB's operations.

The financial statements for the year 2014 were given an unqualified auditor's opinion after examination by the auditors elected at the General Meeting of May 27, 2014, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuer-

beratungsgesellschaft, on the basis of the books and records of the OeNB as well as the information and evidence provided by the Governing Board.

In its meeting of April 23, 2015, the General Council approved the Annual Report of the Governing Board and the financial statements for the financial year 2014. The General Council submits the Annual Report and moves that the General Meeting approve the financial statements of the Oesterreichische Nationalbank for the year 2014 and discharge the General Council and the Governing Board of its responsibilities regarding the preceding business year. Moreover, the General Council requests that the General Meeting approve the allocation of the profit for the year in accordance with the proposal made in the notes to the financial statements 2014 (as mentioned above).

Notes

## Abbreviations

ABS	asset-backed security	FMSB	Financial Market Stability Board
ABSPP	asset-backed securities purchase programme	GDP	gross domestic product
AG	Aktiengesellschaft (stock corporation)	GRI	Global Reporting Initiative
AQR	asset quality review	GSA	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.
BaSAG	Federal Act on the Recovery and Resolution of Banks	HBInt	Hypo Alpe-Adria-Bank International AG
BIRG	Banking Intervention and Restructuring Act	HICP	Harmonised Index of Consumer Prices
BIS	Bank for International Settlements	HOAM.AT	Home Accounting Module Austria
BRRD	Bank Recovery and Resolution Directive	IHS	Institute for Advanced Studies
CB	covered bond	IMF	International Monetary Fund
CBPP	covered bond purchase programme	IT	information technology
CESEE	Central, Eastern and Southeastern Europe(an)	JST	Joint Supervisory Team
CET1	common equity tier 1	JVI	Joint Vienna Institute
CIS	Commonwealth of Independent States	LIBOR	London Interbank Offered Rate
CoCAS	Common Credit Assessment System	MIF	multilateral interchange fee
CRD IV	Capital Requirements Directive IV	MÜNZE	Münze Österreich Aktiengesellschaft
CRR	Capital Requirements Regulation	OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
CSD	central securities depository	OECD	Organisation for Economic Co-operation and Development
CS.A	Clearing,Service Austria	OeKB	Oesterreichische Kontrollbank Aktiengesellschaft
CS.I	Clearing,Service International	OeNB	Oesterreichische Nationalbank
DAX	German Stock Index	OPEC	Organization of the Petroleum Exporting Countries
ECB	European Central Bank	PIN	personal identification number
EFSF	European Financial Stability Facility	PSD II	Payment Services Directive II
EIB	European Investment Bank	SDR	Special Drawing Right
EIOPA	European Insurance and Occupational Pensions Authority	SEE	Southeastern Europe
EMAS	Eco-Management and Audit Scheme	SEPA	Single Euro Payments Area
EONIA	euro overnight index average	SRB	Single Resolution Board
ERM II	Exchange Rate Mechanism II	SRF	Single Resolution Fund
ERP	European Recovery Program	SRM	Single Resolution Mechanism
ERPB	European Retail Payments Board	SRM-R	regulation implementing the Single Resolution Mechanism
ES	expected shortfall	SSM	Single Supervisory Mechanism
ESA 2010	European System of Accounts 2010	T2S	TARGET2-Securities
ESCB	European System of Central Banks	TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer system
ESM	European Stability Mechanism	TFEU	Treaty on the Functioning of the European Union
ESRB	European Systemic Risk Board	TLTRO	targeted longer-term refinancing operation
EU	European Union	TU Wien	Vienna University of Technology
EURIBOR	euro interbank offered rate	VaR	value at risk
FAQ	frequently asked question	WIFO	Austrian Institute of Economic Research
FMA	Austrian Financial Market Authority	wiiw	The Vienna Institute for International Economic Studies
Fed	Federal Reserve System		

## Legend

x = no data can be indicated for technical reasons

.. = not available

0 = the numerical value is zero or smaller than half of the unit indicated

### Legend entries in the financial statements:

– = the numerical value is zero

0 = the numerical value is smaller than half of the unit indicated

n.a. = not applicable

Discrepancies may arise from rounding.



## Periodical publications

See [www.oenb.at](http://www.oenb.at) for further details.

### **Geschäftsbericht (Nachhaltigkeitsbericht) Annual Report (Sustainability Report)**

German | annually  
English | annually

This report informs readers about the Eurosystem's monetary policy and underlying economic conditions as well as about the OeNB's role in maintaining price stability and financial stability. It also provides a brief account of the key activities of the OeNB's core business areas. The OeNB's financial statements are an integral part of the report.

<http://www.oenb.at/en/Publications/Oesterreichische-Nationalbank/Annual-Report.html>

### **Konjunktur aktuell**

German | seven times a year

This online publication provides a concise assessment of current cyclical and financial developments in the global economy, the euro area, Central, Eastern and Southeastern European countries, and in Austria. The quarterly releases (March, June, September and December) also include short analyses of economic and monetary policy issues.

<http://www.oenb.at/Publikationen/Volkswirtschaft/Konjunktur-aktuell.html>

### **Monetary Policy & the Economy**

English | quarterly

This publication assesses cyclical developments in Austria and presents the OeNB's regular macroeconomic forecasts for the Austrian economy. It contains economic analyses and studies with a particular relevance for central banking and summarizes findings from macroeconomic workshops and conferences organized by the OeNB.

<http://www.oenb.at/en/Publications/Economics/Monetary-Policy-and-the-Economy.html>

### **Fakten zu Österreich und seinen Banken Facts on Austria and Its Banks**

German | twice a year  
English | twice a year

This online publication provides a snapshot of the Austrian economy based on a range of structural data and indicators for the real economy and the banking sector. Comparative international measures enable readers to put the information into perspective.

<http://www.oenb.at/en/Publications/Financial-Market/Facts-on-Austria-and-Its-Banks.html>

### **Financial Stability Report**

English | twice a year

The reports section of this publication analyzes and assesses the stability of the Austrian financial system as well as developments that are relevant for financial stability in Austria and at the international level. The special topics section provides analyses and studies on specific financial stability-related issues.

<http://www.oenb.at/en/Publications/Financial-Market/Financial-Stability-Report.html>

### **Focus on European Economic Integration**

English | quarterly

This publication presents economic analyses and outlooks as well as analytical studies on macroeconomic and macro-financial issues with a regional focus on Central, Eastern and Southeastern Europe.

<http://www.oenb.at/en/Publications/Economics/Focus-on-European-Economic-Integration.html>

### **Statistiken – Daten & Analysen**

German | quarterly

This publication contains analyses of the balance sheets of Austrian financial institutions, flow-of-funds statistics as well as external statistics (English summaries are provided). A set of 14 tables (also available on the OeNB's website) provides information about key financial and macroeconomic indicators.

<http://www.oenb.at/Publikationen/Statistik/Statistiken---Daten-und-Analysen.html>

### **Statistiken – Daten & Analysen: Sonderhefte Statistiken – Daten & Analysen: Special Issues**

German | irregularly  
English | irregularly

In addition to the regular issues of the quarterly statistical series "Statistiken – Daten & Analysen," the OeNB publishes a number of special issues on selected statistics topics (e.g. sector accounts, foreign direct investment and trade in services).

<http://www.oenb.at/en/Publications/Statistics/Special-Issues.html>

## Research Update

English | quarterly

This online newsletter informs international readers about selected research findings and activities of the OeNB's Economic Analysis and Research Department. It offers information about current publications, research priorities, events, conferences, lectures and workshops. Subscribe to the newsletter at:

<http://www.oenb.at/en/Publications/Economics/research-update.html>

## CESEE Research Update

English | quarterly

This online newsletter informs readers about research priorities, publications as well as past and upcoming events with a regional focus on Central, Eastern and Southeastern Europe. Subscribe to the newsletter at:

<http://www.oenb.at/en/Publications/Economics/CESEE-Research-Update.html>

## OeNB Workshops Proceedings

German, English | irregularly

This series, launched in 2004, documents contributions to OeNB workshops with Austrian and international experts (policymakers, industry experts, academics and media representatives) on monetary and economic policymaking-related topics.

<http://www.oenb.at/en/Publications/Economics/Proceedings-of-OeNB-Workshops.html>

## Working Papers

English | irregularly

This online series provides a platform for discussing and disseminating economic papers and research findings. All contributions are subject to international peer review.

<http://www.oenb.at/en/Publications/Economics/Working-Papers.html>

## Proceedings of the Economics Conference

English | annually

The OeNB's annual Economics Conference provides an international platform where central bankers, economic policymakers, financial market agents as well as scholars and academics exchange views and information on monetary, economic and financial policy issues. The proceedings serve to document the conference contributions.

<http://www.oenb.at/en/Publications/Economics/Economics-Conference.html>

## Proceedings of the Conference on European Economic Integration

English | annually

The OeNB's annual Conference on European Economic Integration (CEEI) deals with current issues with a particular relevance for central banking in the context of convergence in Central, Eastern and Southeastern Europe as well as the EU enlargement and integration process. For an overview see:

<http://www.oenb.at/en/Publications/Economics/Conference-on-European-Economic-Integration-CEEI.html>

The proceedings have been published with Edward Elgar Publishers, Cheltenham/UK, Northampton/MA, since the CEEI 2001.

[www.e-elgar.com](http://www.e-elgar.com)

## Publications on banking supervisory issues

German, English | irregularly

Current publications are available for download; paper copies may be ordered free of charge.

See [www.oenb.at](http://www.oenb.at) for further details.

<http://www.oenb.at/en/Publications/Financial-Market/Publications-of-Banking-Supervision.html>

# Addresses

	Postal address	Telephone/Fax/E-mail
<b>Head office</b> Otto-Wagner-Platz 3 <b>1090 Vienna, Austria</b> Internet: <a href="http://www.oenb.at">www.oenb.at</a>	PO Box 61 1011 Vienna, Austria	Phone: (+43-1) 404 20-6666 Fax: (+43-1) 404 20-042399 E-mail: <a href="mailto:oenb.info@oenb.at">oenb.info@oenb.at</a>
<b>Branch offices</b>		
<b>Northern Austria Branch Office</b> Coulinstraße 28 <b>4020 Linz, Austria</b>	PO Box 346 4021 Linz, Austria	Phone: (+43-732) 65 26 11-0 Fax: (+43-732) 65 26 11-046399 E-mail: <a href="mailto:regionnord@oenb.at">regionnord@oenb.at</a>
<b>Southern Austria Branch Office</b> Brockmanngasse 84 <b>8010 Graz, Austria</b>	PO Box 8 8018 Graz, Austria	Phone: (+43-316) 81 81 81-0 Fax: (+43-316) 81 81 81-046799 E-mail: <a href="mailto:regionsued@oenb.at">regionsued@oenb.at</a>
<b>Western Austria Branch Office</b> Adamgasse 2 <b>6020 Innsbruck, Austria</b>	Adamgasse 2 6020 Innsbruck, Austria	Phone: (+43-512) 908 100-0 Fax: (+43-512) 908 100-046599 E-mail: <a href="mailto:regionwest@oenb.at">regionwest@oenb.at</a>
<b>Representative offices</b>		
<b>New York Representative Office</b> Oesterreichische Nationalbank 450 Park Avenue, Suite 1202 <b>10022 New York, U.S.A.</b>		Phone: (+1-212) 888-2334 Fax: (+1-212) 888-2515
<b>Brussels Representative Office</b> Oesterreichische Nationalbank Permanent Representation of Austria to the EU Avenue de Cortenbergh 30 <b>1040 Brussels, Belgium</b>		Phone: (+32-2) 285 48-41, 42, 43 Fax: (+32-2) 285 48-48

The *Annual Report* of the OeNB provides information about the Eurosystem's monetary policy and reviews developments in the economy, in financial markets and payment systems. Furthermore, it details the OeNB's national and international responsibilities as well as the broad range of services the OeNB offers. The OeNB's financial statements and the notes on the financial statements are an integral part of the Annual Report. Since 2006, the OeNB's *Annual Report*, *Intellectual Capital Report* and *Environmental Statement* have been combined to form the OeNB's *Sustainability Report*.

<b>Publisher and editor</b>	Oesterreichische Nationalbank Otto-Wagner-Platz 3, 1090 Vienna, Austria PO Box 61, 1011 Vienna, Austria www.oenb.at oenb.info@oenb.at Phone (+43-1) 40420-6666 Fax (+43-1) 40420-046698
<b>Coordination</b>	Manfred Fluch, Maria Silgoner
<b>Contributions</b>	Markus Christandl, Jasna Cvijetic, Elisabeth Dutz, Gernot Ebner, Matthias Fuchs, Eleonora Kiemeyer, Angelika Knollmayer, Claudia Kwapil, Martin Much, Maria Oberleithner, Aleksandra Riedl, Josef Schreiner, Patrick Thienel, Klaus Vondra, Mara Vyborny, Tina Wittenberger, Katharina Wolner-Röblhuber, Manfred Zipko
<b>Editing</b>	Alexander Dallinger, Dagmar Dichtl, Jennifer Gredler, Ingrid Haussteiner, Ingeborg Schuch, Susanne Steinacher
<b>Translation</b>	Dagmar Dichtl, Jennifer Gredler, Ingrid Haussteiner, Rena Mühldorf, Ingeborg Schuch, Susanne Steinacher
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<b>Layout and typesetting</b>	Franz Pertschi
<b>Printing and production</b>	Oesterreichische Nationalbank, 1090 Vienna

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