

ONB

OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

ANNUAL REPORT 2009

including the Intellectual Capital Report and the Environmental Report
SUSTAINABILITY REPORT 2009



Stability and Security

Mission Statement

The Eurosystem Mission Statement

In 2005, the national central banks of the independent Eurosystem (including the OeNB) published a joint mission statement that enshrines the following key objectives and values:

The Eurosystem, which comprises the European Central Bank and the national central banks of the Member States whose currency is the euro, is the monetary authority of the euro area. We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.

In pursuing our objectives, we attach utmost importance to credibility, trust, transparency and accountability. We aim for effective communication with the citizens of Europe and the media. We are committed to conducting our relations with European and national authorities in full accordance with the Treaty provisions and with due regard to the principle of independence.

We jointly contribute, strategically and operationally, to attaining our common goals, with due respect to the principle of decentralisation. We are committed to good governance and to performing our tasks effectively and efficiently, in a spirit of cooperation and teamwork. Drawing on the breadth and depth of our experiences as well as on the exchange of know-how, we aim to strengthen our shared identity, speak with a single voice and exploit synergies, within a framework of clearly defined roles and responsibilities for all members of the Eurosystem.

The OeNB's Mission Statement

The OeNB's mission statement complements the Eurosystem's mission statement and transposes it to Austrian requirements. The main messages are:

- As the central bank of the Republic of Austria, the OeNB serves the Austrian and European public.
- To build and maintain trust in the OeNB, we perform our tasks professionally, drawing on the high competence and motivation of our employees.
- Our products and services are clearly customer oriented to ensure their value to our customers and partners.
- Ongoing market-oriented product and process innovation ensures the efficient and cost-effective provision of services in line with sustainability and, in particular, environmental protection.
- We are cooperative, solution-oriented and reliable partners in our relations with customers and associates.
- Our employees' commitment, motivation, creativity, willingness to learn, team spirit and mobility – the success factors of our work now and in the future – are the hallmarks of our working style.

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Editorial close: April 29, 2010

President's Report



In spring 2009, the world economy started to emerge from the deep recession it had entered in the wake of the financial turmoil. Although financial markets calmed noticeably during the reporting year, the environment for the conduct of the OeNB's business operations remained difficult, given continued uncertainty and high volatility. Therefore, the OeNB realigned the investment strategy for its reserve management to keep the impact of strong interest rate and exchange rate movements on investment returns at a minimum. By concentrating its reserve management on a small number of investment currencies, the OeNB was able to sell foreign exchange at a profit and to reduce valuation allowances. As a consequence, despite high transfers to risk provisions, the OeNB's operating profit came to a remarkable EUR 318 million, substantially higher than in 2008, which had been a particularly difficult business year.

The success in stabilizing the financial system showed not only that the OeNB's staff is highly qualified, but also highlighted the need for adequate risk provisions, which the OeNB requires to fulfill its tasks within the Eurosystem. Risks may, for instance, arise in connection with the monetary policy operations of the Eurosystem or from enhanced commitments to the IMF, as member states agreed to provide substantial resources to help the IMF play its role in overcoming the financial crisis. Therefore, the OeNB began – upon recommendation by its external auditors – to build up risk provisions by making annual transfers for ten years. I consider this measure of great importance not only as a manifestation of the OeNB's duty of diligence but, ultimately, also as confirmation of the credibility of the single currency.

Safeguarding financial stability has been an extraordinary challenge for many of the OeNB's operational areas, calling on the OeNB to cooperate closely within the ESCB, to enhance liquidity supply, and to handle increased banknote

issuance. Although the financial crisis put a great strain on OeNB staff, efforts to reinforce the OeNB's key functions by taking appropriate organizational and personnel measures were pursued consistently, above all with the aim of boosting capacities in banking supervision, one of the OeNB's major responsibilities. The focus of this expansion is on improving quality and strengthening risk orientation. Preparations for the introduction of a national clearing house, which will significantly reduce banks' liquidity and risk costs, are underway. The OeNB's subsidiaries have successfully maintained their market positions by increasing productivity as well as introducing new and innovative products. As a case in point, in the ten years since its establishment, the cash logistics company Geldservice Austria GmbH managed to reduce its costs by one-third even though processing volumes doubled.

Based on a comparison with other ESCB central banks, the OeNB developed a corporate strategy for the years 2010 to 2015. In line with international practice, the established goal of maintaining price stability has been supplemented by the goal of safeguarding financial stability. To achieve these goals, the OeNB will concentrate its efforts specifically on its core areas, while maintaining the high quality of services on the one hand and sustainably increasing efficiency on the other. To this end, staff resources are to be reduced from 1,009 to 890 by 2015, focusing above all on productivity increases in the support areas. In doing so, the OeNB is adapting its corporate structures to the new tasks ahead and is placing itself in a good position to face future challenges.

I would like to thank the members of the Governing Board and the General Council as well as the OeNB staff for their excellent work for, and dedication to, both the OeNB and the Eurosystem.

President
Claus J. Raidl

Governor's Report

The turmoil that had hit international financial markets in 2008 had an impact far into the year 2009, resulting in the deepest economic crisis since the 1930s. The global economy slipped into a severe recession, and the euro area's real output also contracted significantly in 2009. Labor markets deteriorated markedly, and around mid-2009, inflation was temporarily negative in many countries in some months. While Austria's economy also moved into a serious recession, the overall effects of the crisis remained less adverse than in many other regions.

The Eurosystem's monetary policymakers reacted to the crisis by taking strongly expansionary measures, reducing key interest rates to a historic low of 1.0% by May 2009. The use of nonconventional instruments in refinancing operations ensured that generous and flexible liquidity was available to banks. At this stage, the effective communication of monetary policy decisions played a particularly important role. In combination with national fiscal support programs, these measures helped stabilize financial markets and promote economic recovery. By the second half of 2009, most euro area economies had returned to a moderate growth path. Toward the end of 2009, the inflation rate turned positive, coming to an average annual rate of 0.3% (Austria: 0.4%).

The latest forecasts predict a slight economic recovery for the euro area in 2010 and 2011. Inflation is expected to be in line with the objective of being below, but close to 2%. This outlook prompted the Governing Council of the ECB to begin a gradual phasing-out of extraordinary liquidity measures. The Governing Council will continue to place particular emphasis on fulfilling its statutory mandate of safeguarding price stability in the euro area.

The operation of automatic stabilizers and of additional economic stimulus packages at the national level caused public finances to deteriorate. With a few exceptions, the euro area countries – including Austria – breached the general government deficit limit of 3% of GDP

laid down in the Stability and Growth Pact. Government debt went up significantly, a development that has so far continued in 2010. Therefore, measures to consolidate public finances in the medium term – such as those already initiated in Austria – are crucial.

The Austrian financial sector is strongly exposed to the countries of Central, Eastern and Southeastern Europe (CESEE), which have been hit by the crisis to varying degrees. Market participants interpreted this exposure to CESEE as potential risk. By establishing the Vienna Initiative cooperation platform and by employing all its analytical and supervisory tools, the OeNB has made an important contribution to stabilizing the CESEE region. In addition, the OeNB emphasized its key role in safeguarding financial stability by applying professional crisis management methods in solving the problems of individual Austrian banks. Moreover, the OeNB contributed to the design of the newly established European supervisory framework, and it will be represented on the European Systemic Risk Board.

In fulfilling its mandate to maintain price stability and financial stability, the OeNB acts independently, effectively, efficiently and cost-consciously. To be well prepared for future challenges, the OeNB has elaborated a new strategy for the years 2010 to 2015. This strategy provides for strengthening the OeNB's core functions and streamlining its support functions, and it will enable further cost cuts and a reduction of staff numbers by more than 10% in the medium term.

By drawing on its highly qualified and committed staff, the OeNB has been able to deal with extraordinary challenges and to present itself as an anchor of stability even in turbulent times. I would like to explicitly thank our staff members for their dedicated efforts and the Governing Council and General Council for their valuable cooperation.

Governor
Ewald Nowotny



The Year 2009 at a Glance

Monetary and Economic Policy during the Crisis

GDP contracts by 0.6% worldwide

The year 2009 was marked by the deepest recession in many decades, by the resultant economic policy reactions, and by a gradual stabilization in economic activity from the second half of the year. Reverberations of the financial market turmoil in fall 2008 were felt well into the year 2009, affecting not only industrialized nations but the entire world. Economic output shrank by around 0.6% worldwide.

Euro area GDP shrinks by 4.1%

In 2009, real GDP in the euro area contracted by 4.1%, which was attributable above all to a drop in inventories, a slump in investment, weak private consumption and, in particular, a marked slowdown in external demand. The unemployment rate (Eurostat definition) rose from 7.5% in 2008 to 9.4% in the reporting year. A strong decline in energy prices, which even caused inflation to turn slightly negative in some months of 2009, fueled deflation concerns. Toward the end of the year, prices went up again somewhat. Average annual inflation came to 0.3%.

Economic stimulus packages drive up deficit ratios

Recession also hits Austria

In Austria, the decline in GDP (by 3.4%) was slightly less pronounced than in the euro area. Although the unemployment rate climbed significantly, at 5% it still remained at half the euro area and EU averages. At 0.4%, HICP inflation was low by comparison to the euro area average as well. The operation of automatic stabilizers (decline in tax revenue, increase of social transfers) as well as comprehensive discretionary fiscal policy measures drove up the general government deficit ratio to 3.4% of GDP in 2009.

Economy to recover gradually in 2010

Historically low key interest rates and use of nonstandard monetary policy measures

Eurosystem policymakers reacted to the crisis by further reducing key interest rates. By May 2009, the key policy rate had been clipped to a historic low at 1.0% (down by 325 basis points against October 2008). In addition to

interest rate reductions, the Eurosystem employed unconventional monetary policy instruments, e.g. making an unlimited supply of liquidity available to banks at a fixed interest rate for use in refinancing operations while at the same time expanding maturities to up to one year. The set of measures was complemented by a temporary expansion of the list of eligible collateral, the temporary provision of foreign currency liquidity as well as a covered bond purchase program totaling EUR 60 billion. At the same time, fiscal packages to the tune of around 5% of EU GDP were drawn up to support economic growth. In total, these measures succeeded in calming financial markets and paved the way to gradually overcoming the recession.

The fiscal policy measures to support the economy caused public finances to deteriorate significantly. In 2009, the budget deficit of the euro area as a whole was well above the Maastricht limit of 3% of GDP. In 2010, the euro area deficit ratio is expected to continue to rise slightly (up from 6.3% in the reporting year). The euro area debt ratio mounted to 78.7% of GDP in 2009; for 2010 it is forecast to come to 84.7%.

The economic policy measures aimed at stabilizing economic activity began to bear fruit from mid-2009. In line with robust economic developments in major emerging economies (above all in China), the global economy began to expand slightly again toward the end of 2009. By that time, most European countries had also begun to post low positive growth rates again. The global economy is expected to recover in 2010. Euro area growth, just like Austrian economic growth, is likely to stay moderate and will hardly provide a positive stimulus for the labor market. Inflation is expected to edge

Chart 1

Real GDP



Chart 2

HICP Inflation

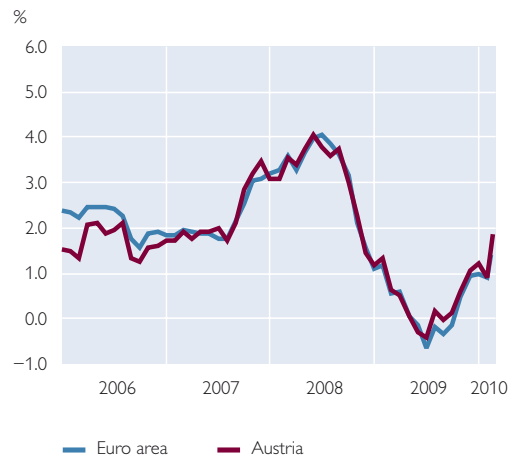


Chart 3

Key Interest and Money Market Rates in the Euro Area

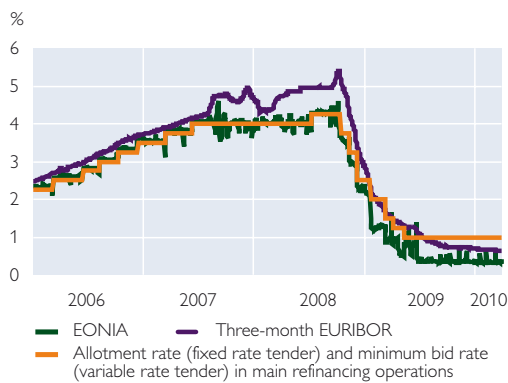


Chart 4

Lending Rates in the Euro Area and in Austria – New Business

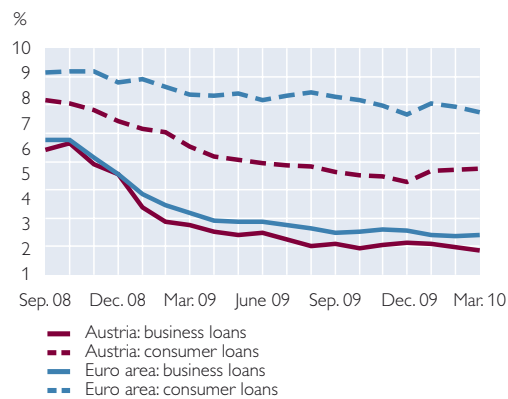


Chart 5

Stock Price Indices

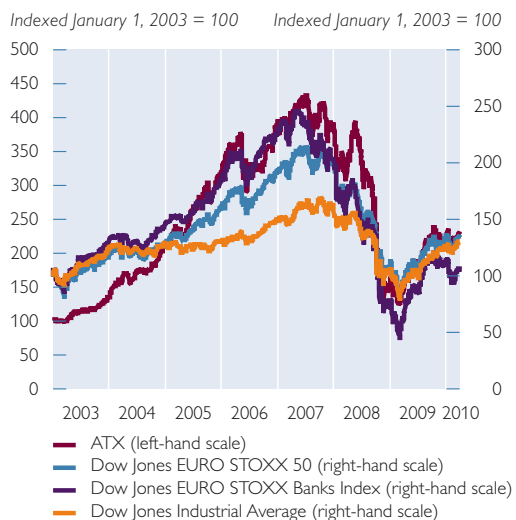
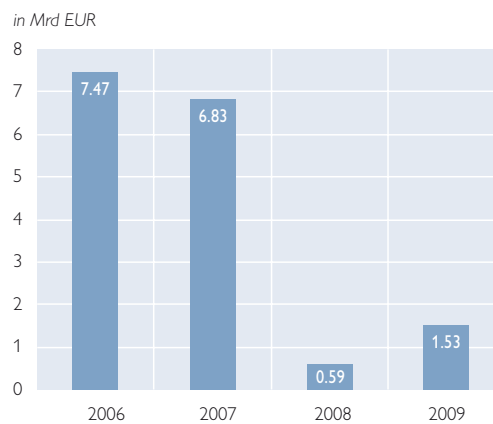


Chart 6

Net Income of Austrian Banks¹



¹ Consolidated data.

Source: Statistics Austria, WIFO, Eurostat, Thomson Reuters, OeNB, ECB.

up, but will remain significantly lower than 2% both in the euro area and in Austria in 2010 and 2011.

Maintaining Financial Stability – A Major Challenge

Austrian banks burdened by deteriorating credit quality

While conditions in the financial market had still been very tight during the first few months of 2009, markets increasingly recovered in the course of the year. The comprehensive economic and monetary policy measures taken to stabilize the financial system proved effective: Stock prices went up, risk premiums went down, and the currencies of the emerging market economies appreciated. The risk aversion that had still been observed in early 2009 gradually subsided, making capital market funding increasingly attractive again.

OeNB takes stabilization measures

From the end of 2008, international investors had closely monitored the development of the Austrian financial system's substantial exposure to Central, Eastern and Southeastern Europe (CESEE). During this phase of heightened uncertainty, the OeNB cooperated intensively with international and national institutions in taking a number of measures to calm the situation and in contributing to a more realistic risk assessment in financial markets. As a case in point, the OeNB was a driving force in establishing the Vienna Initiative, a discussion and cooperation platform that played a key role in stabilizing the situation in the CESEE region.

New European supervisory framework

To fulfill its stability mandate, the OeNB had to fine-tune and deepen its analytical methods. In this context, the expansion of the OeNB's analytical capacities, which became necessary in the course of the reform of the supervisory framework, played a key role. Experience with the reform of the supervisory framework has confirmed that the OeNB and the Financial Market Authority (FMA) cooperate efficiently

Enhanced analyses and close cooperation with the FMA

and on an equal level, with both institutions making the best use of their strengths and expertise. Cooperation with foreign supervisory authorities was intensified.

The economic crisis of 2009 put Austrian banks under pressure, as decreasing loan quality impaired bank profits and required them to make significantly higher risk provisions. The set of measures adopted by the Austrian government contributed substantially to improving Austrian banks' risk-bearing capacity. Capitalization in the Austrian banking system still remains below the European average, however. In cooperation with commercial banks, the OeNB and the FMA launched an initiative to curb foreign currency lending. Developments related to individual problem cases in the banking sector called for professional crisis management. In these cases, the combination of macroprudential analysis and microprudential supervision was of particular importance.

The new international and European supervisory architecture has taken shape. The OeNB was heavily involved in designing the framework for the European Systemic Risk Board (ESRB) and for the new European System of Financial Supervisors (ESFS). Moreover, the OeNB actively contributed its expertise to the further development of the regulatory framework for the financial sector. The OeNB will be represented on the ESRB by its governor.

The OeNB Intensifies Its Analysis Activities and Draws Up a New Strategy

Maintaining price stability and financial stability in the reporting year required intensive coordination activities and close cooperation between national and international institutions. Greater uncertainty about economic develop-

ments made it necessary for the OeNB to step up its analytical activities, and the OeNB's expertise (technical studies, expert opinions and statements) was in frequent demand. Stress tests also became increasingly important for the banking sector.

The OeNB developed new, very timely indicators, such as an export indicator. Analyses of loan developments in Austria were published regularly in a new, separate report. Moreover, the OeNB published facts and figures on Austria and its banking system on its website and met the heightened demand for information during the crisis by publishing contributions on crisis-related themes in its periodicals. The OeNB has become a central platform for the national and international economics and economic policy dialogue, hosting conferences, workshops, seminars and jour fixe meetings on around 150 days.

The OeNB has adopted a new strategy for the period from 2010 to 2015, under which it will continue to reliably and efficiently fulfill its economic policy mandate of safeguarding price stability and financial stability in the coming years. Moreover, the OeNB will continue to contribute to the development of EU-wide supervisory structures and institutions and will be responsible for implementing the related new data requirements.

At the national level, risk-oriented bank inspection and analysis need to be refined further, and the cooperation between the OeNB and the FMA is set to be intensified. In this vein, since 2010, the newly established joint supervisory academy has been offering financial market supervisor courses for staff from both the OeNB and the FMA.

Providing services efficiently, effectively and sustainably remains one of the OeNB's objectives. Another one is

New OeNB strategy for 2010 to 2015

New timely indicators and statistics

Table 1

Selected OeNB Indicators

	2008	2009
Performance indicators (as on December 31)		
EUR million		
Net currency position	11,700	10,766
Banknotes in circulation	20,297	20,640
Total assets	83,810	71,614
Operating profit	47	318
Corporate income tax	12	79
Central government's share of profit	28	193
Profit for the year	3	21
Absolute figures		
Full-time equivalent staff in core business areas	968.2	984.1
Intellectual capital indicators		
University graduates (%)	41.3	44.5
OeNB website, number of page views per day (average)	84,651	90,104
Queries to OeNB hotlines	38,829	29,837
OeNB newsletter subscriptions	17,529	18,948
OeNB publications	68	70
Cash authentication training courses	417	390
Environmental performance indicators		
Heat consumption (kWh/m ²)	52	52
Electricity consumption (MWh/employee)	7.5	7.6

Source: OeNB.

to streamline resource allocation – according to the new medium-term strategy, the number of employees is to be reduced by about 10% by 2015.

The OeNB's Operating Profit Has Improved

In 2009, the OeNB's operating profit excluding profit and loss account items 2.2 (writedowns on financial assets and positions), 2.3 (transfers to/from provisions for foreign exchange rate, interest rate, credit and gold price risks), and transfers from provisions in respect of monetary policy operations of the Eurosystem, went up by EUR 15 million (or 1.8%) to EUR 852 million. Net interest income accounted for EUR 626 million (2008: EUR 816 million) and realized gains/losses arising from financial operations for EUR 361 million (2008: EUR 154 million).

Including transfers to risk provisions (EUR 550 million), foreign currency and securities writedowns (EUR

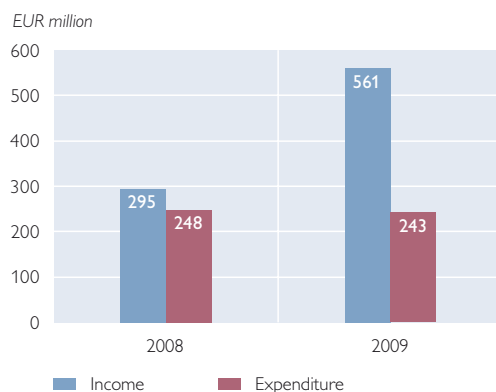
34 million) as well as transfers from provisions in respect of monetary policy operations of the Eurosystem (EUR 50 million), the OeNB's operating profit came to EUR 318 million in 2009 (2008: EUR 47 million). The 90% profit share of the central government thus came to EUR 193 million (2008: EUR 28 million), while corporate income tax amounted to EUR 79 million (2008: EUR 12 million). The profit for the year comes to EUR 21 million (2008: EUR 3 million).

The OeNB's net currency position, which includes both claims and liabilities as well as transactions that are not disclosed in the balance sheet, went down to EUR 10.8 billion. The decrease by EUR 0.9 billion against December 31, 2008, is essentially attributable to transaction-related outflows. Gold and gold receivables account for EUR 6.9 billion of the net currency position.

Operating profit:
EUR 318 million;
profit for the year:
EUR 21 million

Chart 7

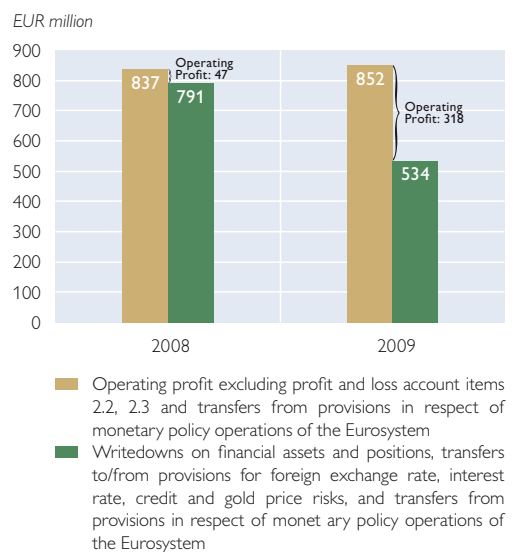
OeNB: Income and Expenditure



Source: OeNB.

Chart 8

OeNB: Operating Profit



Ownership Structure and Decision-Making Bodies

The OeNB's Owners

The OeNB is a stock corporation. Its nominal capital totals EUR 12 million; the majority of this sum is held by the Austrian federal government, the remainder by employer organizations as well as banks and insurance corporations. Only Austrian citizens or legal persons or registered partnerships based and headquartered in Austria that are neither directly nor indirectly majority owned by foreigners may be shareholders. The transfer of OeNB shares requires the express approval of the General Meeting (stockholders' meeting). Since May 2006, the Republic of Austria has held 70.3% of the OeNB's capital stock. Early in 2010, the Austrian Federal Minister of Finance announced that the federal government intended to purchase the remainder of OeNB shares.

General Council (Generalrat)

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 its President, as a rule once a month. Pursuant to Article 20 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank 1984 (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, as well as 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 confirmed 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 drawing up nonbinding tripartite proposals to the Austrian federal government for appointments to the OeNB's Governing Board by the Federal President, on defining general operational principles for all matters not covering the remit of the ESCB, on approving the financial statements for submission to the General Meeting, and on approving the cost estimates for the next financial year.

Composition of the General Council

The General Council consists of the President, one Vice President and twelve other members. Only persons holding Austrian citizenship may be members of the General Council. The President, the Vice President and six other members of the General Council are appointed by the federal government for a term of five years and may be reappointed. The remaining six members are elected by the General Meeting for a term of five years, and may be reelected. Articles 20 through 30 of the Nationalbank Act cover issues pertaining to the General Council.

The General Council of the OeNB comprised the following members on December 31, 2009:



Claus J. Raidl
President
CEO of
Böhler Uddeholm AG



Max Kothbauer
Vice President
Chairman of the
University Board of the
University of Vienna



August Astl
Secretary General
of the Austrian
Chamber of Agriculture



Markus Beyrer
Secretary General of
the Federation of
Austrian Industries



Bernhard Felderer
Director of the
Institute for
Advanced Studies (IHS)



Elisabeth
Gürtler-Mauthner
Managing Director of Sacher
Hotels Betriebsges.m.b.H.
and Vice President of the
Österreichische Hotelier-
vereinigung (ÖHV)



Erich Hampel
CEO of UniCredit
Bank Austria



Alfred Hannes
Heinzl
President and CEO of
Heinzl Holding GmbH



Anna Maria
Hochhauser
Secretary General
of the Austrian Federal
Economic Chamber



Johann Marihart
CEO of Agrana
Beteiligungs-AG



Werner Muhm
Director of the Vienna
Chamber of Labour



Gabriele Payr
CEO of Wiener Stadtwerke
Holding AG



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



Dwora Stein
Federal CEO of the
Union of Salaried
Private Sector
Employees, Graphical
Workers & Journalists

Representatives delegated by the Central Staff Council to participate in negotiations on personnel, social and welfare matters pursuant to Article 22 paragraph 5 of the Federal Act on the Oesterreichische Nationalbank:



Martina Gerharter
Central Staff Council Chair



Robert Kocmich
Central Staff
Council Deputy Chair



State Commissioner
Thomas Wieser
Director General of the
Economic Policy and
Financial Markets
Directorate General of the
Federal Ministry of Finance



Deputy State Commissioner
Alfred Lejsek
Head of the Financial Markets
Directorate at the
Federal Ministry of Finance

Personnel Changes between April 30, 2009, and April 29, 2010

On May 26, 2009, the General Meeting re-elected *Elisabeth Gürtler-Mauthner*, whose term as member of the General Council had expired with the regular General Meeting in 2009.

At its session on July 28, 2009, and with effect from August 1, 2009, the fed-

eral government appointed *Gabriele Payr*, CEO of Wiener Stadtwerke Holding AG, as member of the General Council. At the same session, the federal government reappointed *Johann Marihart* as member of the General Council with effect from August 1, 2009. *Philip Göth's* term as member of the General Council expired on July 31, 2009.

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 undertakes to act in accordance with the guidelines and instructions of the ECB. The Governing Board consists of the Governor, the Vice Governor and two other members, all of whom are appointed by the Federal President of Austria acting on a proposal from the federal government. Each appointment

is for a term of five years, and 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. When taking decisions on monetary policy and on other tasks of the ECB and the Eurosystem, the Governor and the Vice Governor are not bound by the decisions of the OeNB's Governing Board or those of the OeNB's General Council, nor are they subject to any other instructions.



Andreas Ittner, Wolfgang Duchatczek, Ewald Nowotny, Peter Zöllner (from left to right)

The Governing Board of the OeNB comprised the following members on December 31, 2009:

Ewald Nowotny
Governor

Wolfgang Duchatczek
Vice Governor

Peter Zöllner
Member of the Governing Board

Andreas Ittner
Member of the Governing Board

Mandate, Responsibilities and Organization

Mandate

The Oesterreichische Nationalbank (OeNB) is the central bank of the Republic of Austria and, as such, an integral part of the European System of Central Banks (ESCB). In this capacity, the OeNB acts on the basis of full personal, financial and institutional independence. The OeNB's aims and actions are guided by the fundamental principles security, stability and trust.

The ESCB/Eurosystem, including the OeNB, has a clear statutory mandate to maintain price stability in the euro area in order to preserve purchasing power and to contribute to maintaining financial stability. In addition to these two primary objectives, national central banks are also obligated to support the general economic policies (i.e. economic and employment growth) in the European Union and thus also in Austria.

Responsibilities

Under the impression of the financial crisis, the OeNB undertook a critical review of its tasks. Subsequently, it went on to refocus its tasks by formulating and adopting its strategy for 2010–2015. In pursuit of continued specialization, the OeNB will further strengthen its core central banking tasks, while streamlining its support functions.

Monetary policy, monetary integration and economic research

- Participation in shaping the monetary policy of the Eurosystem
- Economic forecasting for Austria
- Conduct of macroeconomic research and analysis on Austria and countries especially relevant to Austria, in particular Central, Eastern and Southeastern Europe (CESEE)

Monetary policy operations – reserve management

- Conduct of monetary policy operations with Austrian banks
- Conduct of minimum reserve operations and monitoring of Austrian banks' compliance with minimum reserve requirements
- Participation in Eurosystem foreign exchange interventions
- Investment of reserve assets which the OeNB manages on behalf of the ECB
- Management of the OeNB's own reserve assets with due respect to the principles of stability, liquidity and return

Financial stability and banking supervision

- Conduct of banking supervision in cooperation with the Financial Market Authority
- Conduct of payment system oversight
- Analysis of financial markets and banks
- Further development of risk management provisions at the macro and micro levels
- Collaboration in establishing European supervisory frameworks and institutions

Statistics

- Compilation of conclusive, high-quality statistics, above all monetary, interest rate and prudential statistics as well as external statistics (e.g. balance of payments and financial accounts)
- Operation of the Central Credit Register
- Collaboration in shaping and implementing new data requirements at both the national and the international level, for instance for the European Systemic Risk Board

Function as a cash supply hub

- Provision of Austrian businesses and consumers with counterfeit-proof banknotes and coins
- Analysis of cash flows to ensure smooth cash circulation
- Preparatory work for the new series of euro banknotes

Securing cashless payment services

- Provision and promotion of reliable payment systems in Austria and their cross-border integration
- Assessment of global payment innovations and implementation options for Austria
- Implementation of a national clearing procedure in coordination with Austrian commercial banks

International and national cooperation and communication

- Close cooperation with national institutions, e.g. the Financial Market Authority, the Government Debt Committee and the Statistics Advisory Board
- International monetary policy cooperation and participation in international financial institutions (IMF, BIS)

Organization of the OeNB

President

Claus J. Raidl

Office of the General Council
Richard Mader, Head

Vice President

Max Kothbauer

Governing Board

Central Bank Policy

Ewald Nowotny, Governor

Office of the Governor
Markus Arpa, Head

Internal Audit Division

Wolfgang Winter, Head

Communications Division

Günther Thonabauer, Head

Planning and Controlling Division

Gerhard Hohäuser, Head

Personnel Division

Axel Aspetsberger, Head

Future Unit

Peter Achleitner, Director

Economic Analysis and Research Department

Peter Mooslechner, Director

Economic Analysis Division

Ernest Gnan, Head

Economic Studies Division

Martin Summer, Head

European Affairs and International

Financial Organizations Division

Franz Nauschnigg, Head

Foreign Research Division

Doris Ritzberger-Grünwald, Head

Brussels Representative Office

Marlies Stubits-Weidinger, Chief Representative

Accounting, IT and Payment Systems

Wolfgang Duchatzcek, Vice Governor

Organization and IT Department

Christoph Martinek, Director

Organization and IT Governance Division¹

Wolfgang Ruland, Head

IT Development Division

Reinhard Auer, Head

IT Operations Division

Peter Deixelberger, Head

Cashier's Division and Payment Systems Department

Stefan Augustin, Director

Cash and Payment Systems Management Division

Walter Hoffenberg, Head

Cashier's Division

Gerhard Schulz, Head

Payment Systems Division

Andreas Dostal, Head

Web and Printing Services

Maximilian Hiermann, Head

Northern Austria Branch Office

Josef Kienbauer, Branch Manager

Southern Austria Branch Office

Friedrich Fasching, Branch Manager

Western Austria Branch Office

Armin Schneider, Branch Manager

Accounting Department

Friedrich Karrer, Director

Financial Statements and Treasury Risk Monitoring Division

Elisabeth Trost, Head

Accounts Division

Herbert Domes, Head

Financial Stability, Banking Supervision and Statistics

Andreas Ittner, Executive Director

Financial Stability and Bank Inspections Department

Philip Reading, Director

Financial Markets Analysis and Surveillance Division
Michael Würz, Head

Off-Site Banking Analysis Division
Johannes Turner, Head

On-Site Banking Inspections Division
Gabriela de Raaij, Head

Statistics Department

Aurel Schubert, Director

External Statistics and Financial Accounts Division
Michael Pfeiffer, Head

Supervisory and Monetary Statistics Division
Gerhard Kaltenbeck, Head

Credit Division
Eva-Maria Springauf, Head

Financial Market Operations, Equity Interests and Internal Services

Peter Zöllner, Executive Director

Equity Interest Management Division
Franz Partsch, Head

Anniversary Fund
Wolfgang Höritsch, Head

Legal Division
Hubert Mölzer, Head

Treasury Department

Rudolf Trink, Director

Treasury – Strategy Division
Reinhold Wanka, Head

Treasury – Front Office
Walter Sevcik, Head

Treasury – Back Office
Gerhard Bertagnoli, Head

London Representative Office
Claus Fischer, Chief Representative

New York Representative Office
Gerald Fiala, Chief Representative

Internal Services Department

Albert Slavik, Director

Procurement and Technical Services Division
Thomas Reindl, Head

Security Division
Gerhard Valenta, Head

Documentation Management and Communications Services
Bernhard Urban, Head

¹ Environmental Officer Johann Jachs
As of April 29, 2010

The OeNB Safeguards Price Stability and Financial Stability



Monetary Policymakers Respond Quickly and Flexibly to the Economic Crisis

In 2009, the monetary policy decisions taken by the Eurosystem played a key role in overcoming the recession and addressing the financial market turbulence. By taking action quickly and flexibly, the ECB and the national central banks safeguarded price stability and contributed significantly to the economic recovery. Inflation rates returned to positive territory after posting slightly negative values for some time. Euro area inflation stood at 0.3% in 2009, the lowest value since the beginning of monetary union. This section highlights the active role monetary policymakers have played in overcoming the crisis and analyzes economic developments in the euro area, in Central, Eastern and Southeastern Europe as well as in Austria.

Monetary Policy Flexibility Secures Stability

Swift and Unconventional Measures Combat the Crisis

Policy Rates Cut to Historically Low Levels

Money market rates in the euro area range below the ECB's key interest rate

When the real economic outlook deteriorated dramatically and price dynamics slowed down markedly in fall 2008, central banks around the globe responded quickly by lowering their policy rates. The U.S.A. were the first to begin a cycle of interest rate cuts, with the Federal Reserve's policy rate (the federal funds rate) reaching a record low of 0% to 0.25% as early as in December 2008. The ECB lowered its key interest rate (the rate on main refinancing operations – MROs) from 2.5% to 2% with effect from January 21, 2009. Further cuts were implemented on March 11 (–0.5 percentage points), April 8 and May 13 (–0.25 percentage points, respectively). All in all, the ECB's key rate was reduced by a total of 325 basis points to 1.0% within eight months from October 2008. The Bank of England cut its policy rate (the Bank

Rate) to 0.5% in the first half of 2009, and the Swiss National Bank lowered the target range for the three-month LIBOR¹ to 0% to 0.75%.

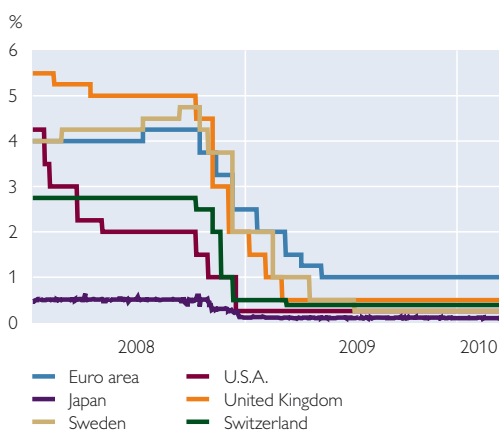
A comparison of the different policy rates has only limited information value, as short-term market interest rates and the yield curve derived for longer time horizons are more relevant for the real economy. Up until October 2008, the Eurosystem's operational framework for the implementation of monetary policy was designed to steer the short-term money market rate, the EONIA², close to the ECB's policy rate.

Since fall 2008, the EONIA has consistently been below the ECB's key interest rate owing to the ample liquidity supply in the euro area; in the second half of 2009, the EONIA stood at 0.36% on average, which is more than 60 basis points below the key interest rate. As market participants expected short-term money market rates to remain low, longer-term money market

Chart 9

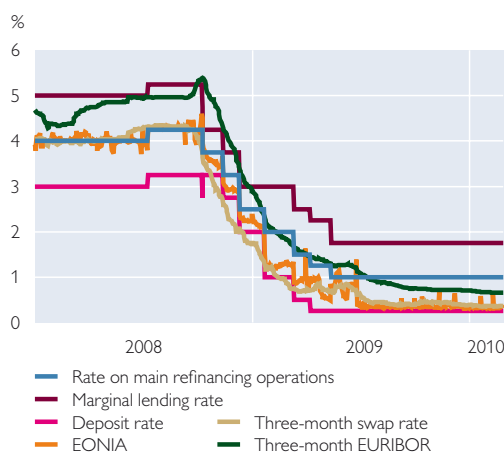
Key Interest and Money Market Rates

Key Interest Rates in Selected Countries



Source: Thomson Reuters.

Key Interest and Money Market Rates in the Euro Area



¹ LIBOR: London Interbank Offered Rate.

² EONIA: Euro OverNight Index Average.

rates, like the three-month EURIBOR³, also declined to markedly below 1%. These rates are important for households and enterprises because variable-rate bank loans are often indexed to the EURIBOR.

The key rate reduction to 1% made it necessary to adjust the interest rate corridor that is defined by the rates on the standing facilities (i.e. the deposit facility and the marginal lending facility). The interest rates on these two facilities provide a floor and a ceiling for the overnight rate, as banks can deposit unlimited amounts of central bank money with the ECB at the deposit rate and obtain overnight funds from the ECB at the marginal lending rate. In October 2008, the ECB reduced the corridor from the precrisis level of ± 100 basis points to ± 50 basis points so as to stabilize the money market. With effect from January 21, 2009, the corridor was widened again to ± 100 basis points with the aim of increasing the incentive for banks to trade actively in the money market instead of managing their liquidity needs through the ECB. When the ECB lowered the MRO interest rate to 1% on May 13, 2009, the corridor was again narrowed symmetrically around the MRO rate, to ± 75 basis points, because otherwise the deposit rate would have been 0%. On April 29, 2010, the MRO rate stood at 1%, the deposit rate at 0.25%, and the marginal lending rate at 1.75%.

Unconventional Monetary Policy Measures

In 2009, monetary policy relied heavily on unconventional measures: In addition to using the standard policy instrument (i.e. the policy rate), the ECB, the Federal Reserve, the Bank of England and other central banks imple-

mented a broad range of unconventional measures, which became necessary because policy rates had fallen to extraordinarily low levels and the transmission of monetary impulses to the economy (the transmission mechanism) was not functioning as effectively as it would have under normal circumstances. For interest rate cuts to be passed through, tension on money markets and financial markets had to ease and the lending capacity of banks had to be restored.

These nonstandard measures were implemented by adjusting the size or composition of central bank balance sheets. Conducting monetary policy by adjusting the central bank's balance sheet is not, as such, unconventional: Cases in point are exchange rate interventions as used by the Eurosystem in fall 2000 and by many Asian countries on a regular basis.

In designing these unconventional measures, central banks had to take ac-

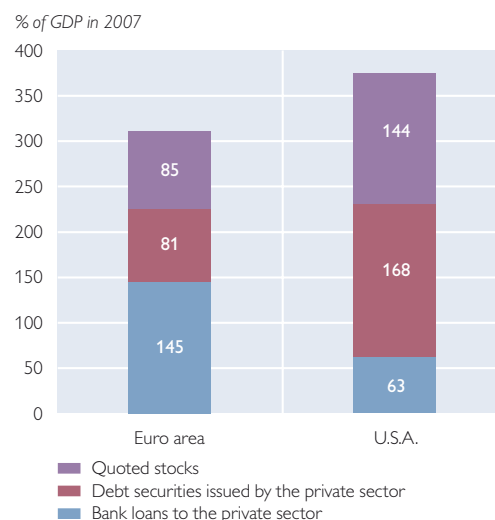
Interest rate corridor adjusted

Euro area focuses on supporting bank lending

Unconventional measures accompany policy rate cuts

Chart 10

Financing of the Private Sector in the Euro Area and the U.S.A.



Source: ECB Monthly Bulletin, April 2009.

³ EURIBOR: Euro Interbank Offered Rate.

More liquidity at longer maturities

Eurosystem provides banks with unlimited access to liquidity

count of the structure of the respective economy's financial system. In the euro area, for instance, bank loans play a much more important role in enterprise and household financing than they do in the U.S.A. (chart 10). Accordingly, measures taken in the euro area focused on improving the short- and long-term funding of the banking system. To stimulate bank lending to the real economy, the Governing Council of the ECB decided to adopt enhanced credit support measures.

The Eurosystem took several measures to reduce euro area banks' uncertainty about their future liquidity situation. The first and foremost measure was the switch to a fixed rate tender procedure with full allotment in fall 2008. The banks thus had guaranteed access to an unlimited amount of central bank liquidity at a rate they knew in advance. The only limitation was the requirement to deposit eligible collateral with the Eurosystem for the duration of the operation. This measure effectively eliminated banks' uncertainty

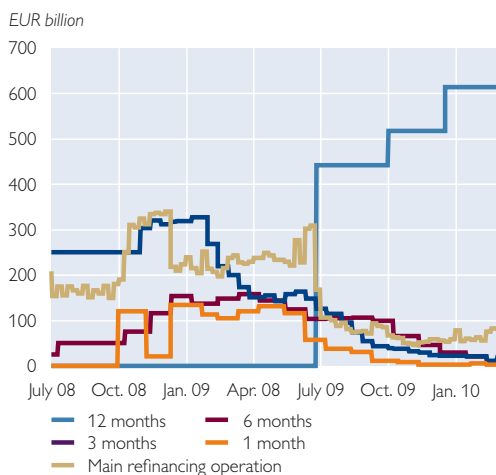
regarding their access to central bank liquidity.

The new tender procedure was applied in weekly MROs and in all longer-term refinancing operations (LTROs) conducted by the ECB. Thus, the banking system could choose not only the volume it wished to borrow from the central bank, but also the maturity composition of these liabilities. The average maturity of outstanding operations had already started to increase in summer 2007, as the ECB raised the share of LTROs and reduced the MRO volume to facilitate banks' liquidity planning and give them a greater incentive to resume lending. In the fourth quarter of 2008, the trend toward higher maturities intensified markedly, as the ECB introduced new operations with longer maturities. The first six-month operation was conducted in October 2008. In addition, the ECB conducted one-month refinancing operations with a maturity of one maintenance period.

Chart 11

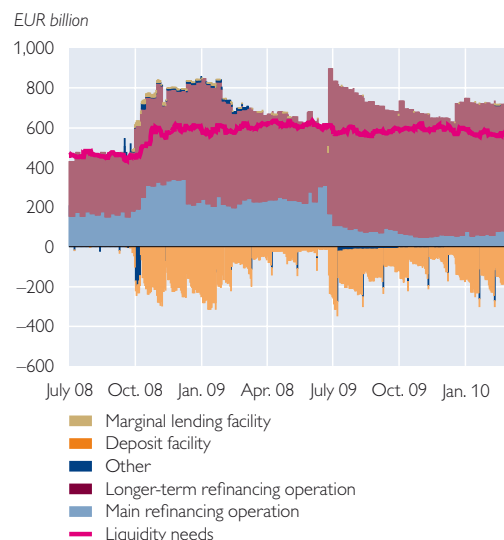
Liquidity in the Euro Area

Liquidity-Providing Operations



Source: ECB.

Liquidity Supply and Demand



The first of three operations with a maturity of one year was conducted in June 2009, and the amount allotted to euro area banks at a rate of 1% in that operation, EUR 442 billion, was the largest recorded in the ECB's history. At 1,121, the number of bidding banks was also higher than ever before. The great number of participants and the high demand in this one-year tender clearly show that banks wanted to ensure they had access to longer-term financing at favorable conditions. Demand was correspondingly low in the ensuing operations with shorter maturities, and the total volume of liquidity declined again. Similar, but weaker surges in the liquidity volume followed by a slow decline were observed also after the other two one-year operations end-September and end-December 2009. In the first half of 2010, the bulk of liquidity stemmed from one-year operations.

In May 2009, the Governing Council of the ECB launched a program under which the Eurosystem purchased euro-denominated covered bonds to further support long-term bank funding and thus indirectly promote lending to households and enterprises. Such covered bonds are especially safe bank bonds backed by mortgages or public-sector loans that are often used to fund long-term bank loans in Europe.⁴ Following the onset of the financial crisis in the summer of 2007, the covered bond segment of the financing market – which is highly important for banks – also came under pressure: The volume of new issues declined, secondary-market trading almost came to a halt, and the risk premiums on covered bonds relative to government bonds in-

creased significantly. The ECB's decision to purchase covered bonds served as a strong signal to strengthen confidence in this market segment, causing risk premiums to decline and new issues to rise again. Up until June 2010, the Eurosystem will purchase covered bonds with a targeted nominal total amount of EUR 60 billion as part of this program. By February 2010, the Eurosystem had already purchased covered bonds to the amount of some EUR 33.8 billion.

Several measures taken in previous years to improve banks' funding were extended throughout 2009, allowing banks to continue to deposit securities and assets that are included in the temporarily expanded single list of eligible collateral to obtain liquidity in ECB tender operations. The ECB also prolonged its cooperation with the Federal Reserve and the Swiss National Bank in 2009, which allowed it to provide Eurosystem counterparties with U.S. dollar and Swiss franc funding. In view of the improved situation in the international interbank market, demand for foreign currency declined steadily in the second half of 2009, so that the programs were allowed to expire on February 1, 2010.

Phasing Out Expansionary Monetary Policy Measures

Now that financial markets have stabilized and the economy is gradually recovering, the question has arisen as to when and how the nonstandard measures taken over the past two years should be phased out.

These measures can be assigned to two broad categories: liquidity policy measures to support the financial sec-

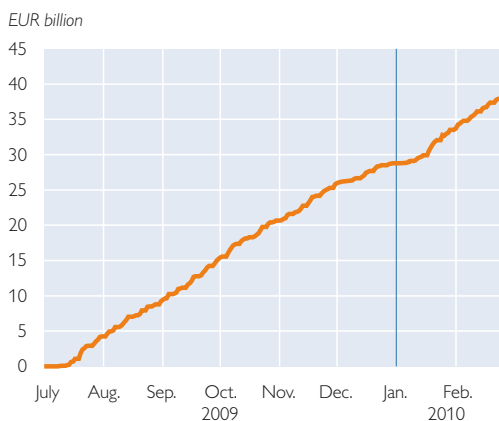
List of eligible collateral widened temporarily, banks provided with foreign currency liquidity

Covered bond purchase program

⁴ The issuing bank and the cover pool are liable for the repayment of covered bonds, which distinguishes covered bonds from senior unsecured bank bonds on the one hand and from asset-backed securities on the other, as they do not involve issuer liability.

Covered Bond Purchase Program and Foreign Currency Operations

Covered Bond Purchases by the Eurosystem



Outstanding Operations in U.S. Dollars and Swiss Francs



Source: ECB, OeNB.
¹ TAF: Term Auction Facility.

Unwinding extraordinary liquidity measures while keeping interest rates stable

tor, and monetary policy measures, i.e. key interest rate changes to maintain price stability. Given that recent inflation forecasts projected the rate of price increase in ranges below the Eurosystem’s objective of keeping inflation below, but close to 2%, and that inflation expectations were also firmly anchored in line with this aim, there was no need to raise key interest rates in 2009 or at the beginning of 2010.

OeNB successfully implements extraordinary monetary policy measures

The gradual phasing out of extraordinary liquidity measures can be implemented independently of key interest rate decisions. In December 2009, the Governing Council of the ECB decided to discontinue part of the temporary nonstandard liquidity measures to reduce banks’ dependence on central bank liquidity in the medium term and to contribute to the normalization of funding structures. As mentioned ear-

lier, demand in foreign exchange transactions declined to such an extent that these programs were no longer needed. In addition, the Governing Council of the ECB decided to stop conducting six-month and twelve-month LTROs as of March 2010 and to scale back the number and frequency of three-month LTROs to the precrisis level. This reduction was implemented gradually and with the utmost caution. Other important support measures, like the full allotment in weekly MROs, remained in place.

The implementation of monetary policy measures is the national central banks’ responsibility. The OeNB successfully implemented all these measures in Austria, including the increased provision of liquidity that became necessary in 2008 and especially in 2009.

Box 1

Intensified Communication Activities during the Crisis

In times of turbulence, good communications are essential to steer expectations and restore confidence in the market. This applies especially to information about monetary policy. The convincing and consistent communication of monetary policy decisions is a determining factor in the effectiveness of monetary policy. In the second year of the financial and economic crisis, the OeNB – in line with the principles of openness and transparency – was intent on providing extensive information to maintain and even increase the effectiveness, efficiency and credibility of monetary policy. OeNB Governor Ewald Nowotny gave numerous interviews and made detailed statements in selected media; moreover, he took part in Internet chats to explain the decisions of the Governing Council of the ECB, with a special focus on the unconventional measures taken. The OeNB’s communications strategy also included advertorials, a newly created financial lexicon for newspaper readers and an online communication platform that allows one-to-many and many-to-one communication. Seminars for journalists and behind-the-scenes discussions on topical issues provided a platform for exchanging views and sharing knowledge with media representatives. Moreover, the members of the Austrian Nationalrat, the lower house of parliament, were kept up to date about economic developments and the state of the financial system on a regular basis at Financial Committee meetings.

The OeNB’s Reserve Management Achieves Excellent Results despite Extremely Difficult Market Conditions

Following the massive disruptions in 2008, tensions in financial markets started to ease somewhat in 2009, especially in the second half of the year, although the turmoil did continue. In 2009, the OeNB’s reserve assets were again managed successfully in line with tried-and-tested priorities, with security taking precedence over liquidity and return. Seeking to minimize risk amid difficult market conditions, the OeNB cut its foreign currency investment in 2009.

The analysis of market and portfolio developments and the associated risk is carried out at weekly meetings of the Investment Committee, which again proved to be a reliable and appropriate management tool. Amid difficult market conditions marked by continued turbulence and volatility, the OeNB nevertheless managed to avoid risk and achieve a high return.

Total reserves invested by the OeNB’s Treasury Department (foreign currency, euro and gold) came to EUR

28 billion as at end-2009. The return on an additional investment of around EUR 1.5 billion was earmarked for long-term interdisciplinary research funding by the National Foundation for Research, Technology and Development.

Reserve gold holdings have become more important in recent years owing to the turbulence in financial markets. While the volume of the OeNB’s gold holdings remained unchanged at around 280 tons at end-2009, their value increased considerably because of the rise in the gold price, which made them an efficient means of portfolio diversification.

Central banks are among the major holders of gold worldwide for historical reasons (large gold reserve holdings were mandatory for central banks until 1971, when the international gold standard was abandoned), so that they have a significant influence on the gold market to this day. To minimize undesirable effects on the gold price from central bank gold sales, many central banks signed a voluntary agreement in 1999 in which they committed to an upper limit of gold sales. In August

Investment priority ranking: security, liquidity and return

Importance of gold holdings on the rise

Gold agreement renewed

Reserves invested in 2009 come to EUR 28 billion

OeNB highly successful in investing yen-denominated reserve assets on behalf of the ECB

2009, the OeNB and 18 other European central banks renewed this agreement for another five years.

At the beginning of the monetary union in 1999, all participating central banks transferred part of their currency and gold reserves to the ECB; the amount corresponded to their respective shares in the ECB's capital key. In exchange, the central banks were credited with an equivalent claim. These reserves are invested by the national

central banks. Austria's share of around EUR 1.1 billion is managed by the OeNB's Treasury Department, with a Chinese Wall separating the business units in charge of these investments from all other units. The OeNB, which has specialized in Japanese yen investments since 2005, was able to achieve excellent results in 2009 and thus remained in the top ranks of Eurosystem national central banks in terms of investment performance.

Euro Area Overcomes Recession

World Economy in a Recession

In 2009, the global economy was marked by the deepest recession in many decades, corresponding economic policy reactions and a gradual stabilization in economic activity from mid-year. Reverberations of the financial market turmoil of fall 2008 continued to be felt well into the year 2009,

World trade markedly contracts

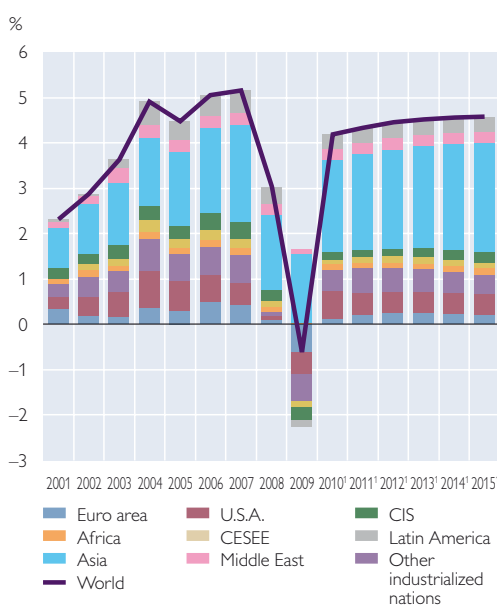
affecting not only industrialized nations but the entire world.

This was reflected in an adverse international economic environment for the euro area and Austria. The world economy recorded the most pronounced slowdown since World War II, with many countries and regions slid-

Chart 13

Developments in the World Economy and the International Environment

Real Growth of World GDP



Source: IMF.

¹ Forecast.

Real GDP Growth in Selected Regions



ing into recession and global trade shrinking by more than 10%.

Around mid-2009, economic policy interventions of unprecedented proportions took effect and stabilized the economy. Many countries posted moderate growth in the second half of 2009, and the world economy started to expand again on the back of robust activity in key emerging markets, above all China.

While a gradual recovery of the economy has made progress since early 2010, this recovery has still not become self-sustaining in many regions. Economic activity has been supported by the manufacturing industry and a turn

in the inventory cycle. In addition, many emerging economies have profited from the rebound in commodity prices since the beginning of the year, and there are indications that consumer confidence is improving and that retail sales are stabilizing. Several of these factors, however, are to a large extent attributable to the effects of economic stimulus programs. The IMF's global growth outlook of around 4% for 2010 is thus surrounded by uncertainty; still, all major regions of the world are expected to return to positive growth, with the emerging economies of Asia again being the main growth engines, like in 2009.

World economy recovers from mid-2009, benefiting from robust growth in Asia

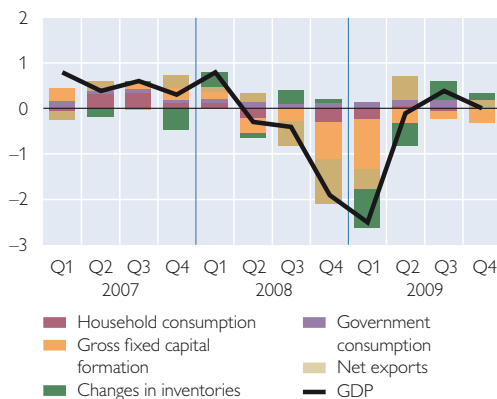
Growth to return to all regions of the world in 2010

Chart 14

Selected Economic Indicators for the Euro Area

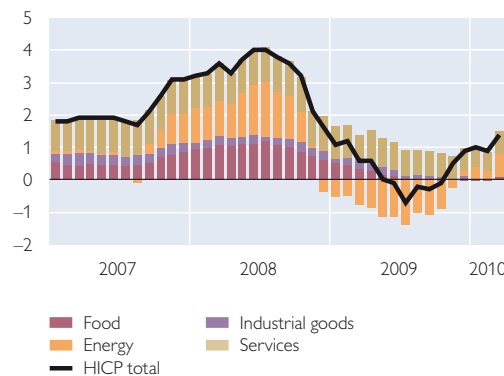
Contributions to Real GDP Growth

Percentage points, quarterly GDP change in %



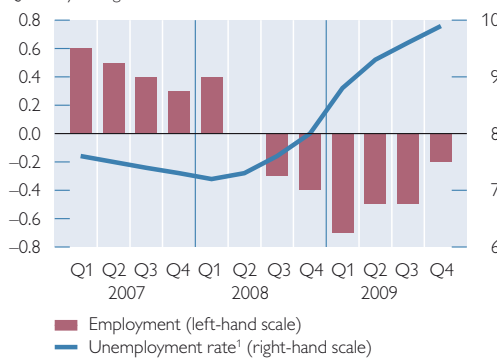
Contributions to HICP Changes

Percentage points, HICP in %



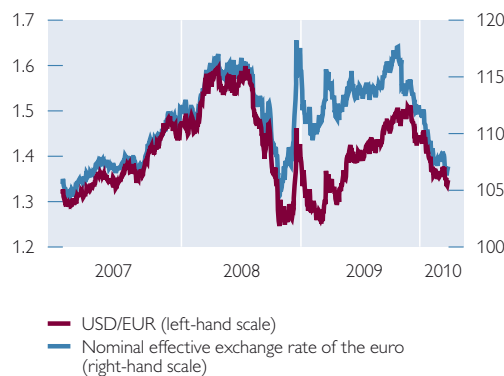
Labor Market

Quarterly changes in %



Exchange Rate

USD/EUR Indexed Q1 1999 = 100



Source: Eurostat.

¹ Eurostat definition.

Note: An upward movement represents an appreciation of the euro.

Comprehensive fiscal policy measures support economic growth ...

... but cause public finances to deteriorate markedly

First signs of economic stabilization

Euro Area in Sharpest Slowdown in Many Decades

In 2009, euro area output fell by 4.1%, which is the sharpest slowdown in the history of the euro. Following a marked decline in the second half of 2008, the economy contracted by an even more pronounced 2.5% in the first quarter of 2009 (on a quarterly basis). This development was primarily driven by the drop in inventories and investment caused by great uncertainty about the economic outlook, but also by the fact that most other GDP components did not make positive contributions to GDP growth. While private consumption was dampened by a deterioration of the labor market situation, weak international demand had an even stronger negative impact on economic activity. Public spending was the only GDP component that made a slightly positive contribution to growth.

The contraction of world trade already began to ease in the first quarter of 2009, and some emerging economies

recorded first positive developments. Both factors contributed to a slight increase in confidence in the euro area.

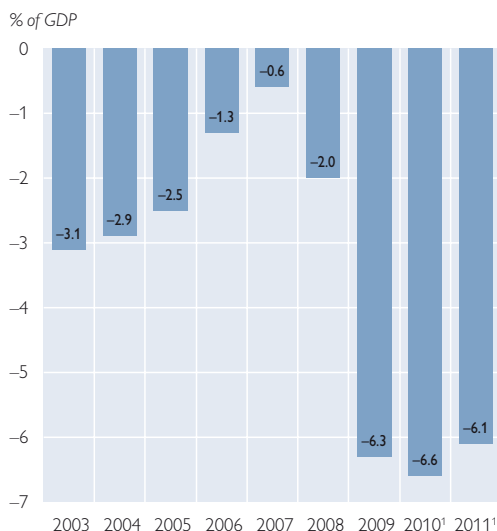
Above all, however, economic activity was supported by quick and comprehensive economic policy interventions. In 2009 and 2010 combined, the EU countries will spend around 5% of GDP on fiscal policy measures and automatic stabilizers to combat the crisis. The most important measures taken so far include frontloading public investments, providing direct support for especially important sectors of the economy (e.g. car scrappage scheme) and implementing measures to contain the rise in unemployment (e.g. short-time work).

The policy interventions precipitated a marked deterioration in public finances, however. In 2009, the budget deficit of the euro area as a whole was well above the Maastricht limit of 3% of GDP, and only Finland and Luxembourg posted budget deficits below this threshold. Consequently, the European

Chart 15

Fiscal Developments in the Euro Area

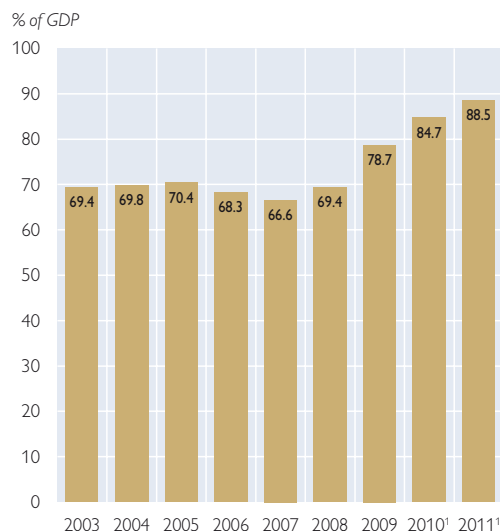
Budget Balance (Maastricht)



Source: European Commission.

¹ Forecast.

Government Debt



Commission initiated excessive deficit procedures against 13 of the 16 euro area countries.

The debt ratio in the euro area rose to 78.7% of GDP in 2009 and will reach 84.7% of GDP in 2010 according to the European Commission's forecast. The fact that budget deficits will remain elevated in the near future will be reflected in high and partly even rising debt ratios beyond 2010. The situation may be exacerbated further in the event that the growth path is lower, aging-related expenditure is higher, and that government guarantees provided during the crisis are called on. The consolidation of public finances will thus be one of the most demanding economic policy challenges for an extended period of time.

Following a decline in euro area economic output by 0.1% on a quarterly basis in the second quarter of 2009, quarterly growth rates returned to positive territory for the first time in over one year in the third quarter of 2009, mainly on the back of a turn in the inventory cycle. Like in the second quarter, growth was also supported by reviving global demand and stronger export growth. In contrast, investment continued to decline, albeit at a slower pace, and consumer spending provided hardly any impulses, mainly because the labor market situation continued to deteriorate.

2009 brought significant job cuts in almost all euro area countries and sectors of the economy, and unemployment rates increased. In most countries, however, the rise in unemployment was lower than expected considering that the downturn was massive, as a substantial part of labor market adjustments was achieved through reductions of hours worked – above all through flexible working time, short-time working arrange-

ments and temporary plant shutdowns. These measures have, at least temporarily, prevented large-scale layoffs.

Although business activity recovered in the second half of 2009, the situation still remains fragile, as some of the factors supporting this recovery are of a temporary nature (inventory cycle, fiscal packages), and the adjustment on the labor market will continue in 2010. Economic activity is thus expected to decline somewhat in the first half of 2010. According to the March 2010 ECB staff macroeconomic projections for the euro area, annual real GDP growth will range between 0.4% and 1.2% in 2010. Somewhat higher export growth and a gradual recovery of domestic demand are anticipated to fuel growth in 2011. The lagged effects of monetary policy measures and the recovery of the financial system will have a positive growth impact in both years. Euro area growth is therefore expected to edge up to between 0.5% and 2.5% in 2011.

The economic downturn, the associated negative output gap and low energy prices caused inflation rates to drop considerably in the first half of 2009. Inflation rates were negative during a five-month period starting in June 2009, and the lowest value (–0.7%) was recorded in July. Against the background of rebounding energy prices, positive base effects and increasing signs of economic recovery, inflation started to inch up again from November 2009. In February and March 2010, annual inflation rates stood at 0.9% and 1.4%, respectively.

Long-term inflation expectations are firmly anchored at a level that is in line with the ECB's definition of price stability (below, but close to 2%). According to the March 2010 ECB staff macroeconomic projections, inflation rates will be between 0.8% and 1.6%

Only moderate growth expected for 2010

Recession bottoms out in the third quarter of 2009

Inflation turns temporarily negative in the euro area

Labor market situation worsens

Higher volatility in currency markets

in 2010 and between 0.9% and 2.1% in 2011.

The uncertainty surrounding the economic and financial outlook led to higher volatility in currency markets in 2009. While the U.S. dollar was regarded as a safe haven and appreciated when the crisis intensified from late summer 2008, the euro started to strengthen steadily from mid-March

2009 against the backdrop of a stabilization in financial markets and first signs of a recovery in the real economy followed by first upward revisions of growth forecasts. The euro then began to depreciate end-2009 and early 2010, which was attributable to some euro area countries' specific economic and fiscal problems.

Central, Eastern and Southeastern Europe Also Faces Marked Economic Slowdown

In the first stages of the crisis, the EU Member States in Central, Eastern and Southeastern Europe (CESEE) proved comparatively resilient owing to their low direct exposure to the U.S. sub-prime market. In early 2009, however, the decline in GDP exacerbated considerably also in these countries.

The drop in GDP was mainly attributable to the fall in international demand, which affected the strongly export-oriented industry sectors of the region and led to extensive destocking and a decline in investment. At the

same time, however, low investment demand combined with weak private consumption caused imports to decrease even more than exports, so that the composition of GDP growth changed fundamentally: While domestic demand had been the main driver of growth in previous years, net exports made a positive, albeit small contribution in 2009. The sharp decline in capital inflows into the region, however, was a major drag on growth.

The crisis highlighted the heterogeneity of the CESEE region: While sev-

Crisis confirms heterogeneity of the region

Chart 16

Economic Indicators for Selected CESEE Countries

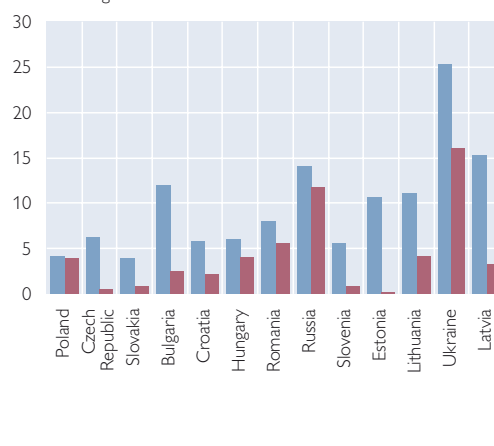
Real GDP Growth

Annual changes in %



HICP Inflation

Annual changes in %



Source: Eurostat, wiiv.

eral countries were hit harder by the downturn than the euro area, and Latvia, Hungary and Romania had to turn to the IMF and the EU for assistance in meeting their external financing needs (some even as early as in 2008), other CESEE countries – notably Poland, the only EU country to post positive growth in 2009 – were better-positioned than the euro area average to deal with the crisis. The reason for these differences between countries lies, above all, in the varying degrees of internal and external imbalances across countries, which made some countries more vulnerable than others to sudden changes in the international environment.

In several CESEE EU Member States, the downturn in fact caused the imbalances to narrow considerably. In particular, some countries' high current account deficits contracted mark-

edly in 2009 or even turned positive. In addition, both credit and wage growth fell sharply, and inflation rates dropped to partly very low levels.

In the second half of 2009, the situation in CESEE stabilized somewhat, as it did in the euro area; in several countries, quarterly GDP growth rates turned positive again. In the full year of 2009, though, growth in the region still contracted markedly; the catching-up process basically ground to a halt. Growth is forecast to remain moderate also in 2010 at around 1.5% and to accelerate to around 3.5% in 2011. For 2011 and beyond, CESEE economies are expected to grow around 2 to 2.5 percentage points faster than the euro area. Over the medium term, however, growth rates are almost certain to remain below the levels recorded during the precrisis boom years.

Catching-up process interrupted in 2009

Economic imbalances diminish markedly

Box 2

What 20 Years of East-West Integration Have Meant for Austria¹

2009 marked the 20th anniversary of the fall of the Iron Curtain and thus the end of the division of the European continent, which had lasted several decades. This process of Eastern Europe opening up to the West had a fundamental impact on political and economic developments in Europe.

Why Is CESEE Important for Austria and the OeNB?

In 1989, Austria's position shifted from the fringe of the geographical and political West right into the center of an increasingly integrated European continent. Given Austria's geographical proximity to and its strong historical and cultural ties with CESEE, it was a natural and logical step for Austrian enterprises to establish business relations with the young democracies at an early stage. This strategy has clearly paid off: Studies have shown that the EU enlargement to the East – in combination with Austria's EU accession in 1995 – boosted growth by between 0.5% and 1% per year and generated 100,000 to 150,000 additional jobs. Austria's current account, which had been in chronic deficit, turned positive in 2002, and the degree of internationalization of the Austrian economy increased strongly owing to direct investment in CESEE. Austrian banks have become key players in the region, with market shares of around 50% in Slovakia as well as in Bosnia and Herzegovina and almost 75% in Croatia. In 2008, business in the CESEE region accounted for more than 30% of Austrian banking assets and for more than 40% of the sector's pretax profits.

The CESEE countries that joined the EU also clearly benefited from European integration and EU membership, as the two triggered a process of political, social and economic modernization and contributed significantly to a marked convergence of incomes with those in West-

¹ See also: 1989–2009, *Twenty Years of East-West Integration: Hopes and Achievements. Focus on European Economic Integration*. OeNB. Special Issue 2009.

ern Europe. In the period from 2001 to 2008, the CESEE economies outperformed euro area economies by around 3%, so that per capita income (in purchasing power parities) in the region rose from below 40% to around 51% of the EU-15 average. In 2008, income levels in the Czech Republic and Slovenia were already as high as those of some EU-15 countries.

The OeNB's Strategic Focus on CESEE

In light of the ongoing process of European integration, the CESEE region has become an integral part of the OeNB's strategic focus. This is why the OeNB has strengthened its expertise on the region; it relies on various networks to cooperate closely with its partners in CESEE. OeNB research results have been published in numerous publications and discussed at conferences. In addition, the OeNB intensified its technical cooperation with CESEE countries to actively support the transformation and catching-up process. In 1992, the OeNB cofounded the Joint Vienna Institute, an internationally renowned training institute for officials and managers from CESEE, and it provided Slovenia and Slovakia with cash logistics know-how ahead of the introduction of the euro in these countries. The OeNB's Eurosystem and ESCB partners appreciate its expertise on CESEE.

Why Will CESEE Remain an Important Partner for Austria?

While the crisis has hit the region harder than anticipated and has revealed several economic vulnerabilities, CESEE will remain an important partner for Austria and Austrian businesses. In the medium term, the region has a high growth potential, given the persisting income gap, the comparatively low wage level and the strong international competitiveness. Therefore, the catching-up process can be expected to resume, and the markets of the region will become more attractive again. Bearing these facts in mind, the Austrian businesses made a prudent decision to not withdraw their capital from the region during the crisis, thus strengthening confidence between business partners, so that in the long run, both Austria and its CESEE neighbors will reap the benefits of their long-standing business relationships.

The Euro Provides a Shelter from the Crisis

Euro serves as an anchor of stability

The euro – which has become legal tender for some 327 million people – has served as a bulwark against the economic and financial crisis. Thanks to the Eurosystem's prudent monetary policy measures, the euro served as an anchor of stability in all of Europe. Membership in the euro area (but also in the EU) made it easier for banks to get access to central bank liquidity, and European payment systems operated smoothly even at the height of the crisis. The single currency prevented exchange rate turbulence and dampened interest rate swings in the euro area. The Eurosystem's monetary policy has been successful in avoiding a prolonged period of negative inflation and in counteracting deflation concerns. It relied on substantial interest rate cuts combined with unconventional meas-

ures to ensure that inflation expectations in the euro area remained firmly anchored at levels consistent with the Eurosystem's definition of price stability of below, but close to 2%. The fact that economic policy cooperation had strengthened over the years because of monetary union made it easier for EU governments, supervisory authorities and central banks to adopt harmonized fiscal stimulus programs and cross-border measures to stabilize the banking system and financial systems.

The euro has remained an attractive reserve currency, and its international role has strengthened to some extent. With numerous countries orienting their monetary and exchange rate policies on the single currency, it has come to play a major role in many CESEE countries. The euro has also gained sig-

Importance of the euro on the rise in CESEE

nificance in the invoicing of trade and in capital markets. Euro cash holdings, savings and borrowing are very common in the region.⁵

The gradual phasing out of expansionary monetary policy measures as from end-2009 will ensure that the euro remains a stable currency and will strengthen its role as a major international currency. Achieving these goals also requires implementing clearly defined fiscal consolidation programs to bring down the high public deficits of euro area countries to levels consistent with the Maastricht criteria. The experience of Greece has shown that caution is warranted regarding a further enlargement of the euro area. Before a country can join the euro area, it must strictly fulfill the accession criteria, adapt economic structures, adjust economic policy institutions and run comprehensive information campaigns to prepare its citizens for the changeover and the new currency.

According to recent surveys by the European Commission, 70% of euro area respondents have a very positive attitude toward the euro; only 16% have a rather negative attitude. The degree of acceptance is higher among Austrians: Three-quarters of respondents believe the euro is a good thing, only 13% still have a negative attitude. People reported hardly any difficulties in the day-to-day use of euro cash: 97% of Austrians are very familiar with euro banknotes, and around 80% say the same of euro coins. While the feel for euro prices has improved over the years, especially for small purchases, people still tend to calculate in Austrian schillings when making larger purchases. The results of a survey conducted by the OeNB in November

2009 show that two-thirds of Austrians are very satisfied or satisfied with the euro, mainly because it is regarded as a stable currency in the short, medium and long term. The Eurosystem and the OeNB are regarded as effective in safeguarding price stability.

At end-2009, 13.6 billion euro banknotes worth EUR 806.4 billion were in circulation. The overall number of coins in circulation was 87 billion; their value stood at EUR 21.3 billion. Taken together, the value of euro cash in circulation totaled EUR 827.7 billion (+5.7% from end-2008), and has thus returned to a steady growth path following the marked rise in the wake of the financial turbulence. According to OeNB estimates, the value of euro cash in circulation in Austria comes to around EUR 23 billion.

With the ratification of the Lisbon Treaty in 2009, the European Council adopted a new legal basis that would allow the EU to fully reap the benefits of European integration. This reform became necessary above all to handle recent and prospective EU enlargements, but also to streamline cooperation among the Member States.

The new Treaty provides for a more explicit distribution of competences; it has expanded the scope of majority voting and has changed the institutional framework of EU institutions. Apart from the general institutional changes, the following elements of the Lisbon Treaty are most relevant to EMU: the listing of price stability among the EU's objectives, the change in the institutional status of the ECB (EU institution) as well as the protection of its independence and the strengthening of the Eurogroup. The framework conditions for EMU as specified in the Treaty

Euro cash in circulation rises to around EUR 830 billion

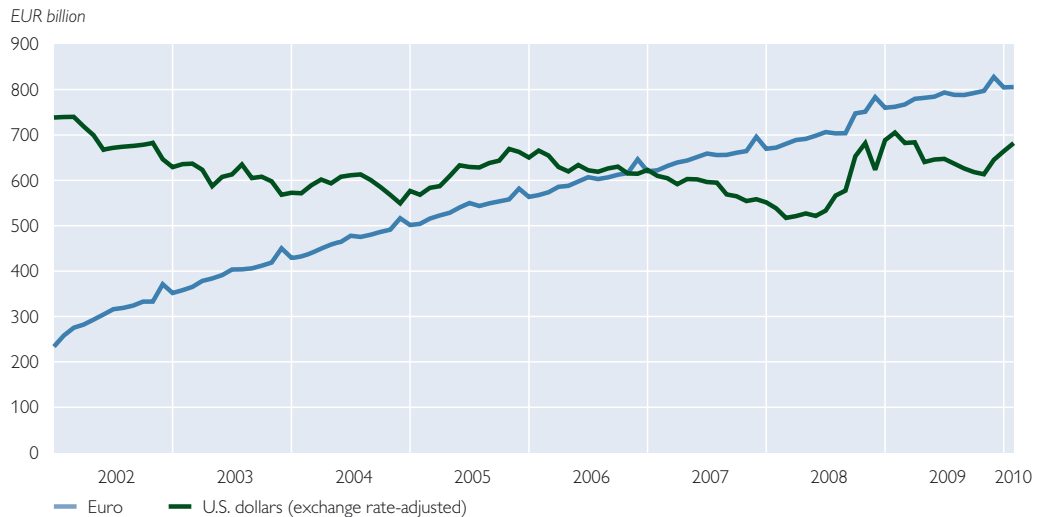
Treaty of Lisbon enters into force

Euro enjoys high degree of acceptance in Austria

⁵ See also Scheiber, T. and H. Stix. 2009. *Euroization in Central, Eastern and Southeastern Europe – New Evidence On Its Extent and Some Evidence On Its Causes*. OeNB Working Paper 159.

Chart 17

Value of Euro and U.S. Dollar Cash in Circulation



Source: ECB.

EU enlargement process continues

on European Union have been reaffirmed.

Iceland’s application for EU membership in 2009 confirms that the EU has become increasingly attractive, especially in times of crisis. The ongoing accession negotiations with Croatia have made good progress following the resolution of a bilateral border dispute with Slovenia: Negotiations were opened on six new chapters, and ten chapters were provisionally closed. Turkey still has not met all of its statu-

tory obligations. Specifically, the country has not extended the existing customs union agreement with the EU to the new Member States and above all to Cyprus. Therefore, it has not been possible to open the chapters relevant to those restrictions. In addition, the EU will not close any other chapter provisionally until Turkey has met all of its statutory obligations. The negotiations with FYR Macedonia have yet to be opened.

Austria’s Economy Is Faring Comparatively Well

Moderate growth expected for 2010

In 2009, Austria’s GDP shrank by 3.4% (in real terms, seasonally and working day-adjusted). This was the most severe downturn in the country’s history since 1950. From the third quarter of 2008 to the second quarter of 2009, real GDP in Austria declined on a quarterly basis. In early 2009, however, leading indicators as well as confidence indicators pointed to a return to positive growth in Austria, and the turning point was reached in mid-2009. In the

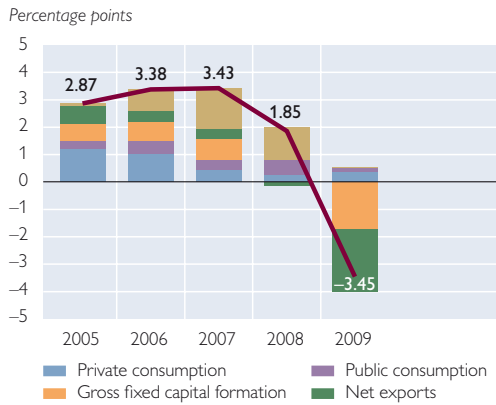
third and fourth quarters, real GDP grew by 0.5% and 0.4%, respectively (on a quarterly basis), which was just below the long-run average (Q2 1980 to Q4 2009: +0.52%) but not enough to offset the sharp decline in annual GDP growth.

The economic outlook for 2010 and 2011 is clouded by high uncertainty: On the one hand, price competitiveness developments place Austria in a comparatively sound starting position; the

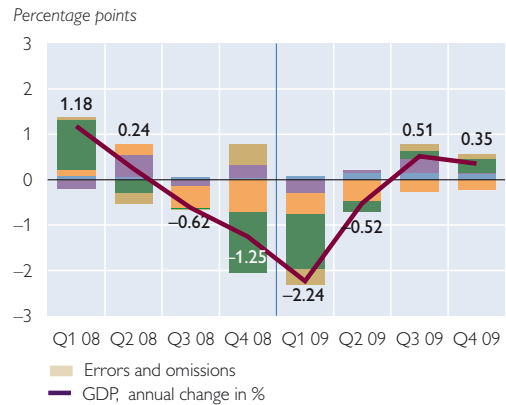
Chart 18

Contributions to Real GDP Growth in Austria (seasonally adjusted)

Annual Change



Quarterly Change



Source: OeNB, Statistics Austria, WIFO.

country has posted a current account surplus since 2002. On the other hand, Austria, being a small and very open economy, is highly dependent on economic developments in its main trading partners. Moreover, like most other euro area countries, Austria will have

to implement measures to regain long-term fiscal sustainability from 2011. Therefore, the OeNB expects growth in 2010 and 2011 to be moderate at less than the level required to cut unemployment rates to precrisis levels in the near future.

Box 3

OeNB Develops Export Indicator: Innovative Forecasting Tool Yields Timely Results

Most economic data become available with a time lag, which makes it difficult to assess recent and predict future developments. Statistics Austria, for instance, releases data on goods exports and imports as well as foreign trade figures with a time lag of some 65 days after the end of each month. In times of turbulence, however, the quality of economic analyses and economic outlooks critically depends on timely information.

Given that producing and selling goods involves a considerable amount of transport services, about which a wealth of data is available very quickly, it seems appropriate to analyze these data to determine whether they are suited for use as leading macroeconomic indicators. The Austrian highway authority and road toll operator, ASFINAG Maut Service GmbH, compiles truck mileage data with a fully automated road pricing system. The OeNB's econometric evaluations have indeed shown that truck mileage is a very good indicator for various macroeconomic developments, above all goods exports and imports, retail sales and industrial production. The traffic data, which form the basis of the OeNB's new export indicator, are released just a few days after the end of each month. This innovative product met with considerable interest by experts. The OeNB's export indicator, which was first presented in March 2009, has since been published regularly at the beginning of each month because of its high predictive power (see www.oenb.at/de/geldp_volksw/prognosen/prognosen_neu.jsp for information in German).

Lowest inflation rate since 1953

Following a rise in HICP inflation to 3.2% in 2008, which was driven by commodity price developments, inflation in Austria was only moderate at 0.4% in 2009, and thus only slightly higher than the euro area average (0.3%). CPI inflation in 2009 came to 0.5%, the lowest value recorded since 1953. This minimal rise in consumer prices is primarily attributable to base effects linked to energy prices, which surged in 2008 and declined again considerably in the course of 2009. The base effects were highest in early summer 2009 and even caused inflation to turn negative in June and July.

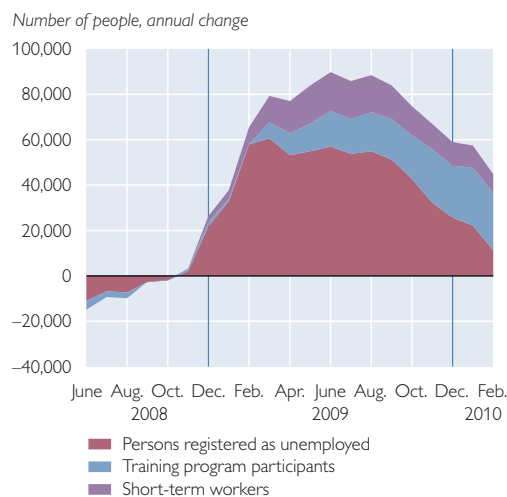
Over the year as a whole, *fuel prices* (−18.2%) and *education* (−9.6%) were among the factors that tempered inflation, whereas *housing rentals* (+4.7%) and *health services* (+2.6%) were inflation drivers.

The OeNB's most recent forecasts expect inflation to rise somewhat in 2010 and 2011 but to remain well below the Eurosystem's objective of price stability (below, but close to 2%).

The labor market responds to economic developments with a time lag. Unemployment increased markedly in 2009, even though the negative impact of the crisis on employment was mitigated by an overhaul of short-term working provisions.⁶ The total number of people registered as unemployed rose from 287,147 in December 2008 to 312,771 in December 2009. Adding the number of participants in AMS training programs and people on short-term working contracts (on a pro-rata basis), the December 2009 figure increases to 392,059 (chart 19). The unemployment rate climbed from 4.2% in

Unemployment rate rises to 5%, but is low by international standards

Chart 19 Development of Unemployment in Austria



Source: Austrian Public Employment Service, Eurostat, Statistics Austria.

January to 5.4% in December and came to 5.0% on average in 2009 (2008: 3.9%). Austria's December 2009 unemployment rate was thus the second-lowest in the EU (behind the Netherlands with 4.1%) and only half as high as the EU-27 average (9.5%) and the euro area average (9.4%).

The labor market stabilized in the first months of 2010. Payroll employment (seasonally adjusted) has increased somewhat from its low in August 2009, and the rise in unemployment has slowed down markedly.

In 2009, the development of Austria's external sector was influenced by the massive decline (−12%) in the volume of world trade. Goods exports and imports declined by one-fifth each compared with 2008, so that external trade in goods fell by EUR 2.1 billion. Services exports and imports were hit less hard, shrinking by one-tenth each. Despite this difficult environment, the

⁶ The maximum duration of short-term working was extended from 6 to 18 months. The associated reduction in working hours, which is funded by the Austrian Public Employment Service (AMS), can range from 10% to 90% of normal working hours. According to information provided by the AMS, the average reduction in working hours is currently 30%.

Austrian economy posted a current account surplus of EUR 6.3 billion or 2.3% of GDP in 2009 (2008: EUR 9.2 billion or 3.3% of GDP) and was thus affected significantly less by the global downturn than the euro area as a whole: The euro area current account slipped into deficit already in 2008 and came to -0.7% of GDP in 2009.

Austria's current account surplus is ascribable to the services surplus, which was still EUR 11.6 billion in 2009 (2008: EUR 13.2 billion). Travel and tourism again supported the external sector, contributing EUR 6.2 billion despite revenue losses of 5%.

Foreign investment data indicate that Austrian securities investors have started to regain confidence: Following inflows of EUR 9.4 billion in 2008, investment in foreign papers came to just under EUR 3 billion in 2009. While stocks and mutual fund shares were es-

pecially popular, with net purchases totaling EUR 4.4 billion (2008: net sales of EUR 5.7 billion), Austrian investors sold debt securities worth EUR 1.4 billion. A similar picture emerges for foreign demand for Austrian instruments: In 2008, outflows from Austria came to EUR 4.8 billion in the wake of the crisis. In 2009, international investors again purchased a small amount of Austrian securities (EUR 0.2 billion). The debt securities segment, by contrast, recorded capital inflows of more than EUR 22 billion in 2008 and outflows of around EUR 4 billion in 2009.

A reversal was observed in the (bank-dominated) lending and deposit business. All in all, Austrian investors repatriated funds in the amount of EUR 25 billion (2008: new investments of EUR 38 billion).

Austria posts a current account surplus despite difficult economic environment

Roughly one-half of Austria's services surplus of almost EUR 12 billion attributable to travel and tourism

Box 4

OeNB Statistics Provide a Detailed Profile of Austrian Trade in Services

The collection and analysis of data on the international trade in services was improved significantly with the introduction of the new direct survey system for external statistics. The OeNB collects a broad set of detailed information from almost 5,000 Austrian nonfinancial corporations in cooperation with Statistics Austria. These corporations employed 774,000 people and generated sales revenues of around EUR 250 billion in 2006. The survey results are complemented with information from other data sources, e.g. foreign trade statistics, structural business statistics, the OeNB's company database and the Austrian company register. The resulting profile of trade in services is both comprehensive and detailed, and it is unique among the data provided to date by EU Member States. The new statistics were created primarily to meet the demand for information of domestic enterprises and to facilitate the efficient promotion of cross-border trade in services.

An analysis shows that Austria's international service trade is closely linked to goods trade, company size and international group activities. While "traditional" services (first category, which includes e.g. transportation, construction, trade or operational leasing) still account for the bulk of gross trade in services, the surplus on trade with such services has been shrinking over the years and is tending toward zero. The pace of growth has recently been most dynamic in trade with innovative services (second category). Exports in this field – mainly architectural, engineering and other technical services, but also research and development – increased by 15% on average over the past ten years, while imports of such services rose by 10%. In 2008, the associated surplus on trade was already around EUR 3 billion. Cross-border trade in services that belong to the third category, knowledge-based services (which include e.g. advertising, market research, business consulting, legal services, and accounting), has been of comparatively minor importance in Austria.

An analysis of Austria's competitive position in the three categories shows that the country has a comparative advantage over its trading partners mainly with regard to several innovative services, such as research and development or technical services: The RCA index¹ shows that Austrian enterprises have been more successful in gaining a strong foothold abroad than their foreign competitors have been in using market opportunities in Austria. In contrast, Austria exhibits marked comparative disadvantages regarding traditional and knowledge-based services.

Austria's most important trading partner in service trade (like in goods trade) is Germany, which accounts for roughly one-third of exports and imports, followed at a considerable distance by Switzerland, Italy, the United Kingdom and the U.S.A. Hungary and the Czech Republic are the most important Central and Eastern European markets for Austria.

Details on the sample, the analytical methods and the results can be found in the OeNB's June 2009 special issue "Structure of Trade in Services" of the "Statistiken – Daten & Analysen" series.

¹ The RCA (revealed comparative advantage) shows to what extent the export-to-import ratio of a specific service deviates from the export-to-import ratio of all services. A high export share indicates competitive advantages for the service industry in question.

Table 2

Real Effects of Fiscal Measures on GDP in Austria

	2009	2010 ¹
	% of GDP	
Measures taken at the federal level	0.7	1.2
of which:		
Tax reform and family package	0.3	0.6
Inflation package	0.2	0.3
Investment in infrastructure	0.1	0.2
Measures taken at the provincial level	0.3	0.5
Measures taken by trading partners	0.8	0.8
of which:		
Germany	0.3	0.3
Total	1.8	2.5

Source: OeNB, WIFO.

¹ Cumulative effects.

Austria should return to a sustainable consolidation path already in 2010

Fiscal policy supports economic growth

Austria took extensive economic policy measures in 2009 to help the domestic economy overcome the crisis, adopting economic stimulus packages both at the federal and provincial level. The measures taken by Austria's trading partners also had a positive effect on economic developments. According to OeNB estimates, the growth effect of all measures taken (including the 2008 inflation package, two economic stimulus packages and the income tax

reform) came to almost 2% of GDP in 2009.

The effects on GDP growth are expected to continue in 2010. While the economic stimulus packages and the tax reform succeeded in mitigating the crisis-induced contraction of the real economy, they could not prevent the recession.

The operation of automatic stabilizers (decline in tax revenues, increase in social transfers) as well as the implementation of comprehensive discretionary fiscal measures contributed to raising the general government deficit ratio in Austria – like in other European countries – to well above 3% of GDP in 2009. In light of only modest economic growth, budget balances in 2010 are expected to deteriorate markedly in the majority of countries. This, in combination with the bank support packages, will rapidly push up the general government debt ratio and the ratio of interest expenditure to tax revenues, thus causing the government's fiscal policy leeway to shrink.

While it is necessary to accept a rise in public deficits in times of economic crisis, high budget deficits must be re-

duced again as soon as the real economy has recovered to prevent undermining the sustainability of public finances. The need for consolidation goes significantly beyond the need to cut the deficit to below 3% of GDP, though. In the medium term, the aim must be to achieve a broadly balanced budget, especially because population aging will cause long-term trend growth to de-

cline further and will lead to a sharp rise in public expenditure on pensions, health care and long-term care.

The Austrian government has already announced first consolidation measures: The departments' spending caps for the 2011 federal budget were lowered from 2010 levels, and the government's intention of increasing certain taxes has been discussed.

The Austrian Financial System Proved Resilient in 2009

Fulfilling its mandate of maintaining financial stability, as set out in the Nationalbank Act, was a particularly challenging task for the OeNB in the eventful year 2009. Early in the year, the situation appeared to be on the brink of escalation as market participants' sentiment toward Central, Eastern and Southeastern Europe (CESEE) deteriorated dramatically against the backdrop of a deep recession, falling stock prices, rising risk premiums and depreciating currencies, and Austrian banks' exposure to CESEE became the focus of attention. Decisive action both at the national and at the international level helped stabilize the situation quickly, though. This chapter describes the key measures the OeNB took to maintain financial stability and summarizes the OeNB's tasks and activities in prudential supervision and financial market analysis. Finally, it also provides an overview of developments in the international supervisory architecture.



Maintaining Financial Stability

Professional Crisis Management

Both general financial market developments in early 2009 and the situation at individual banks warranted the use of crisis management instruments in the year under review. The OeNB had already participated in several Eurosystem crisis simulation exercises before the onset of the financial crisis. Therefore, the OeNB had in place a predefined structured crisis management plan, which was implemented quickly when the crisis struck. Since the collapse of the U.S. investment bank Lehman Brothers, the action taken has focused on the following areas and activities:

- stepping up communication with market participants, supervisors, national central banks and international financial institutions such as the ECB, the EBRD and the IMF;
- accelerating information flows and improving decision-making processes;
- establishing a crisis task force (“cockpit”) to monitor developments of relevance to the financial markets as well as to provide consultation and policy coordination, inter alia in connection with Kommunalkredit and Hypo Group Alpe Adria (HGAA).

Soon after the onset of the crisis, the OeNB adopted a new, forward-looking approach to liquidity monitoring, which was enhanced further in 2009. It provides key information about the liquidity situation of individual banks or of important segments of the Austrian banking sector. In addition, the OeNB stepped up its contacts with the major Austrian banks and external auditors. Regular meetings at different levels of management were held to discuss issues

in connection with the quality of loan portfolios, business developments, risk and stress scenarios, developments in CESEE¹ and changes in the regulatory framework. In prudential reporting, enhanced standardized questionnaires delivered urgently needed additional information, which proved very valuable, for instance in the implementation of recapitalization measures in 2009.

In the context of the nationalization of HGAA, the analyses conducted by the OeNB represented a key input into bringing the negotiations to a successful conclusion. The positive effects and synergies resulting from the OeNB’s mandate and activities in macroprudential (i.e. system-level) analysis and microprudential (institution-level) supervision proved very helpful in finding viable solutions for the ailing bank.

In implementing the crisis management framework adopted by the EU Economic and Financial Committee, the OeNB not only facilitated the adequate exchange of information between supervisors but also adapted its internal handbook for crisis management and defined the process for assessing a bank’s systemic relevance. This process involves assessing the contagion potential of bank failures and the direct impact (first-round effects) of a bank’s sudden market exit on other banks, markets, market infrastructures and the real economy. The results are displayed in what is called the “systemic assessment heat map,” which features a systemic impact score from 0 (no impact) to 3 (very severe impact). The transfer of information and know-how in this process takes place in the Financial Market Committee, a platform of cooperation between the Federal

Crisis management team coordinates information flow

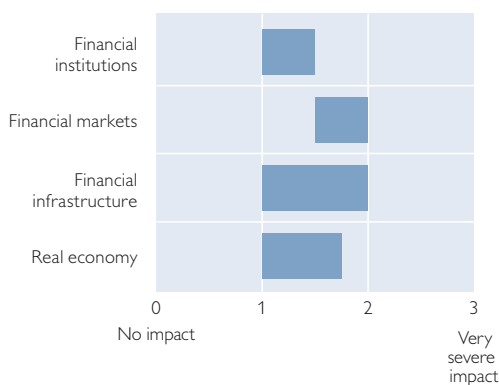
Integrated crisis management in HGAA case

EU framework for crisis management

¹ CESEE refers to Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, FYR Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

Chart 20

Systemic Impact Assessment Heat Map (Example)



Vienna Initiative provides valuable platform

Ministry of Finance, the Financial Market Authority (FMA) and the OeNB. All supervisory authorities throughout the EU apply the approach described above, thereby facilitating a focused and efficient joint assessment of the systemic relevance of cross-border banks.

Contributing to Stabilizing CESEE Markets

In 2009, the OeNB increased its regular contacts with other national central banks, national supervisors and market participants (such as rating agencies, investors, analysts and banks’ risk managers). The aim of the talks was, on the one hand, to obtain information about current developments and the assessment of the situation in CESEE and, on the other hand, to discuss the heterogeneity of the CESEE region. The differences between the CESEE countries in terms of economic conditions and development are, in part, substantial; hence, their risk profiles can hardly be compared with each other. In light of Austrian banks’ large exposure to CESEE, concerted efforts and a well-

functioning cooperative relationship with local authorities are crucial for providing a realistic assessment of the situation in CESEE. Confidence-building measures helped the markets discriminate more strongly between individual CESEE countries in assessing risk from the second quarter of 2009 on.

The OeNB contributed substantially to the establishment of the European Bank Coordination (Vienna) Initiative, launched during the peak of the global financial crisis in early 2009 as a platform for cooperation and discussion between representatives of home and host country supervisors, the European Commission, international financial institutions like the IMF, and banks. A clear commitment of the foreign banks active in CESEE to stabilizing the region was one of the major outcomes of the regular Vienna Initiative meetings in the year under review. The OeNB also boosted its coordination activities with CESEE countries that were particularly badly affected by the financial crisis, such as Hungary and Romania. The Vienna Initiative provided a crucial contribution to safeguarding financial stability in CESEE and, as a consequence, also in Austria. Furthermore, in January 2009 the Austrian Minister of Finance visited several CESEE countries and the home countries of major banks active in CESEE in an effort to garner support for measures aimed at stabilizing the economy in the region.

Stress Tests Gain Increased Attention

Heightened uncertainty about economic developments and the financial sector have increased the public’s interest in stress tests. The OeNB’s macro-

CESEE characterized by heterogeneous markets

Stress tests facilitate assessment of financial system resilience

prudential stress tests² use severe but plausible scenarios of economic developments in Austria and CESEE. The risk profile of a bank's current loan portfolio serves as the basis for a model calculation which estimates the effects of the underlying scenarios on the respective bank's profitability and risk-bearing capacity over the following two years. The scenarios used are the current economic forecast (i.e. the baseline scenario, which assumes that no additional stress occurs) and a stress scenario that foresees a severe deterioration of the economic situation compared with the current forecast.

In 2009, the OeNB conducted two macroprudential stress tests. The first one, which assumed a deep recession in

CESEE, showed that the capital ratios of Austria's major banks would remain above the regulatory minimum requirement. The second stress test was based on a temporary recovery in the second half of 2009 and another global slump in economic growth in 2010 (double-dip scenario). This scenario implied that over the two-year forecast horizon, the tier 1 capital ratio of the entire domestic banking system would decline by 2.4 percentage points, with all banks, in aggregate, complying with the regulatory minimum requirements.³

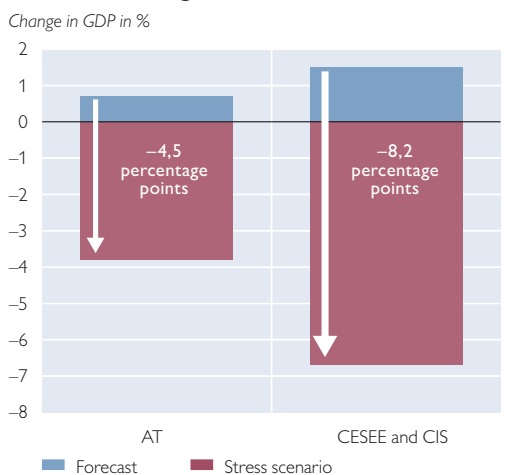
The macroprudential stress tests showed that the Austrian banking system would be able to weather another economic slump, which, however, is

OeNB conducts two stress tests in 2009

Chart 21

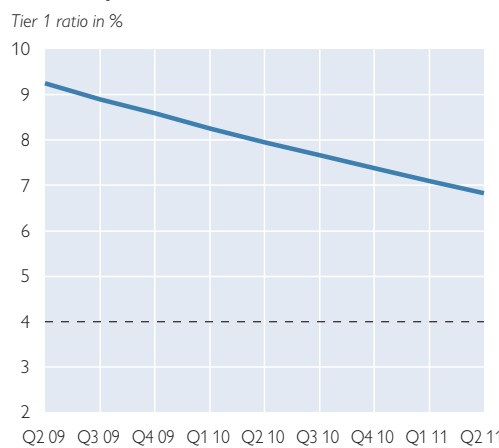
Results of the OeNB Stress Tests of Autumn 2009

Cumulative Change in GDP in the Stress Scenario¹



¹ Cumulative GDP growth in the OeNB stress test of autumn 2009 (Q3 2009 to Q2 2011).

Tier 1 Capital Ratio in the Stress Scenario



Note: At the starting point, the tier 1 capital ratio includes the recapitalization funds that had already been entered into the books (EUR 6.7 billion of which were provided from the bank support scheme) as well as EUR 3.2 billion raised on the capital market and EUR 0.8 billion from the bank support scheme. It is assumed that profits will be added to the capital stock.

Source: OeNB.

² The OeNB's involvement in stress testing is twofold: First, the OeNB conducts supervisory activities in connection with stress tests to assess banks' capital adequacy under pillar 2 of the New Basel Capital Accord (Basel II) (microprudential approach); second, in line with its mandate to maintain financial stability, the OeNB conducts macroprudential stress tests aimed at analyzing the soundness of the entire banking system (macroprudential approach).

³ At the time when the stress tests were conducted, no information was available about the recapitalization of HGAA (implemented in December 2009); therefore, these measures were not taken into account.

Stress tests produce differentiated picture of banks' situation

not expected to occur (chart 21). At the individual bank level, however, the results of the stress tests diverged strongly. While most large banks achieved far better results than the aggregate figures suggested, some banks fared much worse. Banks that would be seriously affected by the crisis would require recapitalization. For HGAA, this requirement arose shortly after the stress test had been carried out. A detailed examination of its loan portfolio revealed an immediate need for additional loan loss provisions.

OeNB contributes to EU stress tests

Apart from conducting stress tests at the national level, the OeNB is involved in stress testing at the European level. In 2009, the Committee of European Banking Supervisors (CEBS) carried out a stress test for the largest European banking groups, which also included Austrian credit institutions, to assess the resilience of the European financial system. Another such exercise was launched in early 2010.

Extended Financial Market Monitoring

Regular analyses support decision-making

The OeNB further reinforced its analytical and monitoring activities in 2009 to ensure that up-to-date information is available and adequate measures can be taken in a timely fashion if need be. Financial stability analysis takes place at two levels: First, it looks into the business, profitability and liquidity as well as the risk-bearing capacity of banks at both the system (financial stability) and individual bank

level (supervision); second, it takes into account stock, credit and currency market data. In line with its broader financial stability mandate, the OeNB also analyzes developments in the insurance, asset management (mutual fund), pension fund and severance fund businesses. Apart from providing economic assessments, the OeNB pays particular attention to the potential for contagion between financial intermediaries. One example of the OeNB's cross-sector stability analyses in 2009 was a study on the Austrian insurance sector,⁴ which took stock of the Austrian insurance sector and identified potential contagion channels between the banking and the insurance sectors. Due to the considerable exposure of the Austrian financial system to CESEE and the difficult economic conditions in the region, the OeNB extended its financial stability analyses covering this area in 2009.

OeNB experts monitor, at the country level, developments in CESEE financial markets and financial regulation that are of relevance to financial stability in Austria, serving as single points of contact (SPOC) for information about the respective countries. In addition to monitoring the market in general, in 2009 the OeNB's market analysis focused in particular on foreign currency lending, the refinancing situation of Austrian banks' CESEE subsidiaries, nonperforming loans, and loan restructuring.

⁴ Ebner, G. and E. Ubl. 2009. *The Austrian Insurance Industry from a Financial Stability Perspective: an Analysis of the Period from 2002 to 2008*. In: *Financial Stability Report 18*. OeNB. 76–92.

Box 5

Measures to Stabilize the Austrian Financial Market

Prolongation of Bank Support Scheme

In October 2008, the Austrian government adopted a set of measures aimed at stabilizing the financial system; the support scheme was extended in June and December 2009 with the European Commission's approval under EU state aid rules. The OeNB contributed to preparing and implementing as well as prolonging this confidence-building measure.

The Interbank Market Support Act, comprising guarantees worth EUR 65 billion, was extended by one year until December 31, 2010. This law enables the federal government to provide guarantees for bank debt to facilitate longer-term refinancing. In order to obtain such guarantees, banks have to comply with certain requirements and pay a market-level fee. Furthermore, to strengthen confidence in the interbank market, the Oesterreichische Clearingbank AG (OeCAG), a bank 100% owned by Austrian credit institutions and carrying special federal guarantees, was established.

In addition, under the Financial Market Stability Act, the federal government made available EUR 15 billion to support banks' and insurance companies' capital adequacy, for instance in the form of participation capital. The provision of capital injections is subject to strict rules. The body responsible for administering these capital measures is FIMBAG, the stock corporation for financial market investments of the Federal Republic of Austria.

At end-2009, five Austrian banking groups had issued participation capital to the amount of EUR 5.4 billion. Bank debt issued under the guarantee scheme in line with the Interbank Market Support Act has totaled EUR 20.4 billion so far. Apart from providing guarantees for banks' assets (to the amount of EUR 1.5 billion), the federal government spent EUR 310 million on capital increases. The funds allocated through OeCAG totaled EUR 8.8 billion (of which EUR 7.5 billion were allocated in 2009).

Amendment to Deposit Guarantee Scheme

As an additional confidence-building measure, deposits (deposits on savings and current accounts, fixed-term deposits and deposits with saving and loan institutions) of natural persons (i.e. private or business assets) were backed in full up to December 31, 2009; since January 1, 2010, deposit insurance has been capped at EUR 100,000 per depositor and bank. For small and medium-sized enterprises, the level of guaranteed deposits was set at EUR 50,000 as at July 1, 2009; this ceiling will be raised to EUR 100,000 on January 1, 2011. Finally, the government's bank support scheme also includes EUR 10 billion to fund depositor compensation exceeding EUR 50,000.

Austrian Financial System Weathers the Crisis

Austrian Banks' Total Assets Decreased in 2009

In 2009, the economic crisis increasingly affected the Austrian banking sector. While the adverse impact of the U.S. subprime crisis had remained limited, the escalation of the financial turmoil and the ensuing recession – the deepest since World War II – led to a considerable decline in domestic banks' profitability. As the crisis triggered recessions also in most CESEE countries, which had seen robust growth before

the turmoil broke out, profitability also sank in the face of deteriorating loan quality.

The business volume of Austrian banks in terms of consolidated total assets shrank by 3.0% in the year under review, amounting to EUR 1,140 billion at end-2009. This decline was to a large extent due to the lower value of assets and the smaller amount of interbank business on the liability side. While loan quality deteriorated on the asset side, refinancing conditions im-

Austrian banks' total asset growth grinds to a temporary halt

proved in the course of the year. In particular, large-scale refinancing became easier, also thanks to government support measures (provision of participation capital and guarantees for bank debt). Compared with the situation at the peak of the financial crisis at end-2008 and in early 2009, liquidity conditions stabilized significantly at Austrian banks. Improved market sentiment, government-guaranteed bank debt as well as banks' efforts to enhance their liquidity risk management practices contributed considerably to this development. Retail deposit growth slowed visibly in 2009, but the total amount of retail deposits still increased by 0.4%. In this difficult environment, banks tightened lending, and loan demand by households and nonfinancial corporations was weak. The volume of loans extended by Austrian banks decreased by 2.1% in 2009, though loans to households increased slightly. The OeNB continuously monitors loan growth and publishes the results monthly (box 6).

After peaking at EUR 57.2 billion in October 2008, foreign currency loans in Austria contracted to EUR 52.8 billion in 2009. Foreign currency loans in CESEE granted by Austrian banks (indirectly, i.e. by local subsidiaries) amounted to around EUR 80 billion as at end-2009.

The economic crisis put pressure on Austrian banks' profitability in 2009. In a consolidated view,⁵ domestic banks continued to post profits, which underlines the sustainability of their business model. The generally sluggish economy in 2009 affected loan quality and necessitated a significant increase in loan loss provisions. Fee income also reflected the difficult economic environment. At

the same time, the comprehensive monetary and economic policy measures launched to stabilize the sector and the ensuing recovery in the financial market considerably improved trading results. In addition, interest income proved to be a stabilizing factor during the crisis. Austrian banks posted consolidated net income (after taxes and minority interests) of about EUR 1.5 billion in 2009, up by 161% on the low 2008 result. The return on assets hence came to just below 0.2%. While domestic business was weak overall, the subsidiaries in CESEE generated profits, with the exception of those in the CIS, which posted small losses, as the region suffered particularly during the global crisis (chart 23).

The risk-bearing capacity of Austrian banks improved in 2009 but remained below-average by international standards. The indicator used to ascertain banks' risk-bearing capacity is their capital ratio. The increase in Austrian banks' capital ratios seen in 2009 was, in particular, due to the injection of government participation capital and private capital. The consolidated capital

Banks' capital adequacy improves thanks to government and private-sector capital

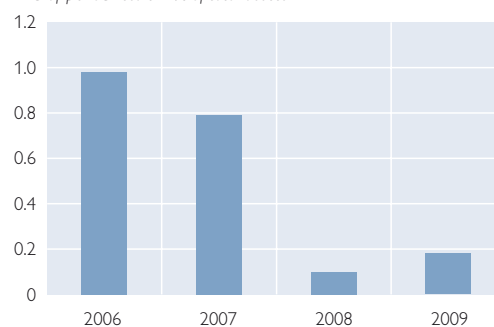
Foreign currency loans on the decline

Loan loss provisions weigh on profitability

Chart 22

Consolidated Return on Assets of the Austrian Banking Sector

End-of-period result in % of total assets



Source: OeNB.

⁵ The consolidated view provides an overall picture of banking sector developments, in particular in Austria and CESEE.

Chart 23

End-of-Period Result of Austrian Banks' Subsidiaries in CESEE



NMS-2004: Czech Republic, Hungary, Latvia, Poland, Slovakia, Slovenia
 NMS-2007: Bulgaria, Romania
 SEE: Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro, Serbia
 CIS: Belarus, Kazakhstan, Kyrgyzstan, Russia, Ukraine

Source: OeNB.

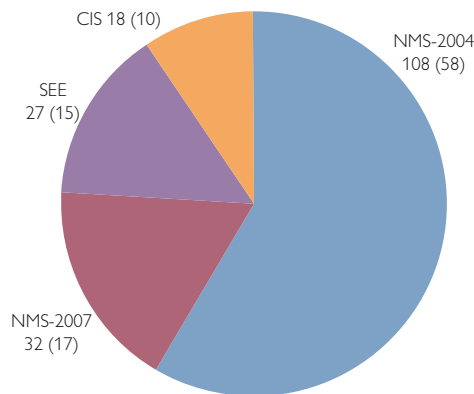
ratio of Austria's banking sector stood at 12.8% at the end of 2009, and the tier 1 capital ratio amounted to 9.3%.

In line with their long-term strategy, Austria's banks lived up to their responsibility in CESEE in the crisis year 2009, continuing to provide their subsidiaries with liquidity also at the height of the crisis. The total CESEE exposure of Austrian banks (i.e. banks in majority domestic ownership) came to approximately EUR 185 billion in the third quarter of 2009, more than three-quarters of which was to EU Member States. Taking into account the banks in foreign ownership, the total exposure ran to some EUR 300 billion in the third quarter of 2009. Despite declining moderately from their peak in the third quarter of 2008, total claims on CESEE nonbanks remained broadly stable. An international comparison shows that the level of Austrian

Chart 24

Austrian Banking Groups' Exposure to CESEE (EUR 185 billion in total)

As at Q3 2009, EUR billion, percentage shares in parentheses

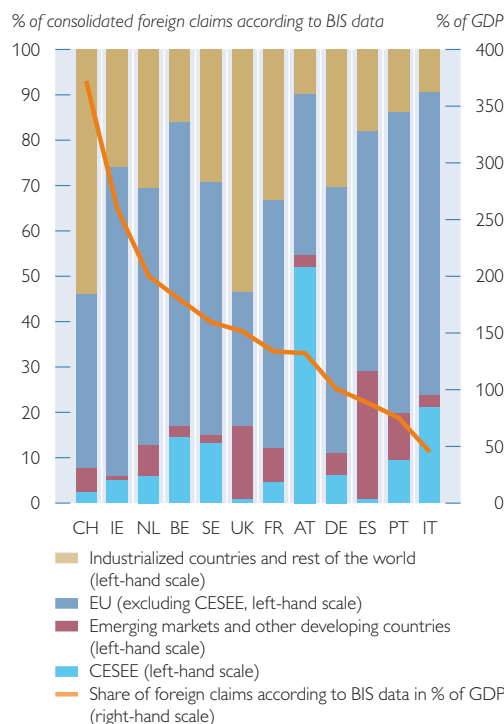


NMS-2004: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia
 NMS-2007: Bulgaria, Romania
 SEE: Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro, Serbia, Turkey
 CIS: Belarus, Moldova, Russia, Ukraine

Source: OeNB, BIS; Provisional data as at Q3 2009.

Chart 25

Comparison of Selected Banking Systems' Foreign Claims



Source: OeNB, BIS; data as per Q3 2009.

Austrian banks play active role in stabilizing CESEE

Introduction of a Reporting Requirement for New Loans and Publication of New Regular Loan Reports

New Loans

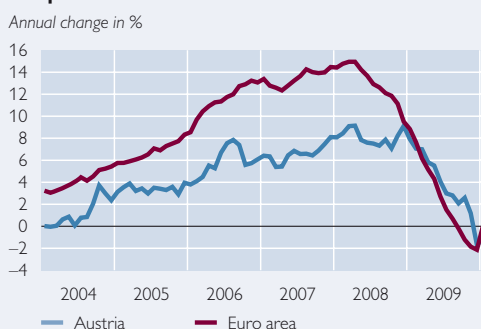
As the financial crisis gathered momentum toward the end of 2008, the question of a looming credit crunch became the focus of attention. At that point, the OeNB did not have at its disposal sufficient statistical data, in particular on actual new lending, to provide an in-depth analysis of this question. In late 2008, both the Federal Ministry of Economy, Family and Youth and the Federal Ministry of Finance requested data in this connection, and, subsequently, the newly established stock corporation for financial market investments of the federal government, FIMBAG, called for data in connection with government recapitalization measures. Analysts pointed out the lack of data above all on the sectors nonfinancial corporations and households.

To satisfy these data requests, the OeNB, at short notice and in coordination with users and reporting institutions, introduced a new monthly reporting requirement for data on newly negotiated agreements on existing loans. This new report is based on existing reports provided for the ECB's interest rate and MFI balance sheet statistics. The data on newly negotiated loan contracts are a subset of the data reported for the interest rate statistics (these include all new loan agreements). The OeNB compiles these data on new loans for all euro loans to nonfinancial corporations (broken down by loan amount, i.e. up to EUR 1 million and more than EUR 1 million), to households (broken down by loan purpose) and to financial leasing corporations. The data include loans denominated in Swiss francs and Japanese yen.

In March 2009, the OeNB for the first time compiled the new loan data (retroactively from January 2009) from 108 credit institutions in Austria. The monthly data are extrapolated to the entire market.

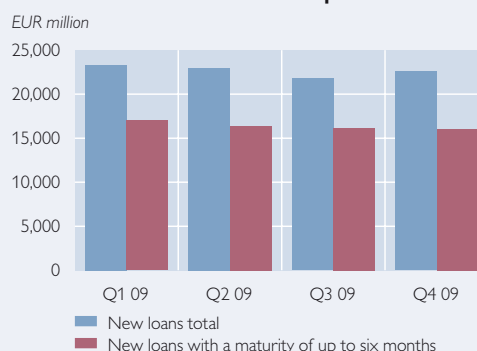
Sharp Contraction in Corporate Loans Outstanding in 2009, New Lending Fairly Stable

Corporate Loans



Source: OeNB.

New Loans to Nonfinancial Corporations



Loan Reports

In March 2009, the OeNB started to publish, on a monthly basis, the most recent data on new loans and data on outstanding loans (source: the ECB's MFI balance sheet statistics), with a focus on nonfinancial corporations and households.

In addition, three times in 2009, the OeNB published a loan report investigating, among other things, the existence of a credit crunch in corporate and household lending. According to the OeNB's reports, the growth of loans to nonfinancial corporations was losing momentum throughout 2009, and the growth of loans to households stagnated at a low level during the last months of the year under review. With the economy still slow, loan demand declined on the back of corporate investment and consumption in 2009. Banks, for their part, kept lending tight, as borrowers' ratings had deteriorated and credit institutions faced refinancing problems.

banks' foreign exposure is in the middle range, but is concentrated in CESEE countries, some of which are EU Member States.

Other Financial Intermediaries Benefit from Stock Market Recovery

After a difficult start into 2009, stock prices started to go up in March 2009. Austria's main stock index ATX gained 42.5% in 2009, ending the year at 2,496 points. This increase helped offset part of the losses posted in 2008. Market capitalization in Austria rose by 9 percentage points to 28% of GDP at the end of 2009. In 2010, the Austrian stock market was off to a weak start as uncertainty about Greece and a few other euro area countries curbed investors' risk appetite.

Austrian financial intermediaries' customers were still disinclined to take

risks in 2009 despite the stock market rebound. Inflows to mutual funds and life insurance contracts were fairly low. For the first time since the onset of the turmoil, mutual funds reported increases in assets under management, which, however, were mostly attributable to price gains.

The decline in economic activity and the rise in unemployment resulted in stagnating real premium income in the insurance sector in 2009. In times of high uncertainty and a persistently slack labor market, people saved less, which is reflected particularly clearly in shrinking life insurance premium income. Investment income, however, benefited from improving financial markets, gaining 15% compared with 2008. Expenses for payouts of insurance claims rose by 6% year on year.

ATX gains offset some earlier losses

Insurance companies' investment income on the rise

Contributing to Financial Supervision in Austria

OeNB Responsible for Off-Site Analysis and On-Site Inspections

Since the reform of the supervisory framework in Austria in 2008, the OeNB has been in charge of overall risk assessment ("fact finding"), and the Financial Market Authority (FMA) has been responsible for taking official action. This clear assignment of tasks and responsibilities has considerably enhanced prudential processes.

In banking supervision, off-site analysis represents the first component of the risk assessment process. Under this component, the OeNB regularly conducts comprehensive evaluations of data reported by credit institutions and other relevant information for banking supervision purposes and in preparation of investigations by the supervisory authority. The results of these analyses,

which are also made available to the FMA, indicate whether there have been substantial changes in a bank's risk situation or whether there is any reason to suspect a breach of regulatory provisions. Furthermore, the OeNB draws up off-site analyses of individual banks on request of the FMA. In a first step, called the basis analysis, all credit institutions are subjected to a largely automated screening. Next, all banks that have been identified as high-risk institutions in the basis analysis and on principle all major and joint stock banks undergo detailed business analysis. In addition, the OeNB maintains a structured dialogue – differentiated by bank size and complexity – that includes, among other things, regular talks with banks' external auditors.

Off-site analysis crucial for risk assessment of banks

On-site inspections provide insight into banks' risk situation

On-site inspections are the second component of the risk assessment process. To supplement publicly released information and data reported to the OeNB, the latter carries out on-site examinations on the premises of the audited bank, usually in line with an annual audit plan agreed with the FMA. During such inspections, the OeNB examiners are given access to all records and have the opportunity to talk to members of management and staff as well as to refer to external auditors' findings. Since the reform of the supervisory framework in 2008, the scope of the OeNB's inspection comprises all business fields and risk types as well as the evaluation of advanced risk management models. The OeNB's expert opinions serve as the basis for the FMA's decision to authorize use of a model and are also used to calculate banks' regulatory own funds. On-site inspection reports and opinions on models are forwarded to the examined institution and to the FMA; they represent key sources of information in the analysis. The degree of detail and depth of the supervisory process – off-site analysis and on-site inspections – varies according to the degree of risk an institution is exposed to (principle of proportionality). In other words, the supervisors focus on relevant banks and, if deemed appropriate, certain business areas.

EU and CESEE cooperation in supervisory analysis

The efficient supervision of cross-border banks requires close cooperation among all supervisory authorities involved. The OeNB and the FMA work particularly closely with supervisors in the EU and in CESEE. So-called supervisory colleges have been established for four Austrian banking groups to facilitate an exchange of information between the competent supervisors at least once a year. The home country supervisory authority is in charge of organizing and hosting these meetings. In

2009, the FMA, in cooperation with the OeNB, hosted the supervisory college meetings. The topics discussed included coordinating the multilateral agreement on supervisory cooperation, joint risk assessment, the implementation of the internal capital adequacy and assessment process (ICAAP), reporting of key inspection results, and presentation and coordination of supervisory activities scheduled for 2010. On a quarterly basis, OeNB and FMA experts draw up short reports for host supervisors, which cover the essential new information of the previous three months. Also, the OeNB and the FMA participated in supervisory college meetings about Austrian banks with foreign parent institutions, providing supervisory information about the respective bank to contribute to a better understanding of banks' overall risk situation.

The Austrian supervisory authorities maintain ongoing contacts with EU and third-country supervisors also outside the supervisory college framework. In 2009, the OeNB participated in cross-border projects in connection with on-site examinations as well as in joint inspections of Austrian banks' foreign subsidiaries and of domestic banks owned by foreign institutions. In addition, OeNB examiners took part in inspections of foreign parent banks. Furthermore, coordinated on-site examinations, in which each supervisor works independently, were carried out. In these joint inspections, the supervisors exchange their findings and consolidate them to achieve overall results.

Initiative to Curb Foreign Currency Lending

The OeNB's information campaigns about foreign currency loans conducted over the past few years and the minimum standards for foreign currency

lending introduced in 2003 have raised borrowers' risk awareness but have not translated into a visible decline in lending in foreign currency. In October 2008, the FMA issued a recommendation calling on banks to stop extending foreign currency loans to households. The OeNB and the FMA then drew up supplementary provisions to the FMA's minimum standards for foreign currency loans and loans linked to repayment vehicles and published them in March 2010. According to these supplementary provisions, such loans should be extended only to households which earn sufficient income in the currency in which the loan is denominated or which belong to the group of wealthy retail customers with the highest creditworthiness. In addition, banks should apply particular diligence to euro loans linked to repayment vehicles for accumulating capital. Banks are called on to devise strategies to reduce the refinancing risk of foreign currency loans. Moreover, banks should provide comprehensive information to borrowers and should actively support customers willing to reduce their risk by converting existing foreign currency loans or loans linked to repayment vehicles. While the initiative is addressed to banks, it is crucial that the message also goes out to independent financial advisors and consumers.

The OeNB and the FMA are now developing similar recommendations for foreign currency lending in CESEE, aiming to reduce Austrian banks' new lending in foreign currency in the region, which is deemed vital to maintaining the stability of the Austrian banking systems in possible future crises.

Close Cooperation with the FMA

Austria's financial supervisory reform in 2008 established an essential prereq-

uisite for keeping step with the rapid developments in financial markets.

The OeNB and the FMA have committed themselves to cooperating closely and on fair terms in prudential supervision. Merging all data relevant to supervision in a joint database is a key element of this collaboration. The analysis of these data facilitates in-depth monitoring of both individual market participants and the entire financial market. Also, the FMA and the OeNB have expanded their coordination forums with the aim of ensuring the exchange of all relevant data and bringing together assessments. The two supervisory institutions have each established single points of contact (SPOCs) for each bank in their jurisdiction, which has contributed to enhancing communication with the credit institutions.

Payment System Oversight

Payment systems enable the electronic transfer of monetary values between companies, banks, traders, the government and consumers. Large-value payment systems like TARGET2 serve to transfer money between banks; credit card or electronic purse systems are used for small payments between businesses and consumers. Payment system disturbances may have a negative impact on individual financial market participants and may eventually even jeopardize the stability of the entire financial system. The smooth functioning of payment and securities settlement systems is therefore indispensable for maintaining financial stability. Against this background, the OeNB has exercised its statutory mandate of oversight over all Austrian payment systems, including the assessment of Austrian banks' participation in international payment systems, since April 1, 2002.

In fulfilling its oversight responsibilities, the OeNB conducts assess-

FMA and OeNB
cooperate efficiently

Payment system stability
high overall

OeNB participates
in payment system
oversight at ESCB level

ments of payment systems, testing the security and reliability of individual payment systems. In 2009, the OeNB, among other things, conducted an oversight assessment of the security of Austria's largest ATM operator's systems. Payment system operators are required to regularly report information on payment flows (e.g. the number and value of transactions, system failures) to the OeNB. These data allow the OeNB to obtain a comprehensive picture of the Austrian payments market; in case of unusual developments, the OeNB launches ad-hoc system reviews.

All in all, a high degree of system stability was maintained in 2009. The financial market turmoil had no adverse repercussions on the security or availability of payment systems. When a ma-

ajor disruption in the ATM network occurred in July 2009, the operator, in close coordination with the OeNB, took immediate measures to minimize its impact.

At the European level, the ESCB is preparing joint oversight standards for global payment systems. Several central banks, including the OeNB, are currently conducting an oversight exercise to assess the system security of the four major international card providers American Express, Diners Club, MasterCard and Visa. Furthermore, current relevant supervisory issues in an international context are discussed at ESCB level, including, most recently, large-scale disruptions in transactions in Germany and other countries in January 2010 caused by faulty microchips in German payment cards.

Box 7

Payment Services Act in Force since November 2009

Implementation

The Austrian Payment Services Act, which entered into force on November 1, 2009, created a new class of payment services providers called payment institutions. This means that for the first time nonbanks, for which supervisory provisions and the conditions for obtaining authorization were loosened, are allowed to provide classic banking services that used to be the prerogative of banks. By adopting the Payment Services Act, Austria has transposed Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market into national law.

Role of Payment Institutions

Payment institutions may provide both payment services and the infrastructure necessary for these services. The harmonization of the legal framework is expected to enhance efficiency and save consumers costs. Easier price comparisons and better market access should increase competition.

Reporting Requirements

Based on Article 20 Payment Services Act, the FMA adopted two regulations, one on reporting and one on the annex to the audit report, to clearly define what data and information payment institutions need to report, including balance sheet as well as profit and loss data, information on the assessment and monitoring of payment institutions' risks, information about compliance with capital requirements, and primary data. Moreover, payment institutions are required to report annual accounts and an annex to the audit report. The OeNB receives these reports electronically and in a standardized format, and the FMA has full access to the data.

Building a New International Financial Architecture

Enhancing the International Supervisory Framework

A number of international forums and bodies have been established to draw the lessons learned from the global financial crisis and to reform the supervision and regulation of financial markets. Global coordination is imperative to close regulatory gaps and to ensure in the best way possible that market participants worldwide can compete on a level playing field.

The group of the 20 most important industrialized and developing economies (G-20) has been key in advancing the political process toward financial market reform on a global scale. The communiqué signed at the G-20 summit in London in April 2009 envisaged that regulation and oversight be extended to all systemically important financial institutions and markets. To achieve this goal, the heads of state and government agreed on a comprehensive action plan on the future international supervisory and regulatory framework. At the follow-up meeting in Pittsburgh in September 2009, the G-20 identified priorities and set out the path of regulatory reform. The key areas concern measures to strengthen financial stability, with a special focus on increasing banks' liquidity and capital adequacy as well as improving the quality of own funds. Likewise, the supervisory treatment of systemically important – usually cross-border – institutions is high on the reform agenda. Finally, action is to be taken to mitigate the procyclicality of supervisory and accounting rules to require banks to take into account cyclical fluctuations in their capital management.

At the April G-20 summit, a successor to the Financial Stability Forum was established. The new Financial

Stability Board (FSB) was given a broadened mandate and has an expanded membership. Since its inception at the end of June 2009, the FSB has chaired the implementation of the regulatory reform agenda envisaged by the G-20. The FSB's reform proposals will focus on the treatment of systemically important financial institutions, measures to address procyclicality in the financial system, capital adequacy, liquidity management and banks' compensation practices. In addition to prudential measures, the G-20 plans also foresee stepped-up oversight of OTC derivatives, hedge funds and rating agencies.

The Basel Committee on Banking Supervision (BCBS) works on the development and global implementation of supervisory standards, and issues guidelines and recommendations. At present, the Basel Committee is reviewing the provisions of the Basel Capital Accord (Basel III) with a view to improving the quality, consistency and transparency of the tier 1 capital base and introducing a leverage ratio as well as liquidity requirements. To mitigate the implications of procyclicality, on-balance sheet risk provisions for expected losses as well as capital buffers for unexpected losses are planned to be introduced. A comprehensive quantitative impact study of the new proposals is scheduled for the first half of 2010.

European Supervisory Architecture Takes Shape

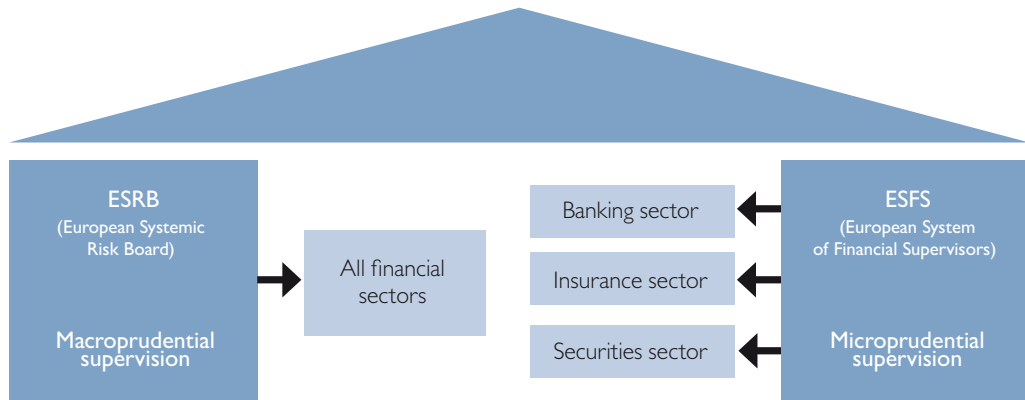
One international lesson learned from the financial crisis is that supervisory procedures have lacked a macroprudential dimension, that is, the supervisory perspective that goes beyond individual banks and encompasses the entire financial system. Likewise, it became ev-

G-20 call for regulation of all financial markets and institutions

Basel Committee enhances capital adequacy framework

Financial Stability Board replaces Financial Stability Forum

The New European Supervisory Architecture



Source: OeNB.

ident that at the EU level, supervisory practices did not meet the requirements of the single market (with its freedom of services and freedom of establishment). As a consequence, restructuring the European financial supervisory architecture became a top priority in 2009. On the basis of the report put forward by the High Level Group on Financial Supervision in the EU chaired by Jacques de Larosière, in September 2009, the European Commission published draft legislation to address the identified vulnerabilities both at the macro and the micro level. The legislative procedure in the EU is expected to be concluded in the course of 2010.

From 2011 on, the newly established European Systemic Risk Board (ESRB) will be responsible for identifying and assessing risks that may jeopardize the stability of the European financial system (macroprudential supervision) as well as, if deemed necessary, for issuing early warnings and recom-

mendations for concrete supervisory or regulatory measures and monitoring their implementation. The main decision-making body of the ESRB, the General Board, will be composed, inter alia, of representatives of the ECB and national central banks. The OeNB will be represented by its governor and has been involved in the review process and the preparatory work for this new field of activities.

Next to the ESRB, a European System of Financial Supervisors (ESFS) will be set up to take account of the European perspective in the supervision of individual banks (microprudential supervision). The ESFS will consist of the national financial supervisors and three new European supervisory authorities for the banking, securities and insurance sectors. The latter are to develop uniform technical standards and to contribute to an EU-wide consistent application of EU provisions.

OeNB represented on European Systemic Risk Board

Regulatory Developments in Europe

A number of regulatory measures were taken at the European level in 2009. The OeNB contributed to the development and implementation of these measures by taking part in consultations, working groups and appraisals of draft directives and regulations.

Reforms

The review of the Capital Requirements and the Capital Adequacy Directives was one of the reform priorities in 2009. The set of amendments known as CRD II concerns securitizations, liquidity, large exposures and hybrid capital and will have to be transposed into national law by November 2010. In July 2009, the European Commission published a proposal ("CRD III") about enhanced capital requirements for the trading book and for resecuritizations, the disclosure of securitization exposures and remuneration policies, which is to be implemented from 2011 on. In summer 2009, the European Commission launched a consultation on CRD IV, which contains amendments covering through-the-cycle expected loss provisioning, additional capital requirements for residential mortgages in foreign currency and the removal of national options and discretions. Under the heading "CRD V" (and IV), work is already under way at the European level to implement the proposals of the Basel Committee on Banking Supervision. In line with political commitments made at the international and the European levels, a regulation on credit rating agencies was adopted already in September 2009. In addition, the European Commission proposed a draft directive on alternative investment fund managers to create a comprehensive and effective regulatory and supervisory framework. In addition, the European Commission aims to enhance transparency for investors and supervisors. The European Commission also issued a recommendation about remuneration policies in the financial sector. It is envisaged that a binding provision will be implemented under pillar II of the amendments to the Capital Requirements Directive (CRD III). The new directive on deposit guarantee schemes raises the coverage level for deposits to a minimum of EUR 50,000 as of July 1, 2009, and to EUR 100,000 as of January 1, 2011. Furthermore, the European Commission launched a public consultation about an EU framework for cross-border crisis management in the banking sector in 2009, the results of which are to serve as a basis for regulatory measures and for the creation of a European framework for the resolution of – in particular cross-border – banks. Among other things, firm-specific contingency and resolution plans ("living wills") could be introduced, thanks to which banks and supervisors should be better prepared to deal with emergency situations.

Outlook

The reform process at the European level will continue in the next years. The clearing of derivatives, a further improvement of deposit guarantee schemes, responsible lending and short selling are some of the issues on which new provisions may be adopted. Another focus will be on further amendments to the Capital Requirements and the Capital Adequacy Directives based on the proposals put forward by the Basel Committee on Banking Supervision. The proposed amendments will be assessed at the EU level in the first half of 2010. The new framework, which is to be completed by end-2010, is scheduled to be implemented by end-2012, depending on economic developments.

The OeNB as a Sustainable Enterprise



Efficient Provision of Knowledge-Based Services – The OeNB’s Intellectual Capital Report

Providing a wide array of public services in fulfilling its legal mandate, the OeNB is intent on maximizing the benefits for both society at large and for individual users. To this end, it continually reviews and adapts its service portfolio – an endeavor that is even more important in times of a financial crisis.

As staff know-how and experience are key to rendering first-rate services, the OeNB has been tracking developments of these resources by compiling an annual intellectual capital report since 2003. This report serves to manage and present both the OeNB’s stock of knowledge-based capital and internal and external knowledge flows.



Well Positioned with the Strategy for 2010 to 2015

Maintaining price stability, safeguarding financial stability and supporting general economic policy are the objectives that guide the OeNB first and foremost in fulfilling its mandate. These objectives are stipulated by Austrian law and are also spelled out in the Statute of the ESCB and of the ECB. Acting in an effective, efficient and cost-conscious manner are important guideposts for the OeNB in providing its services.

cation – the number of employees is to go down by about 10% by 2015 – and of further increasing efficiency. For a description of the OeNB's tasks, including its main functions, see the section "Mandate, Responsibilities and Organization."

Knowledge – An Important Production Factor

On top of the OeNB's clear strategic focus, its basic guiding principles remain firmly in place: a sense of responsibility, central bank independence, credibility, continuity, transparency and public accountability, customer orientation, a spirit of cooperation and commitment to performance. This latter commitment refers to the OeNB's goal to render first-rate professional services. To meet this goal, the OeNB must strive to increase all employees' knowledge through continuing education and to make opportune use of the intellectual capital at its disposal. The OeNB has therefore defined knowledge goals¹ (see box 9), whose fulfillment it measures using performance indicators.

Only knowledgeable employees can provide top-notch services

Trust, stability and security endure as the OeNB's leitmotifs

An Anchor of Stability in Stormy Weather

In particular during the economic and financial crisis, the key guiding principles of the OeNB – trust as well as stability and security – have proven to be invaluable and unshakable. The crisis has likewise underscored the importance of the OeNB's services for the entire economy.

To continue its specialization drive, the OeNB geared its strategy for 2010 to 2015 toward strengthening its core central banking functions and scaling back its internal support areas, with the objective of streamlining resource allo-

Box 9

Knowledge Goals of the OeNB

Competence through specialized knowledge: OeNB staff must meet high quality requirements, not least in light of the OeNB's active role in the Eurosystem.

Confidence through knowledge transfer: Proactive dissemination of information is meant to create and foster public understanding of how the OeNB works.

Efficiency through modern management: The OeNB is committed to constantly optimizing its business processes and risk management.

Interdisciplinarity through international orientation and cooperation: OeNB experts participate in national and international networks, which is crucial for fulfilling the OeNB's stability mandate.

¹ For a detailed description of the knowledge goals, go to www.oenb.at.

New Investment in Knowledge-Based Capital

Targeted knowledge building promotes the quality of services provided. To this end, the OeNB has also drawn up a set of indicators on staff structure, gender management, flexible working arrangements and the development of skills and competences, which it monitors.

Staff Structure Reflects Developments in the Financial Marketplace

In response to the reform of the supervisory framework effective as from January 1, 2008, the OeNB started a comprehensive project to integrate its banking supervision functions, which it concluded at the end of 2009. To handle its increased responsibilities in the field of banking analysis and on-site banking inspections, the OeNB continued to recruit highly specialized staff throughout 2009. This raised not only the OeNB's headcount, but also its share of university graduates. The financial supervisory staff target is set to be reached in 2010. According to the OeNB's medium-term strategic goal, the overall headcount will, however, decrease by 2015 owing to the restrictive recruitment policy in other areas and to demographic developments.

Tailor-Made Training for Supervisors

Knowledge acquisition indicators have been slightly downtrending, especially those measuring training activities and internal mobility. This tendency is attributable above all to the crisis-induced higher workload.

The year 2009 saw the kickoff of a particularly ambitious training project geared toward financial market supervisors. The new staff members the OeNB recruited after having taken

over additional supervisory tasks display a broad spectrum of rather heterogeneous expertise. The OeNB and the FMA therefore embarked on developing a tailor-made basic training program for financial supervisors to prepare new staff optimally and swiftly for the demanding tasks and to ensure that they attain a uniform qualification level. Such training was also meant to account for the growing collaboration among the various supervisory areas.

Over the course of the reporting year, a group of OeNB and FMA experts succeeded in designing a standardized course for financial market supervisors and took care of the related organizational and administrative preparations. The course ensures that new supervisors acquire profound basic knowledge of both theoretical and practical aspects, as OeNB and FMA as well as external lecturers cover specific topics (e.g. financial and business principles and risk management). The first course is scheduled at the joint OeNB-FMA supervisory academy in the spring of 2010.

At the European level, the European Supervisor Education (ESE) Initiative was launched by the Deutsche Bundesbank, the OeNB, the German Federal Financial Supervisory Authority and the Goethe Business School at the beginning of 2009. ESE is intended to improve the skills of European supervisors of banks, insurance companies and securities firms to a high standard by means of a modular seminar program, with individual seminars offered at various venues. The interaction of seminar participants from different disciplines and countries aims at promoting mutual understanding and a European supervisory culture.

Change in Austria's supervisory regime raises OeNB headcount

European Supervisor Education Initiative

OeNB and FMA develop national course for supervisors

Table 3

Indicators of Investment in Knowledge-Based Capital

Indicator	Unit	2007	2008	2009	Strategic target
Staff structure					
Full-time equivalent staff (year-end)	number	917.5	968.2	984.1	↘
Fluctuation rate	%	1.2	1.2	0.9	→
University graduates	%	35.6	41.3	44.5	↗
Gender management					
Ratio of women to men in staff	%	39 : 61	39 : 61	39 : 61	↗
Ratio of women to men in the specialist career track	%	24 : 76	32 : 68	33 : 67	↗
Ratio of women to men in management positions	%	17 : 83	18 : 82	18 : 82	↗
Flexible working arrangements					
Part-time employees	%	7.8	7.8	8.6	→
Staff in teleworking scheme	%	4.8	4.2	5.0	→
Staff on sabbatical	number	5	7	5	→
Knowledge acquisition					
Training days per employee (annual average)	days	4.1	4.2	3.2	↗
Training participation rate	%	61.3	64.5	55.1	↗
Cost of training and education per employee	EUR	2,330	2,280	1,940	→
Staff who completed the development center program	number	24	24	24	→
Internal job rotations	number	44	37	19	↗
Working visits to national and international organizations (external job rotations)	number	26	37	32	↗
Interns from universities of applied sciences	number	26	30	31	→
Average Intranet visits per day	number	–	4,426	3,760	↗

Note: – stands for “no data available.”

For a detailed description of the indicators in tables 3 to 5, go to www.oenb.at.

Streamlined Structures and Processes

In fulfilling its tasks, the OeNB is committed to delivering top-quality services. The OeNB monitors fulfillment of these high standards by regularly analyzing and continuously optimizing its business processes.

Efficiency and Effectiveness Gains in Structural and Process Organization

In 2009, the OeNB conducted an internal review of its tasks and resources to ensure that it will stay as flexible as necessary to implement its service portfolio in the coming years. In line with its strategy for 2010 to 2015, the OeNB will strengthen its core business areas, while at the same time cutting the cost of support functions. The

OeNB's organizational structure was further streamlined by restructuring branch offices, i.e. by closing the smaller Klagenfurt and Salzburg locations, by integrating the IT and organizational functions in one department, and by combining the strategic functions for cash and cashless payment services in a single department.

Voluntary Adherence to Corporate Governance and Compliance Standards

The OeNB complies with internationally recognized corporate governance standards on a voluntary basis. As Austria's central bank, it must comply with the provisions of the Nationalbank Act as well as international provisions, in-

cluding those applicable specifically to central banks. In addition, the staff regulations and instructions laid down in the OeNB's Conditions of Service are meant to ensure the proper conduct of operations. Compliance with these regulations is reviewed by the OeNB's managers, internal auditors and other control units or officials, who also check that the internal control mechanisms are fit for purpose.

Providing the ESCB with Innovative IT Solutions

Given the changeover to a new IT platform and the aim to exploit ESCB synergies more efficiently, the central

banks of the ESCB are faced with the need to redesign important IT applications and processes.

In the euro area, commercial banks may participate in open market operations to obtain liquidity from the ECB; these operations are executed by the national central banks through tender procedures. The Tender Operation System (TOP), which the OeNB has developed and now maintains for the ESCB, facilitates the operational implementation of tender operations between the ECB and the respective NCB. TOP, which went live in the summer of 2007 and has to date been operating smoothly, had to be quickly

OeNB applications for the ESCB: TOP, BI and eTender

Table 4

Indicators of Knowledge-Based Processes

Indicator	Unit	2007	2008	2009	Strategic target
Management structure and processes					
Staff-to-manager ratio	number	7	6.8	7	→
Product managers	number	81	73	70	→
Process managers	number	42	38	35	→
Technical infrastructure					
IT services for the ESCB/Eurosystem	number	2	2	3	↗
IT applications	number	208	206	210	→
OeNB help desk queries	number	18,804	24,192	23,795	↘
Internal service level agreements	number	57	55	57	→
DARWIN users	number	–	196	303	→
Efficient processes					
Quality auditors	number	13	13	13	→
Certified area ¹	number	12	12	10	→
Entries in the OeNB's terminology database	number	19,359	20,170	20,370	↗
Degree of automation in the procurement process	%	41.7	43.0	61.6	↗
Processed supervisory and monetary statistics data	number (million)	21.5	23.1	26.5	→
Timely publication of supervisory and monetary statistics	%	96	97	92	→
Error-free payment transactions	%	99.9	99.9	99.8	→
Innovations					
Staff resources utilized for innovative projects	%	7.5	6	4.4	↗
Staff suggestions for improvements	number	182	92	57	→
Decentralized structure					
OeNB representative and branch offices	number	7	7	6	↘
OeNB subsidiaries offering payment systems services	number	5	–	5	→

Note: – stands for "no data available."

¹ The number of certified business areas decreased following the closure of the OeNB's Klagenfurt and Salzburg offices.

adapted to new requirements in 2009 amid the financial crisis. Subsequently, the OeNB developed the application BI (short for Bilateral Intervention) and made it available to the ECB in the summer of 2009. BI is used by the front offices of the ESCB central banks to coordinate intervention operations.

The OeNB's eTender system, which is currently being extended in cooperation with the Banque de France, is the third IT service the OeNB provides for the Eurosystem.

Efficient ESCB-Wide Collaboration via DARWIN

The document management system DARWIN² implemented in 2008 was used by all ESCB forums, project and working groups in the reporting year. ESCB-wide use of this joint secure platform for exchanging documents has made collaboration between the ECB and the 27 NCBs much more efficient. The number of DARWIN users at the OeNB came to 303 in 2009.

Continuous Acquisition, Exchange and Transfer of Knowledge

99 studies by
OeNB authors

In fulfilling its broad spectrum of tasks, the OeNB counts on the targeted allocation of its knowledge-based – specifically intellectual – capital as well as on optimized processes and structures.

Stepped-Up Monetary Policy Analysis

In 2009, the nonstandard monetary policy measures that were used to combat the economic and financial crisis represented a key focus of the OeNB's analysis and research activities in 2009. Furthermore, OeNB studies on Austria, the euro area and especially the CESEE region investigated in particular issues related to financial sector and financial market developments, inflation and inflation expectations, real economic developments, the impact of the fiscal stimulus packages, and Austrian households' housing wealth. Active participation in economic research networks – in 2009, e.g. in the Wage Dynamics Network or the Household Finance and Consumption Network of the ESCB – was driving continuous knowledge acquisition and exchange.

OeNB courses at the
Joint Vienna Institute

Economic knowledge was offered free of charge both in the OeNB's regular publications and on the OeNB website. In the reporting year, the number of studies published by OeNB authors in OeNB and other publications rose to 99 (2008: 88). Numerous events organized by the OeNB, such as conferences, workshops and seminars, proved to be excellent discussion platforms for researchers. As a case in point, the 7th Summer School of the OeNB, which was dedicated to "The Current Financial Crisis: What Can Structural Macro Models Tell Us?" and which was held in early September 2009, drew experts from many central banks.

Role of JVI as International Training Center Strengthened

The Joint Vienna Institute (JVI) responded swiftly to the economic and financial crisis by providing many newly designed courses, including an OeNB seminar on stress testing. In 2009, various OeNB divisions organized 9 of the 88 course weeks offered by the JVI. The number of JVI course

² Documents And Records Web-based Information Network.

participants rose from 1,366 in 2008 to 1,495 in 2009. The institute, which was set up in 1992 and is primarily funded by the IMF and Austria,³ thus succeeded in extending its reach even further and in strengthening its excellent reputation. Against this backdrop, it was decided to not only enlarge the JVI's facilities, but also to broaden its range of course topics and its geographical reach until the year 2012 in a phased approach. This will also include several new seminars – especially on financial market issues.

In addition to holding lectures at the JVI, OeNB experts contribute to multilateral technical assistance programs, which are funded by the EU⁴ and coordinated by the ECB. The OeNB and several ESCB partners, for instance, act as consultants at the Bank of Russia to facilitate the implementation of the Basel II framework. In another project, OeNB experts took stock of key central banking areas in Serbia and developed a multistage plan to help the Narodna banka Srbije to attain ESCB standards. Also, the OeNB contributed to the preparations for a regional program targeted at banking supervisors from EU candidate and potential candidate countries.

Advising Other Central Banks on Reserve Management Issues

Within the Reserves Advisory and Management Program (RAMP), the World Bank offers advisory services and training to central bank employees, among other things to help them efficiently manage foreign currency reserves. The set of tools used includes the practitioner-to-practitioner approach.

As part of the RAMP program, the OeNB sent experts to the Central Bank of Trinidad and Tobago to advise the latter on the introduction of futures in their reserve management. Collaborating with the local experts, OeNB advisors discussed the basics of futures trading and of risk management, conducted a portfolio analysis and devised a futures strategy.

New Challenges in the Field of Financial Stability and Banking Supervision

At the end of 2009, the OeNB completed its project "Integration of Banking Supervision – Implementation of the Reform of the Supervisory Framework at the OeNB," having collated all relevant information at the OeNB and having ensured smooth collaboration with the FMA. A set of straightforward rules and a clearly structured workflow give supervisors support in conducting on-site inspections and analytical tasks.

Macroeconomic stress tests are an important analytical tool for central banks. In 2009, the OeNB intensified its cooperation with the Austrian banks with a view to raising the quality of the stress test results. The stress tests rely both on a top-down approach, i.e. calculations based on supervisory report data, and a bottom-up approach, i.e. decentralized computations based on banks' own data. OeNB analysts held numerous discussions with bank representatives about the calculation method, which helped improve banks' understanding of the test results.

OeNB experts support World Bank program as advisors

Project on the integration of banking supervision completed successfully

Bilateral technical assistance programs

OeNB steps up cooperation with banks in stress testing

³ The Federal Ministry of Finance and the OeNB.

⁴ IPA – Instrument for Pre-Accession Assistance; Tacis – Technical Assistance to the Commonwealth of Independent States.

Consolidation of Statistical Functions

Following the reshuffling of tasks in the area of financial stability, banking supervision and statistics, the OeNB established a task force that was asked to pinpoint potential for optimization and synergies. The resulting merging of divisions led to efficiency and quality gains. Setting up a communication team with representatives from the OeNB's various departments is another key innovation. This team is responsible for controlling both the internal flow of information and, in coordination with the Communications Division, the OeNB's external communication activities. Several projects dealt with medium- and long-term measures to develop business processes in light of envisaged IT changes.

As part of the regular exchanges between the OeNB's statistics experts and the banking supervisors of the OeNB and the FMA as well as with the ECB, the OeNB tackled technical extensions and changeovers – e.g. with regard to monetary and interest rate statistics, the consolidated banking data and the Central Credit Register – to improve the service level. These extensions are a further step in broadening the statutory reporting requirements, which is clearly reflected by the increased volume of the data processed⁵ (see table 4). By extending the reporting standards, the OeNB will be better equipped to maintain price and financial stability.

A Hub for Cash Supply

As a location where strategic reserves of the Eurosystem are held, the OeNB contributed significantly to supplying the Austrian population and the popu-

lation of the CESEE countries with euro cash. Moreover, it successfully fulfilled its intended role as a cash competence center and logistics hub of the Eurosystem, in particular amid the financial turbulence. For this and other reasons, the Eurosystem has decided to expand the strategic stock of euro banknotes held by the OeNB in Vienna.

Cash processing plays a central role in the OeNB's efforts to ensure cash security. During the cash processing cycle, banknotes that are returned to the OeNB are checked for authenticity and fitness. Banknotes that do not meet the minimum quality requirements established by the Eurosystem are not put back in circulation, which helps maintain the overall high quality of banknotes in circulation. The better the quality of a banknote, the easier it is to check its security features. In 2009, some 1.44 billion euro banknotes were processed by the cash logistics company Geldservice Austria Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA) in line with OeNB provisions, up by 9% on 2008. Every banknote was processed an average of four times in 2009. Also, 1.99 billion euro coins were checked for authenticity and fitness for circulation.

At 9,780, the number of counterfeit banknotes recovered from circulation in Austria remained low in 2009. Counterfeit EUR 100 banknotes accounted for almost half (45.8%) of all counterfeits, EUR 50 banknotes for 27.1% and EUR 20 banknotes for 22.6%. The EUR 696,975 total loss incurred from counterfeits was down by 10% against the previous year.

Most people still have only a minimal chance of coming across a counterfeit banknote in Austria. The Austrian

Cash processing ensures high quality of banknotes in circulation

Implementation of customer requirements

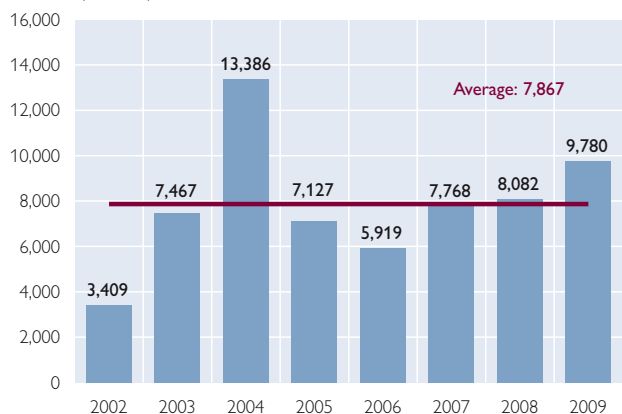
Providing information about security features

⁵ From 23.1 million data sets in 2008 to 26.5 million sets in 2009.

Chart 27

Euro Counterfeits Recovered from Circulation in Austria (2002–2009)

Number of counterfeits



Source: OeNB.

public may choose from a wealth of information offered by the OeNB to learn about the security features of the euro banknotes, with the material tailored to all kinds of target groups ranging from elementary schoolchildren (Euro Kids Tour) to professional cash handlers. To spread the facts, the OeNB utilizes, for instance, various campaigns in cooperation with the Austrian media, information stalls at fairs and the Euro Bus.

Everyone can easily identify euro counterfeits without technical aids by using the simple FEEL – LOOK – TILT test. In this context, OeNB experts hold cash authentication training courses across Austria, which comprise a presentation on the steps that should be used to verify the validity of euro banknotes. In the hands-on part of the course, the participants may then apply their new knowledge to genuine and counterfeit banknotes. In the reporting year, 9,521 persons attended the OeNB's cash training. The OeNB is a pioneer in this field, with other Euro-system central banks already gearing up to follow suit.

In addition, banknotes can be validated quickly and reliably with technical equipment such as banknote authentication devices as well as banknote counting and sorting machines. To ensure that these devices can identify all counterfeits, they must be tested and their software must be upgraded at regular intervals. As required by the ECB, manufacturers can have their equipment and special sensors tested free of charge at the OeNB Test Center in Vienna. Test results are made available on the OeNB's and the ECB's

websites. In the reporting year, the Test Center tested a total of 125 devices.

The exchange deadline for the ATS 20 banknote featuring a portrait of the engineer Carl Ritter von Ghega expired on September 30, 2009. The banknote, first issued in 1968, ceased to be legal tender more than 20 years ago, namely on September 30, 1989. A total of 10,205,707 of these banknotes had not been returned to the OeNB, which is why the OeNB transferred the euro equivalent of the outstanding banknotes, EUR 14.8 million, to the Federal Ministry of Finance.

No deadline has been set for converting the schilling banknotes and coins of the last series; they may be exchanged for euro indefinitely and free of charge at the OeNB, its branch offices or during the Euro Tour.

Securing Cashless Payments

At EUR 3 billion (euro area: some EUR 126 billion), the annual volume of cashless payments in Austria alone amounts to about ten times the country's GDP. Since disturbances in payment process-

ing would seriously damage confidence and lead to protracted systemic crises, ensuring efficient payment and settlement systems ranks among the central tasks of the OeNB.

SEPA has been extended further

The bustling innovation activities in the single European market are particularly evident in the area of e-payments. Since end-January 2008, individuals, corporations and other economic agents have been able to initiate or receive cashless payments in euro anywhere in SEPA.⁶

Internet and mobile banking

The SEPA direct debit (SDD) instrument, which was successfully launched on November 1, 2009, offers the first truly European direct debit payment service. The three core SEPA instruments (for the processing of credit transfers, direct debits and card payments) make up the foundation of eSEPA, an innovative and customer-friendly service for e-payments and m-payments (payments using mobile phones). In this area, the European market still needs to catch up considerably. Based on the e-payment standard eps, Austrian banks already offer a harmonized online banking infrastructure to effect secure and guaranteed electronic payments. Work is currently ongoing – and is set to be intensified at the European level in 2010 – on the development of SEPA-wide e-payment and m-payment solutions.

Memorandum of Understanding for TARGET2-Securities signed

Clearing is used to process and settle interbank payments. On any business day, the transactions of all credit institutions participating in a clearing system are netted at a specified time of day, which results in one net clearing position per bank. Clearing thus substantially reduces banks' liquidity requirements. If a clearing system effects the respective transactions via central

bank accounts, the subsequent processing in central bank money has a positive effect, as it rules out default risk. According to the Bank for International Settlements (BIS) and the ECB, more and more retail payments should therefore be processed via such systems. In this context, the OeNB has launched an initiative to implement a clearing solution in cooperation with interested banks with a view to raising the security and efficiency of the Austrian financial market on a sustainable basis. Such a clearing service, to be run as a new business area by the GSA, is envisaged to become fully operational on January 1, 2011.

With TARGET2-Securities (T2S), the Eurosystem will provide harmonized securities settlement services in central bank money for central securities depositories. T2S is envisaged to render the settlement of securities transactions in Europe more efficient and cheaper. In 2009, the general functional specifications and the general technical design were finalized and published, and the T2S Memorandum of Understanding was signed between the Eurosystem and European central securities depositories.

International and National Cooperation Intensifies

Playing an important role in international relations, the OeNB is currently represented in 242 international bodies. In other words, in addition to ESCB/Eurosystem representation in 147 forums, the OeNB management and staff represented Austrian interests – and collaborated efficiently with their respective partners – in another 65 European and international bodies, including the EU, OECD, IMF and BIS.

The OeNB is represented in more than 240 international bodies

GSA clearing service to be fully operational in 2011

⁶ Single Euro Payments Area. The SEPA area currently comprises 31 countries: the 27 EU Member States as well as Liechtenstein, Norway, Iceland and Switzerland.

In the same vein, OeNB staff also participates – frequently over longer periods of time – in Eurosystem research networks, making valuable contributions to developing monetary policy research.

Organizing conferences, seminars and workshops is yet another important aspect of the OeNB's international cooperation. Some of these events have already been taking place for a number of years, such as the meeting of the central bank governors of Austria, Slovenia, Slovakia, the Czech Republic, Hungary and, since 2009, also Poland, which the OeNB initiated in 2006 and which has been well received by the participants. The informal dialogue between Hrvatska narodna banka and the OeNB, which took place for the fourth time in 2009, likewise attests to good cooperation.

As the OeNB also contributes to the economic policy coordination in Austria, its representatives participate in interdepartmental votes on EU issues and are frequently consulted on issues related to their specialist areas. OeNB representatives thus attend some 60 such coordination meetings in Austria every year, including briefings before Ecofin or European Council meetings. It is important for the OeNB to be represented in such meetings, as the OeNB governor, together with the other EU central bank governors, also participates in informal meetings of the EU finance ministers, where they discuss central financial and economic policy issues of the EU. The vice governor of the OeNB, moreover, participates in the meetings of the Economic and Financial Committee of the EU. Last, but not least, OeNB staff members contribute to numerous Austrian forums, whose work is pioneering and trendsetting, in areas such as payments,

banknotes and coins, counterfeiting and statistics.

The OeNB's External Communication Experts Rely on Many Channels to Disseminate Information

In 2009, the OeNB focused substantial efforts on explaining monetary policy and financial market issues and on building trust in the central bank.

- The OeNB issued 152 press releases and held 22 press conferences.
- Meeting the increased requests for information amid the economic and financial crisis, the OeNB's call center fielded close to 30,000 inquiries.
- In 2009, the OeNB provided some 3,000 secondary schools with its updated "money and monetary policy" school information kit, which consists in a booklet, information leaflets on specific issues and related teaching material as well as five short movies.
- Stopping in 67 places all across Austria, the euro bus drew 37,400 visitors, who mainly exchanged Austrian schilling banknotes and coins for euro cash, but who also sought information.
- Adapted accordingly, the bus was also used for the Euro Kids Tour. Close to 11,000 elementary schoolchildren thus learned to recognize the security features of the euro banknotes and found out about the basics of monetary union.
- Registering more than 16,000 visitors in the reporting year, the Money Museum of the OeNB offered almost 450 guided tours and workshops and hosted about 60 museum events, such as the Museum Night, the Business Week for Kids, activity programs during school vacations, family days and children's university events.

International collaboration involves more and more multilateral meetings

Representation in over 100 national forums

- On 42 days, the staff manning the OeNB's information stall at fairs interacted with some 36,000 people that showed an interest in monetary policy.
- Approximately 150 events organized by the OeNB drew almost 10,000 national and international participants. The OeNB's two major conferences – the Economics Conference in spring and the Conference on European Economic Integration in the fall of 2009 – examined the topics “Beyond the Crisis: Economic Policy in a New Macroeconomic Environment” and “The Euro's Contribution to Economic Stability in CESEE.”
- In a series of small ads that were run in media with a broad audience, the OeNB furthermore positioned itself

Table 5

Indicators of Knowledge-Based Output

Indicator	Unit	2007	2008	2009	Strategic target
Cooperation and networks					
National bodies with OeNB representatives	number	103	103	103	→
International bodies with OeNB representatives	number	227	235	242	→
Technical assistance activities	days	603	530	597	→
Information visits to the OeNB	number	131	97	102	→
Persons attending courses at the Joint Vienna Institute (JVI)	number	1,426	1,366	1,495	→
OeNB-hosted national and international events	number	303	260	259	→
Staff with external teaching assignments	number	33	21	29	↗
OeNB-financed scholarships	number	–	45	45	→
(Co)supervised master's theses or dissertations	number	20	36	23	→
Lectures delivered	number	643	729	748	→
ESCB staff on external working experience (EWE) visits at the OeNB	number	–	10	12	↗
Cash expertise					
Visitors to the Money Museum	number	12,522	15,738	16,251	→
Cash authentication training courses	number	393	417	390	↗
Persons attending cash authentication training courses	number	5,399	7,283	9,521	↗
Euro Kids Tour participants	number	–	4,119	10,653	→
Communication and information					
Queries to OeNB hotlines	number	38,516	38,829	29,837	↗
Page views on the OeNB's website (daily average)	number	64,595	84,651	90,104	↗
Newsletter subscriptions	number	14,985	17,529	18,948	↗
Press conferences	number	23	26	22	→
Press releases	number	147	158	152	→
Opinions prepared on projects submitted for research promotion	number	466	456	983	→
Research cooperation projects with external partners	number	44	46	70	→
Publications					
OeNB publications	number	63	68	70	→
Papers published in specialist journals by OeNB staff	number	94	178	184	→
Scientific papers by OeNB staff published in refereed journals	number	69	88	99	→
Confidence and image					
Confidence index in the fourth quarter of 2009	%	70	67	65	↗
Image index in the fourth quarter of 2009 (values between 5.50 and 10.00 signal success)	value range	7.0	7.1	7.1	↗

Note: – stands for “no data available.”

as a provider of knowledge-based services. An average 17,000 persons access the OeNB website (www.oenb.at) on a daily basis (about 90,000 page views).

In addition, the OeNB uses the following two information channels:

- Beginning in October 2009, the ORF TV news show *Konkret* dedicated nine sequels to central banking tasks and activities featuring OeNB experts.
- The online platform www.direktzurnationalbank.at, a service the OeNB introduced in January 2010, allows anyone to address questions on monetary policy issues to the Governing Board of the OeNB. The Governing Board members then answer those questions that attract the broadest interest according to an online voting system. With this modern and direct form of communication, the OeNB has assumed a pioneering role among public institutions in Austria.

OeNB Fosters Research, Science and Culture

Since its foundation in 1966, the OeNB Anniversary Fund for the Promotion of

Scientific Research and Teaching (Jubiläumfonds – Anniversary Fund) has supported over 9,000 research projects with funding of around EUR 720 million. The promotion activities concentrate mainly on excellent basic research projects in the fields of economics and medical science (clinical research), and to a lesser extent also in the social sciences and the humanities. In 2009, the General Council of the OeNB approved grants to the tune of about EUR 8.6 million for 136 new projects. Projects are selected by peers on the basis of sound criteria, with stringent quality standards applying to the funding process. Moreover, the OeNB has provided EUR 346 million of funding to the National Foundation for Research, Technology and Development (FTE-Nationalstiftung – National Foundation) since the year 2004.

Within the framework of its culture promotion, the OeNB has a collection of valuable antique string instruments currently comprising 36 instruments and ranking among the most important collections in Europe. The instruments are on loan to Austrian violin stars, Austrian orchestras and chamber music ensembles.

**Konkret and
direktzurnationalbank**

The OeNB, an Ecological Organization – Environmental Statement

Environmental Statement in line with EMAS regulation (EC) No 1221/2009

As early as in 1999, the OeNB made a long-term commitment to environmental protection by adopting the Community Eco-Management and Audit Scheme (EMAS). In 2002, voluntary implementation of the EMAS Regulation was extended to all OeNB sites throughout Austria.

The EMAS certificate is a recognized environmental management award for companies that demonstrate a conscious commitment to good environmental practices. EMAS itself is a voluntary tool designed to support a sustainable development of the economy. As an EMAS certificate holder, the OeNB has documented its effort to improve its corporate input-output balance beyond statutory requirements. Making environmental consciousness part of the OeNB's everyday activities and procedures is at the heart of the OeNB's environmental management system. Complying with environmental standards, using natural and human resources responsibly, being environmentally aware, improving legal certainty and enhancing business organization are the core elements of this system.

The OeNB's progressive environmental stance, which is recognized in the Austrian financial sector, was corroborated when the ECB labeled the OeNB as an eco pioneer.

Powerful Environmental Management System

The OeNB's well-organized and transparent environmental management system, which is embedded in the organization's corporate governance, has been instrumental in implementing the OeNB's environmental policy in recent years.

The OeNB's Environmental Management – Clear Tasks and Responsibilities

The EMAS management representative determines the OeNB's environmental policy and ensures that the organization complies with the obligations delineated in the EMAS Council Regulation – e.g. compliance with environmental laws, establishment and pursuit of environmental objectives, continuous improvements.

The OeNB's Environmental Officer is entrusted with outlining the framework for the design and implementation of environmental policies and with the implementation of the OeNB's environmental management system. He is also in charge of authorizing environmental policy-related documents (such as instructions and briefings on green issues). The OeNB's Environmental Coordinator is in charge of the operations required to implement the measures outlined in the corporate environmental protection program and is responsible for environmental auditing. The environmental controllers in the various divisions and at the branch offices contribute to implementing the environmental program and to continuously improving environmental per-

Environmental management system embedded in corporate culture

Box 10

The OeNB's Corporate Environmental Policy

Stability, security and trust constitute the OeNB's guiding principles in fulfilling its responsibility toward society and reflect its sustainability-oriented corporate governance. They apply equally to the OeNB's core business and to its commitment to people and the environment. A top environmental performer among Austrian enterprises, the OeNB nevertheless seeks to continuously improve its environmental track record. Apart from fulfilling all general environmental standards required by law, the OeNB complies with the principles of the EMAS Regulation.

Responsible Resource Consumption

The OeNB endeavors to minimize negative impacts on the environment by preventing unnecessary energy and resource consumption.

Green Procurement

The OeNB observes ecological criteria in purchasing products and services, especially in tenders. Moreover, the OeNB ensures that selected products are made of environmentally sustainable materials and that their life cycle complies with ecological criteria.

Promoting Eco-Consciousness among Employees

The OeNB promotes ecological awareness and action among employees by providing green information and training measures.

Research and Cooperation with Partners

The OeNB cooperates with business partners as well as groups and organizations in society to implement environmental protection measures. In addition, the OeNB provides impulses beyond its immediate scope of action and works toward a livable environment. Its endeavors also include research projects.

Information Policy

The OeNB pursues an open, responsible policy in providing the public with information.

Climate Change

The OeNB acknowledges the risks involved in climate change as a key challenge of our times and therefore strives to make its activities fully carbon neutral in the long run.

Auditing data create transparency and expose areas for improvement

formance. They are the contacts and motivators for environmental protection issues in their departments and provide information about relevant issues in their divisions to the entire team. The environmental auditors are specially trained OeNB staff members who conduct environmental audits at the OeNB. OeNB environmental experts on waste management and waste disposal, energy and water management (technical services) and safety engineering support the environmental protection team.

The OeNB's Environmental Protection Team – An Efficient Network

Environmental protection team at the heart of environmental management

The environmental protection team convenes at monthly meetings, consulting with the environmental controllers at the branch offices by phone. The regular monthly meetings have become a great success over the years and epitomize corporate culture in practice: They serve to channel current information and to enlist staff support for OeNB-wide environmental protection campaigns. Lectures and documentary films provide training and give participants a knowledge advantage. Continuity and preparation as well as follow-up activities are important aspects of the regular meetings.

Although the OeNB has been implementing EMAS standards for nearly

12 years, there is still room for improvement and the environmental program continues to be work in progress.

Environmental Auditing at the OeNB Creates Transparency

To steadily improve its environmental performance, the OeNB has put in place an environmental auditing scheme, which is based on the following principles: regular compilation of input and output data as well as consumption values, analyses based on time series and benchmarks, environmental reviews, and monitoring of the environmental program's implementation. The OeNB's EcoControl ecological database serves as a centralized information tool for the environmental protection management system and for environmental auditing; every member of the environmental protection team has access to this database. Moreover, OeNB staff may find information about environmental protection issues on a dedicated Intranet site. Additionally, roughly one-quarter of all suggestions for improvement submitted by staff are related to environmental protection.

Furthermore, thanks to a sophisticated automated energy accounting system, the latest water, power and heating meter readings are available at all times.

Improvement in Environmental Core Indicators

Power usage is declining – switch to green electricity in early 2010

Thanks to the OeNB's efforts and the large number of measures implemented, its environmental core indicators have significantly improved over the past few years. The development of selected parameters is outlined below.

Reduced Energy Consumption

Thanks to a broad range of individual measures, the OeNB cut its electricity consumption from 7.05 million kWh (2006) to 6.9 million kWh in 2009, even though overall energy consumption in Austria continues to rise. The ventilation system, IT facilities and

Table 6

The OeNB's Ecological Indicators

	Site	2007	2008	2009	Unit ¹	Benchmark ²		
						+	~	-
Energy								
Electricity consumption	Vienna	7.69	7.46	7.65	MWh per empl.	< 4.5	6	> 8
Distance heat consumption	Vienna	45	52	52	kWh per m ²	< 110	130	> 150
Water								
Water consumption	Vienna	123	113	118	l per empl. per day	< 60	100	> 120
Consumption of materials and products								
Total paper consumption ³	All sites	85	119	128	kg per empl.	< 100	200	> 500
Consumption of printing/photocopying paper	All sites	8,669	7,752	6,990	sheets per empl.	< 8,000	10,000	> 12,000
Share of recycled photocopying paper	All sites	90	90	85	%	> 30%	20%	< 10%
Consumption of cleaning agents ⁴	Vienna	14	14	18	g per m ²
CO₂ emissions (total)								
CO ₂ emissions ⁵	All sites	2.63	2.66	2.66	tons per empl.	< 2.8	4	> 4.5

Source: OeNB.

¹ empl. = employee.

² Sources: Association of Environmental Management in Banks, Savings Banks and Insurance Companies, guideline of the Austrian Society for Environment and Technology (ÖGUT).

³ Value is based on procurement numbers and therefore includes stocks. Total consumption in 2009: 144,700 kg.

⁴ Total consumption in 2009: 1,124 kg.

⁵ Operations and business travel in 2009: 3,014 tons.

cooling systems consumed the most energy. Since January 1, 2010, the OeNB has been purchasing power exclusively from certified electricity service providers; it is generated from renewable resources (wind, solar and biomass power as well as power from small hydroelectric plants).

Energy consumption for heating and hot water production leveled out at 3.5 million kWh in 2008 and 2009 and, at 52 kWh per m² per year, is close to the standard of low-energy houses.

With the OeNB represented in numerous international bodies, the amount of travel and transportation activities by staff has increased considerably. Air travel is the preferred mode of transport for most business trips. Higher staff numbers and the higher volume of travel caused air and other transportation mileage to increase in

2009. Over the medium term, greater reliance on phone and video conferencing is expected to curb traveling. By providing incentives such as an upgrade to first-class railway tickets, the OeNB encourages its employees to take the train to business destinations. Furthermore, the OeNB subsidizes the purchase of annual tickets for the Vienna public transport system.

Higher travel volumes

Heat consumption on low-energy house level

Table 7

OeNB Transport Mileage

	2007	2008	2009
Business travel by plane, km	2,830,233	2,840,988	3,068,390
Business travel by car, km	679,871	702,866	745,180
Business travel by train, km	149,400	144,600	151,800
Diesel consumption for transportation, liter	18,565	20,153	18,478

Source: OeNB.

Numerous resource efficiency measures implemented

In 2009, the OeNB succeeded in trimming its energy consumption to even more eco-friendly levels by:

- Reprogramming switch-off timers for lighting and ventilation to correspond to office occupancy hours
- Making office infrastructure more energy-efficient and resource-friendly, and
- Using energy-saving lighting (LED technology, low-energy light bulbs) and encouraging staff to turn off devices on standby (through screen stickers saying “remember to switch off screen”).

Decline in Water Consumption

The OeNB draws on Vienna’s municipal drinking water network and on its own well, which provides nonpotable water for purposes such as cleaning and watering. Hence, high-quality mountain spring water is not inappropriately wasted. Water consumption fell from 27.7 million liters to 26.4 million liters between 2007 and 2009.

Preference for Environmentally Friendly Materials and Products

Procurement offers great potential for ecology-oriented business management. The OeNB makes an impact on the supply chain by specifically choosing ecologically and socially acceptable products. Procurement tender specifications require applicants to meet ecological criteria like providing products with ecolabels, using environmental protection management systems, adhering to fair trade and regionality principles, and the OeNB rates products on the basis of fulfillment of these criteria.

The OeNB’s paper consumption has declined over the past few years. This reduction was achieved thanks to information and awareness campaigns among staff on topics like double-sided

printing and copying as well as by the introduction of an electronic workflow system. The OeNB uses only recycled paper and paper from certified ecological production.

The OeNB’s cleaning contractor is EMAS-validated and uses only environmentally friendly products in appropriate amounts.

For many years now, the OeNB has used remanufactured toner cartridges, whenever available. This helps to cut back on cost and waste.

Lower Waste Generation

In 2009, the OeNB generated a total of 178 tons of waste, 33 tons less than in the previous year. Secondary raw materials, such as scrap paper, biogenic waste, plastics, glass and metal account for more than half of the waste produced and are recycled. To ensure that waste is properly collected and disposed of, the OeNB uses separate containers and has put up bins for the disposal of CD-ROMs. The small quantities of dangerous waste and chemical residuals generated are handled by authorized waste disposal firms. In 2009, the OeNB’s Web and Printing Services switched from offset to digital printing, which led to a substantial reduction in chemicals and printing plates (see table 8).

What Else Does the OeNB Do for a Cleaner Environment?

More than 50% of OeNB staff use public transport to commute between home and work. This information was collected in a survey carried out during the “Car Free Day” campaign. 2010 will see a new travel concept, which will explore further possibilities to render commuting and business trips more eco-friendly.

The OeNB has collaborated with the WWF for three years now, funding

OeNB draws process water from own well

Procurement: focus on ecology

Half of all employees use public transport

Paper consumption is declining markedly

Table 8

Waste Generation by the OeNB

Waste code number	2007	2008	2009
	kg		
Nonhazardous materials	56,240	53,360	52,810
Commercial waste	56,000	53,000	52,500
Electronic scrap	240	360	310
Hazardous materials	14,783	7,590	1,710
Lead accumulator cells ¹	11,695	880	226
Oil trap contents ²	0	3,680	0
Disposable and rechargeable batteries	360	150	0
Offset printing plates	710	680	140
Pharmaceuticals	35	30	28
Paints and varnishes ³	193	118	256
Developers	804	686	483
Alkaline solutions	470	750	0
Acid solutions ⁴	255	0	0
Refrigerators	60	210	90
Computer screens	150	380	390
Cleaning solvents	26	26	97
Fixers ⁵	25	0	0
Recyclables	133,775	150,700	123,780
Scrap paper ⁶	113,040	132,160	103,020
Electronic storage media	970	1,150	1,060
Extruded and expanded polystyrene foam	85	100	No info
Biogenic waste	7,500	8,000	7,800
Clear glass	2,700	2,800	2,500
Colored glass	2,700	2,800	2,600
Plastics	2,600	2,500	2,400
Scrap metal	4,180	1,190	4,400
Total	204,798	211,650	178,300

Source: OeNB.

¹ 2007: Complete set of rechargeable batteries for uninterruptible power supply (UPS) exchanged.

² Oil traps are disposed of when full (garage, loading zone).

³ Complete set was discarded due to the discontinuation of offset printing.

⁴ No disposal in 2008 and 2009.

⁵ No fixers required for printing system currently in use.

⁶ 2008: Increase in scrap paper share due to introduction of the new logo.

projects for flood control and river re-naturalization, thereby restoring biotopes and allowing animal and plant species to return to their natural habitats. This cooperation is to continue in 2010.

The OeNB regularly monitors and evaluates those direct and indirect environmental aspects of its operations which may result in significant environmental impacts. The evaluation takes into account aspects like potential environmental hazards, the impact on stakeholders as well as legal issues.

Table 9 provides an overview of relevant direct and indirect environmen-

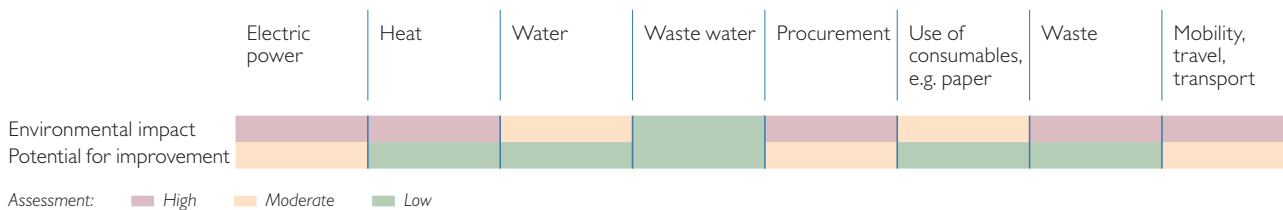
tal aspects while illustrating the relevance for the environment and the degree of possible organizational improvement. The most important indirect environmental aspect is green procurement, i.e. the environmental performance and policies of contractors and suppliers.

Overall, the table shows that the OeNB has made good progress in several areas, while other areas still require further improvements before the OeNB can be deemed to be fully environmentally compliant.

Great social commitment for an environment worth living in

Improvements needed on certain environmental issues

Environmental Impact Assessment at the OeNB



Source: OeNB.

The OeNB's Green Performance in 2009 and Environmental Program for 2010

Table 10

	Responsible	Deadline	Status
Further greening in procurement			
Research options for linking power delivery to climate protection goals	Specialist division	2009	Implemented
Obtain the Austrian ecolabel for environmentally compatible print products for Web and Printing Services	Specialist division, EPT ¹	2010	In progress
Relaunch of eProcurement – reassessment of ecolabeled items in the OeNB's electronic order catalogue to promote ecological alternatives (foreseen increase of 10%) and display of ecological options.	Specialist division, EPT ¹	2010	In preparation
Consider ecological criteria in participation in tenders for Paper Printers and computers	Specialist division and EPT ¹	2009 2010	Implemented In preparation
Recycle used office materials ecologically	Specialist division	2009	Implemented
Further improve ecological performance of processes at the Web and Printing Services (new printing machine, switch from offset to digital printing, reduce use of chemicals, encourage printing on demand)	Specialist division	2009	Implemented
Responsible resource consumption			
Project "Publications at the OeNB" to cut back on printing and paper	Organization Division	2010	In preparation
Test run of LED safety lighting at the OeNB's main building and the northern office building	Specialist division	2010	In progress
The new facility management system delivers the basic data for the input-output statement	Specialist division	2010	In progress
Increase environmental awareness through training			
Organize an excursion to an Austrian printing company with exemplary ecological credentials	Specialist division, EPT ¹	2009	Implemented
Rework the information brochure "Unser Engagement im Umweltschutz" (Our Commitment to Environmental Protection)	EPT ¹	2009	Implemented
Put up signs in meeting rooms instructing staff to "turn off the lights and electrical devices and turn down ventilation before leaving"	Specialist division	2009	Implemented
Relaunch of the EcoControl database to increase user acceptance and to support internal audits	EPT ¹	2010	In progress
Car Free Day: Encourage employees to rely more strongly on public transport	EPT ¹	2010	In preparation
Day of the sun: Information on alternative energy options	EPT ¹	2010	In preparation
Reduce emissions			
Travel concept, review of carriers used for business trips	EPT ¹	2010	In process
Step up environmental protection activities throughout the OeNB			
Perform environmental audits of suppliers, in particular of subsidiaries	EPT ¹	2010	In preparation
Develop a green IT concept			
Produce life cycle reviews of energy and resource consumption of the OeNB's IT facilities (servers, computers, printers, etc.)	Specialist division, EPT ¹	2010	In preparation
Present information on green IT and lifecycle management (eco design)	EPT ¹	2010	In preparation
Implement a project to optimize office infrastructure, including optimization of office equipment, targeted use of equipment, conduct an OeNB-wide survey	Organization Division	2009	Implemented
Awareness campaign "remember to switch off screen" – reduce standby energy consumption	EPT ¹	2009	Implemented
Reduce energy consumption of devices on standby by introducing upstream multiple outlets with an on/off switch – check performed, centrally switched outlets introduced throughout the OeNB	Specialist division	2009	Implemented
Distribute information to staff on energy use of devices on standby	EPT ¹	2009	Implemented
Waste separation			
Separate containers for disposal of aluminum cans and initiative to minimize aluminum scrap	Specialist division, EPT ¹	2010	In preparation

¹ EPT = Environmental protection team.

Source: OeNB.

EMAS Validation and Registration



This Sustainability Report, which consists of the Annual Report, the Intellectual Capital Report and the Environmental Statement of the

Oesterreichische Nationalbank

has been validated in accordance with the EMAS Regulation by

Quality Austria Training, Certification and Evaluation Ltd
Gonzagasse 1/24, 1010 Vienna, Austria
AT-V-004,

an independent certification, evaluation and validation organization.

The Lead Verifier herewith confirms that the environmental policy, the environmental program, the environmental management system, the environmental review, the environmental audit procedure and the present Sustainability Report of the company 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 Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative (GRI), that the data and information correspond to the documentation examined in the organization 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 2010

Konrad Scheiber
Managing Director,
Quality Austria

Martin Nohava
Lead Verifier

Martina Göd
Verifier

The next update of the environmental statement is due to be published as part of the Sustainability Report in May 2011.

Financial Statements of the Oesterreichische Nationalbank for the Year 2009

Balance Sheet as at December 31, 2009

Assets

	December 31, 2009 EUR	December 31, 2008 EUR
1 Gold and gold receivables	6,898,736,647.07	5,595,186,740.59
2 Claims on non-euro area residents denominated in foreign currency	5,597,138,934.05	6,342,189,608.24
2.1 Receivables from the IMF	2,321,992,381.43	486,537,314.85
2.2 Balances with banks, security investments, external loans and other external assets	3,275,146,552.62	5,855,652,293.39
3 Claims on euro area residents denominated in foreign currency	173,386,148.88	13,285,502,174.28
4 Claims on non-euro area residents denominated in euro	1,596,334,701.39	1,634,340,267.26
4.1 Balances with banks, security investments and loans	1,596,334,701.39	1,634,340,267.26
4.2 Claims arising from the credit facility under ERM II	–	–
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	20,236,000,000.00	22,532,578,926.01
5.1 Main refinancing operations	1,680,000,000.00	9,107,000,000.00
5.2 Longer-term refinancing operations	18,556,000,000.00	13,408,000,000.00
5.3 Fine-tuning reverse operations	–	–
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	17,578,926.01
5.6 Credits related to margin calls	–	–
6 Other claims on euro area credit institutions denominated in euro	193,213.60	4,400,141,342.24
7 Securities of euro area residents denominated in euro	10,011,997,205.51	5,443,030,768.85
7.1 Securities held for monetary policy purposes	677,549,594.57	–
7.2 Other securities	9,334,447,610.94	5,443,030,768.85
8 General government debt denominated in euro	427,397,446.51	429,016,902.35
9 Intra-Eurosystem claims	18,145,821,159.71	14,838,446,938.19
9.1 Participating interest in the ECB	111,854,587.70	117,186,925.35
9.2 Claims equivalent to the transfer of foreign reserves	1,118,545,877.01	1,161,289,917.84
9.3 Claims related to promissory notes backing the issuance of ECB debt certificates ¹	×	×
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	16,915,420,695.00	13,559,970,095.00
9.5 Other claims within the Eurosystem (net)	–	–
10 Items in course of settlement	105,810,483.44	103,315,453.96
11 Other assets	8,421,390,913.05	9,206,178,816.89
11.1 Coins of euro area	112,089,846.90	139,088,002.73
11.2 Tangible and intangible fixed assets	141,920,475.65	143,491,285.23
11.3 Other financial assets	6,529,189,779.49	6,419,247,144.65
11.4 Off balance sheet instruments' revaluation differences	2,106,511.80	802,976,963.44
11.5 Accruals and prepaid expenses	584,573,890.83	635,788,855.99
11.6 Sundry	1,051,510,408.38	1,065,586,564.85
	71,614,206,853.21	83,809,927,938.86

¹ Only an ECB balance sheet item.

Liabilities

	December 31, 2009 EUR	December 31, 2008 EUR
1 Banknotes in circulation	20,640,089,545.00	20,297,442,750.00
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	15,512,640,647.83	15,642,357,120.43
2.1 Current accounts (covering the minimum reserve system)	6,041,731,647.83	8,018,007,120.43
2.2 Deposit facility	9,470,909,000.00	7,624,350,000.00
2.3 Fixed-term deposits	–	–
2.4 Fine-tuning reverse operations	–	–
2.5 Deposits related to margin calls	–	–
3 Other liabilities to euro area credit institutions denominated in euro	–	50,000,000.00
4 Debt certificates issued¹	×	×
5 Liabilities to other euro area residents denominated in euro	65,481,129.17	80,747,304.17
5.1 General government	61,750,651.79	9,009,060.57
5.2 Other liabilities	3,730,477.38	71,738,243.60
6 Liabilities to non-euro area residents denominated in euro	6,570,964.83	2,644,174.38
7 Liabilities to euro area residents denominated in foreign currency	76,106.14	63,707.69
8 Liabilities to non-euro area residents denominated in foreign currency	–	–
8.1 Deposits, balances and other liabilities	–	–
8.2 Liabilities arising from the credit facility under ERM II	–	–
9 Counterpart of Special Drawing Rights allocated by the IMF	1,890,151,263.64	197,808,916.00
10 Intra-Eurosystem liabilities	19,583,869,233.17	35,662,180,958.91
10.1 Liabilities equivalent to the transfer of foreign reserves ¹	×	×
10.2 Liabilities related to promissory notes backing 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)	19,583,869,233.17	35,662,180,958.91
11 Items in course of settlement	25,326,500.57	31,055,908.36
12 Other liabilities	440,245,562.77	286,947,950.71
12.1 Off balance sheet instruments' revaluation differences	56,134.97	96,184.93
12.2 Accruals and income collected in advance	26,358,438.50	87,203,232.95
12.3 Sundry	413,830,989.30	199,648,532.83
13 Provisions	3,522,982,866.49	2,939,422,641.87
14 Revaluation accounts	5,756,732,330.54	4,474,167,545.23
15 Capital and reserves	4,148,605,121.92	4,141,935,883.14
15.1 Capital	12,000,000.00	12,000,000.00
15.2 Reserves	4,136,605,121.92	4,129,935,883.14
16 Profit for the year	21,435,581.14	3,153,077.97
	71,614,206,853.21	83,809,927,938.86

¹ Only an ECB balance sheet item.

Profit and Loss Account for the Year 2009

	Year ending December 31, 2009 EUR	Year ending December 31, 2008 EUR
1.1 Interest income	1,177,859,436.16	2,153,886,674.96
1.2 Interest expense	-551,958,570.23	-1,338,075,786.78
1 Net interest income	625,900,865.93	815,810,888.18
2.1 Realized gains/losses arising from financial operations	360,938,334.59	153,924,277.95
2.2 Writedowns on financial assets and positions	-34,387,572.03	-624,694,142.18
2.3 Transfer to/from provisions for foreign exchange, interest rate, credit and goldprice risks	-549,894,072.50	-165,908,637.60
2 Net result of financial operations, writedowns and risk provisions	-223,343,309.94	-636,678,501.83
3.1 Fees and commissions income	5,812,449.66	5,350,625.97
3.2 Fees and commissions expense	-4,997,524.43	-3,528,815.21
3 Net income from fees and commissions	814,925.23	1,821,810.76
4 Income from equity shares and participating interests	67,240,381.56	90,725,900.32
5 Net result of pooling of monetary income	74,578,618.09	2,188,422.71
6 Other income	16,077,283.23	20,674,508.80
Total net income	561,268,764.10	294,543,028.94
7 Staff costs	-119,261,650.29	-112,693,573.73
8 Expenses for retirement	-4,088,741.27	-3,295,508.40
9 Administrative expenses	-82,654,150.02	-82,293,823.40
10 Depreciation of tangible and intangible fixed assets	-11,750,819.01	-12,723,721.97
11 Banknote production services	-25,205,406.00	-15,634,152.00
12 Other expenses	-743,832.44	-21,189,983.24
Total expenses	-243,704,599.03	-247,830,762.74
	317,564,165.07	46,712,266.20
13 Corporate income tax	-79,391,041.27	-11,678,066.55
	238,173,123.80	35,034,199.65
14 Transfers to the pension reserve and central government's share of profit	-216,737,542.66	-31,881,121.68
15 Profit for the year	21,435,581.14	3,153,077.97

Notes to the Financial Statements 2009

General Notes to the Financial Statements

Legal Framework

The Oesterreichische Nationalbank is obligated (under Article 67 paragraph 2 of the Federal Act on the Oesterreichische Nationalbank 1984 as amended and as promulgated in Federal Law Gazette I No. 108/2007 – Nationalbank Act)¹ to prepare its balance sheet and its profit and loss account in conformity with the provisions 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 are laid down in the Accounting Guideline adopted by the Governing Council of the ECB on November 10, 2006 (accounting guideline).² The OeNB's financial statements for the year 2009 were prepared fully in line with the provisions set forth in the accounting guideline. In cases not covered by the accounting guideline, the generally accepted accounting principles referred to in Article 67 paragraph 2 second sentence Nationalbank Act were applied. The Nationalbank Act provisions that govern the OeNB's financial reporting (Articles 67 and 69 as well as Article 72 paragraph 1 Nationalbank Act) have remained unchanged from the previous year. Under Article 68 paragraph 3 Nationalbank Act, amended with the 2004 Financial Reporting Amendment Act, the OeNB continued to be exempt from Article 243 paragraph 2 last sentence as well as paragraph 3 items 2 and 5 Commercial Code.

In accordance with Article 67 paragraph 3 Nationalbank Act, the OeNB

also continued to be exempt from preparing consolidated financial statements as required under Article 244 et seq. Commercial Code.

Format of the Balance Sheet and the Profit and Loss Account

The financial statements for the year 2009 were prepared in the format laid down by the Governing Council of the ECB.

On the basis of the accounting guideline as amended (ECB/2009/18 of July 17, 2009, which entered into force on July 1, 2009), asset item 7 *Securities of euro area residents denominated in euro* was subdivided into asset item 7.1 *Securities held for monetary policy purposes* and asset item 7.2 *Other securities*.

In the 2009 financial statements, profit and loss account item 2.3 was renamed *Transfer to/from provisions for foreign exchange, interest rate, credit and gold price risks*. Starting with the 2009 financial statements, transfers to/from *Provisions in respect of monetary policy operations of the Eurosystem* have been recorded under profit and loss account item 5 *Net result of pooling of monetary income* (formerly, they were indicated under profit and loss account item 2.3). Moreover, *expenses for retirement* were shown as a separate item in the profit and loss account, item 8, and all subsequent profit and loss account items were renumbered accordingly.

Accounting Policies

The OeNB's financial statements are prepared in conformity with the provisions governing the Eurosystem's accounting and reporting operations, which follow accounting principles har-

¹ The Nationalbank Act was amended with effect from January 1, 2008, with a view to clarifying responsibility for ensuring financial stability.

² Guideline of the ECB of 14 December 2009 (ECB/2009/28) amending Guideline ECB/2006/16.

monized by Community law and generally accepted international accounting standards. The key policy provisions are summarized below:

- 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 still 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 Euro-system 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 were 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 revalued at current market prices/rates. This applies equally to transactions that are disclosed in the balance sheet and to transactions that are not.³ The arbitrage pricing principle

is used to value gold interest rate swaps and gold forward interest rate swaps. To this end, the products are split into the components at which these products are traded on international exchanges (LIBOR curve, gold swap rates and gold forward rates).

The average acquisition cost and the value of each currency position are calculated on the basis of the sum total of the holdings in any one currency, including both asset and liability positions and both on balance sheet items and transactions that are not disclosed in the balance sheet. Own funds invested in foreign exchange assets are treated as a separate currency position under *other financial assets*, as are those equity instruments denominated in foreign currency that are to be disclosed under *other financial assets*.

The revaluation took place on a code-by-code basis for security investments, equity funds and other investment fund shares/units.

Securities classified as held-to-maturity or nonmarketable securities are valued at amortized cost subject to impairment; any premiums or discounts are amortized.

The prices of master fund shares are calculated daily by the designated custodian bank using established market information systems on the basis of the assets held by the subfunds.

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.

³ Transactions that are not disclosed in the balance sheet are recorded and disclosed separately.

Gains and losses realized in the course of transactions are taken to the profit and loss account. The 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 realized gain or loss is calculated by juxtaposing the sales price of each transaction with the average acquisition cost of all purchases made during the day. 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 may not be reversed against new unrealized gains in subsequent years. Unrealized losses in any one security, currency or in gold holdings are not netted with unrealized gains in other securities, currencies or gold, since netting is prohibited under the ECB's accounting guideline.

In derogation from general accounting principles and standards, alternative valuation methods may be applied to synthetic instruments; unrealized gains and losses of the instruments combined to form a synthetic instrument are netted at year-end. In such a case, net unrealized gains are recognized in a revaluation account.

Securities Held for Monetary Policy Purposes

Following the decisions of the Governing Council of the ECB of May 7, 2009, and June 4, 2009, up to the end of June

2010, the ECB and the Eurosystem NCBs will purchase a total amount of EUR 60 billion of covered bonds issued in the euro area for monetary policy purposes. These securities are valued at amortized cost and are subject to impairment tests.

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
Equipment, furniture and plant in building	10 years
Buildings	25 years
Fixed assets costing less than EUR 10,000 (net of value added tax)	no capitalization

Realized Gains and Losses and Revaluation Differences and Their Treatment in the Financial Statements of December 31, 2009

Table 2

	Realized gains profit and loss account item 2.1 (posted to the profit and loss account)	Realized losses profit and loss account item 2.1 (posted to the profit and loss account)	Unrealized losses profit and loss account item 2.2 (posted to the profit and loss account)	Change in unrealized gains (posted to revaluation accounts)
	EUR million	EUR million	EUR million	EUR million
Gold	–	–	–	+1,303.550
Foreign currency				
Holdings for own account	218.030	2.107	9.644	+65.685
Securities				
Holdings for own account	160.471	23.631	21.831	–129.771
Own funds	8.175	–	2.912	–42.725
Participating interests	–	–	–	+53.459
Off balance sheet instruments	–	–	–	–1.497
Total	386.676	25.738	34.387	+1,248.701

Banknotes in Circulation and Intra-Eurosystem Balances

Euro banknotes are issued by the ECB and the 16 euro area NCBs, which together comprise the Eurosystem. The total value of euro banknotes in circulation is allocated among Eurosystem members 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 NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to the OeNB is disclosed under the balance sheet liability item *banknotes in circulation*.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually put into circulation, as reduced by the banknotes it withdrew from circulation, also gives

rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the subitems *intra-Eurosystem claims/intra-Eurosystem liabilities: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem* (see Intra-Eurosystem balances in the notes on accounting policies).

In the first five years following the cash changeover year,⁴ 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 in circulation of 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

⁴ Slovakia switched over to euro banknotes and coins in 2009.

year when income on banknotes is allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital.

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 arising from the 8% share of euro banknotes allocated to the ECB shall be due to the NCBs in the same financial year it accrues and shall be distributed on the second working day of the following year in the form of an interim distribution of profit. This income is to be distributed in full unless the ECB's net profit for the year is less than its income earned on euro banknotes in circulation and subject to any decision by the Governing Council to reduce this income in respect of costs incurred by the ECB in connection with the issue and handling of euro banknotes. The Governing Council may also decide to transfer part or all of the ECB's seigniorage income to provisions for foreign exchange rate, interest rate, credit and gold price risks. The amount distributed to the OeNB is recognized in the profit and loss account under item 4 *Income from equity shares and participating interests*.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as net single assets or liabilities under *net claims/net liabilities related to the allocation of euro banknotes within the Eurosystem*.

Risk Management

Financial and operational risk incurred in connection with the OeNB's 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. Moreover, regular reporting procedures have been put in place.

Financial Risk

Financial risk covers a range of collateral-related risks, basically market, credit and 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 Governing Board's risk preferences and that is adopted by the latter on proposal of the Risk Committee. The Risk Committee monitors compliance with the risk budget, and the Treasury Department reports regularly to the Governing Board. Strategies for broadening diversification to include new currencies and types of investment must be authorized by the Governing Board. In line with international trends, the OeNB implements an integral risk management structure to monitor financial risk.⁵

Market Risk

Market risk is the risk of exposure arising from movements in markets, in particular exchange rate and interest rate changes. On proposal of the Risk Committee, the Governing Board of the OeNB adopts a risk budget that the Investment Committee subsequently transposes into a suitable investment structure. Moreover, the Investment Committee sets a benchmark that reflects e.g. short-term market develop-

⁵ A dedicated project was started in April 2008; it was completed as scheduled in 2009.

ments. This benchmark, which also sets concentration limits, is submitted to the Governing Board. Exchange rate risk is managed on the basis of individual currency limits, interest rate risk on the basis of duration targets or limits. Compliance with the risk budget is monitored with VaR calculations based on a one-year period and a confidence interval of 99.0%.

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

In addition, the OeNB makes provision for ECB and Eurosystem risk commensurate to its relative capital share in the ECB's paid-up capital. The OeNB employs generally recognized calculation models to determine pro-rata Eurosystem risk and other market risk not covered by the risk budget.

The risk involved in real estate holdings is calculated using an index for real estate stocks.

Liquidity Risk

Liquidity risk is the risk arising from a counterparty's inability to meet its financial obligations in time or in full, or the risk that a counterparty may not have sufficient liquid funds to meet its obligations. To avoid this risk, the OeNB deals only with creditworthy counterparties and strictly applies the established limits, with security and liquidity considerations taking precedence over yield.

Credit Risk

Credit risk is the risk of incurring a loss due to the failure of a counterparty. Here, risk management relies on a credit risk limit system which documents current risk limits and actual exposure. Moreover, financial markets are monitored continuously, and rele-

vant reports are drawn up. Because of discrepancies between the calculation methods, in particular compared to the methods to calculate pro-rata ECB credit risk, provision for credit risk is made under other risks specific to central banks.

Other Risks Specific to Central Banks

Apart from the risks described above, NCBs are also subject to other specific risks arising from fulfillment of their mandate. The OeNB is aware of these risks, takes measures to reduce them and makes appropriate provisions.

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 is provided for by the rules laid down in the OeNB's Risk and Crisis Management Handbook. Risk valuation takes into account the impact of various risk scenarios on the OeNB's reputation, on costs, and any resulting losses, and is an ongoing process. Reports are submitted to management in half-year intervals.

Table 3 shows financial risk and related financial provisions at year-end 2008 and 2009.

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 Forum, which provides advice on IT security and coordinates and controls related activities;
- The IT security manager, who is responsible for the technical accuracy

Table 3

Financial Risk and Financial Provisions on December 31

Financial risk	2009		2008		Financial provisions	
	2009	2008	2009	2008		
<i>EUR million</i>						
Treasury Department risk budget	4,282	4,453	1,768	2,129	Revaluation accounts ¹	
			1,290	1,650	Reserve for nondomestic and price risks	
			1,224	674	Risk provisions	
Other financial risks and risks specific to central banks ²	799	489	683	323	Reserve for nondomestic and price risks	
			116	166	Provisions in respect of monetary policy operations of the Eurosystem	
Total	5,081	4,942	5,081	4,942		
Risk arising from real estate holdings	25	59 to 66	Covered by related hidden reserves			

¹ Revaluation accounts are included in financial provisions subject to the prohibition of netting.

² Includes credit risk, pro-rata Eurosystem risk and other risk.

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 IT security policy.

Related-Party Transactions

A new provision, Article 237 item 8b Commercial Code, stipulates that financial statements must include infor-

mation about material transactions with related parties that were not concluded under normal market conditions.

As the Republic of Austria holds a 70.3% share of the OeNB, it qualifies as a related party. 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 by decision of the General Meeting, it receives a dividend of up to 10% of its share of the capital.

Any business the OeNB transacted with related parties in 2009 was at market conditions.

Capital Movements

Table 4

Changes in 2009	December 31, 2008 EUR million	Increase EUR million	Decrease EUR million	December 31, 2009 EUR million
I Capital				
Capital (stock)	12.000	–	–	12.000
Profit-smoothing reserve	2.226	–	–	2.226
	14.226	–	–	14.226
II Provisions for business risks				
Reserve for nondomestic and price risks	1,973.263	–	–	1,973.263
	1,973.263	–	–	1,973.263
III Capital including reserves and provisions (I + II)				
	1,987.489	–	–	1,987.489
IV Supplementary capital (earmarked)				
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
Earmarked capital funded with net interest income from ERP loans	622.947	+6.669	–	629.616
	2,154.447	+6.669	–	2,161.116
Total capital (III + IV)	4,141.936	+6.669	–	4,148.605

Development of the OeNB's Currency Positions in the Financial Year 2009

Table 5

Net currency position (including gold)	December 31, 2009 EUR million	December 31, 2008 EUR million	Change EUR million	%
Gold and gold receivables	6,898.737	5,595.187	+1,303.550	+23.3
Claims on non-euro area residents denominated in foreign currency	5,597.139	6,342.190	–745.051	–11.7
Claims on euro area residents denominated in foreign currency	173.386	13,285.502	–13,112.116	–98.7
Other assets	148.745	180.649	–31.904	–17.7
<i>less:</i>				
Liabilities to euro area residents denominated in foreign currency	0.076	0.064	+0.012	+19.5
Counterpart of SDRs allocated by the IMF	1,890.151	197.809	+1,692.342	+855.5
Other liabilities	0.983	21.142	–20.159	–95.4
Revaluation accounts ¹	56.920	164.578	–107.658	–65.4
	10,869.877	25,019.935	–14,150.058	–56.6
Transactions that are not disclosed in the balance sheet (net)	–104.124	–13,320.415	+13,216.291	+99.2
Total	10,765.753	11,699.520	–933.767	–8.0

¹ Resulting from the change in net unrealized exchange rate gains on foreign currency-denominated securities on December 31, 2008, and December 31, 2009.

Notes to the Balance Sheet Assets

1 Gold and Gold Receivables

Closing balance	EUR million	
December 31, 2009	6,898.737	
December 31, 2008	5,595.187	
Change	+1,303.550	(+23.3%)

This item comprises the OeNB's holdings of physical and nonphysical gold, which amounted to 9,002,105.635 fine ounces or 279,996.81888 kg of fine gold on December 31, 2009. At a market value of EUR 766.347 per fine ounce (i.e. EUR 24,638.63 per kg of fine gold), the OeNB's gold holdings were worth EUR 6,898.737 million at the balance sheet date.

The valuation on December 31, 2009, resulted in unrealized valuation gains of EUR 1,303.550 million.

2 Claims on Non-Euro Area Residents Denominated in Foreign Currency

Closing balance	EUR million	
December 31, 2009	5,597.139	
December 31, 2008	6,342.190	
Change	-745.051	(-11.7%)

Table 6 shows the development of *receivables from the IMF*.

Drawings of SDRs on behalf of IMF members as well as transfers by the IMF boosted *receivables from the IMF* by a total of EUR 158.426 million. The changes in *receivables from the IMF*, moreover, reflect valuation changes, net exchange rate losses and book value reconciliation (totaling -EUR 9.330 million).

The IMF remunerates participations in the Fund at a rate of remuneration that is updated weekly. In 2009, this rate hovered between 0.23% and 0.83% per annum, mirroring the prevailing SDR rate.

*SDR holdings*⁶ were recognized in the balance sheet at SDR 1,750.5 million at December 31, 2009. The net increase of holdings in 2009 by EUR 1,686.5 million resulted from the gratuitous allocation of SDRs by the IMF of a total of SDR 1,557.3 million (equivalent to EUR 1,700.7 million). The remunerations of the participation in the IMF, interest credited, sales and revaluation differences totaled -EUR 14.274 million.

Principally, the OeNB continues to be obliged under the IMF's Articles of Agreement to provide currency on de-

Table 6

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Total claims (Austrian quota) equivalent to SDR 1,872.3 million ¹	2,038.186	2,068.517	-30.331	-1.5
less:				
Balances at the disposal of the IMF	1,629.443	1,808.870	-179.427	-9.9
Receivables from the IMF	408.743	259.647	+149.096	+57.4
SDR holdings	1,905.629	219.157	+1,686.472	+769.5
Other claims against the IMF	7.620	7.734	-0.114	-1.5
Total	2,321.992	486.538	+1,835.454	+377.2

¹ Pursuant to federal law as promulgated in Federal Law Gazette No. 309/1971, the OeNB assumed the entire Austrian quota at the IMF on its own account on behalf of the Republic of Austria.

⁶ 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.

mand in exchange for SDRs. Members designated by the IMF may use SDRs up to the point at which the OeNB's SDR holdings are three times as high as its net cumulative SDR allocations, which totaled SDR 1,736.3 million on December 31, 2009. See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about this obligation.

Other claims against the IMF comprise the OeNB's claims arising from contributions to Emergency Assistance for Natural Disasters (EAND).

Table 7 shows the *development of balances with banks and security investments, external loans and other external assets*.

Moreover, in 2009 the ECB and the OeNB concluded U.S. dollar liquidity-providing swaps totaling USD 41.3 billion and Swiss franc liquidity-providing swaps coming to CHF 339.2 billion. On the basis of those swaps, the OeNB auctioned off U.S. dollar and Swiss franc funds to Austrian banks against euro and repurchased them on maturity, which means that any amounts that were outstanding on the balance sheet date are not shown under balance sheet item 2.2 (see *Notes on Transactions Not Disclosed in the Balance Sheet*). The amounts outstanding on such swaps between the ECB and the OeNB came to

USD 150 million and CHF 685.9 million, respectively, on December 31, 2009.

3 Claims on Euro Area Residents Denominated in Foreign Currency

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

Balances with banks consist mainly of claims amounting to EUR 104.123 million (December 31, 2008: EUR 13,111.098 million) that arose from USD 150 million of reverse operations with Austrian banks against collateral (December 31, 2008: USD 18,247 million). This U.S. dollar funding was made available in connection with a EUR/USD swap that the ECB made with the Federal Reserve Bank of New York under the Federal Reserve's Term Auction Facility. This Term Auction Facility expired on February 1, 2010.

4 Claims on Non-Euro Area Residents Denominated in Euro

Table 9 shows the development of *claims on non-euro area residents denominated in euro* on December 31, 2008, and December 31, 2009.

Changes in *marketable securities classified as held-to-maturity* resulted mainly

Table 7

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	365.083	1,208.018	-842.935	-69.8
Securities	2,910.064	4,642.701	-1,732.637	-37.3
Other claims	–	4.933	-4.933	-100.0
Total	3,275.147	5,855.652	-2,580.505	-44.1

Table 8

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Balances with banks	104.136	13,111.186	-13,007.050	-99.2
Securities	69.250	174.316	-105.066	-60.3
Total	173.386	13,285.502	-13,112.116	-98.7

from portfolio shifts in existing portfolios with the aim of expanding such holdings further.

5 Lending to Euro Area Credit Institutions Related to Monetary Policy Operations Denominated in Euro

Table 10 shows the development of liquidity-providing transactions executed by the OeNB.

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. The Governing Council of the ECB decided on March 5, 2009, to continue the fixed rate tender procedure with full allotment for all main refinancing operations for as long as needed. The interest rate on main refinancing operations came to 1.0% per annum on December 31, 2009.

5.2 Longer-Term Refinancing Operations

Longer-term refinancing operations are regular liquidity-providing reverse transactions. On March 5, 2009, the

Governing Council of the ECB decided to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009, with effect from April 8, 2009. Moreover, the Governing Council of the ECB decided on May 7, 2009, to conduct liquidity-providing longer-term refinancing operations (LTROs) with a maturity of one year as fixed rate tender procedures with full allotment. Three such operations were carried out in 2009.

5.3 Fine-Tuning Reverse Operations

In 2009, no such operations were conducted.

5.4 Structural Reverse Operations

In 2009, no such operations were carried out.

5.5 Marginal lending facility

The financial sector may use the *marginal lending facility* to obtain overnight liquidity from NCBs at a prespecified interest rate against eligible assets. This

Table 9

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Marketable securities other than held-to-maturity	530.052	931.581	-401.529	-43.1
Marketable securities classified as held-to-maturity	1,060.299	699.287	+361.012	+51.6
Other investments	5.984	3.472	+2.512	+72.3
Total	1,596.335	1,634.340	-38.005	-2.3

Table 10

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
5.1 Main refinancing operations	1,680.000	9,107.000	-7,427.000	-81.6
5.2 Longer-term refinancing operations	18,556.000	13,408.000	+5,148.000	+38.4
5.5 Marginal lending facility	-	17.579	-17.579	-100.0
Total	20,236.000	22,532.579	-2,296.579	-10.2

facility is intended to satisfy counterparties' temporary liquidity needs. Under normal circumstances, the interest rate on the marginal lending facility provides a ceiling for the overnight interest rate. The interest rate on the marginal lending facility came to 1.75% per annum on December 31, 2009.

Recourse to the marginal lending facility averaged EUR 27.568 million in 2009 (December 31, 2008: EUR 11.865 million).

6 Other Claims on Euro Area Credit Institutions Denominated in Euro

Closing balance	EUR million	
December 31, 2009	0.193	
December 31, 2008	4,400.141	
Change	-4,399.948	(-100%)

This item comprises claims not related to monetary policy operations. The amount of EUR 4 billion provided by the OeNB, as shown in the closing balance of December 31, 2008, was repaid in the first quarter of 2009.

7 Securities of Euro Area Residents Denominated in Euro

Table 11 shows the development of securities of euro area residents denominated in euro on December 31, 2008, and December 31, 2009.

In order to report securities held for monetary policy purposes separately, asset item 7 *Securities of euro area residents denominated in euro* was subdivi-

vided into asset item 7.1 *Securities held for monetary policy purposes* and asset item 7.2 *Other securities*. The first item was introduced to reflect the euro-denominated covered bond portfolio purchases since July 2009. The second item consists of marketable securities, nonmarketable securities that are not related to the monetary policy operations of the Eurosystem, and marketable equity instruments.

Asset item 7.1 *Securities held for monetary policy purposes* contains securities that the OeNB bought under the program to purchase covered bonds adopted by the Governing Council of the ECB on May 7, 2009 (see *Securities Held for Monetary Policy Purposes* in the section *Accounting Policies*).

Apart from transaction changes, changes in *Other securities* resulted mainly from shifts in holdings of securities classified as held-to-maturity.

8 General Government Debt Denominated in Euro

Closing balance	EUR million	
December 31, 2009	427.397	
December 31, 2008	429.017	
Change	-1.620	(-0.4%)

This balance sheet item exclusively subsumes 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.

Table 11

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
7.1 Securities held for monetary policy purposes	677.550	–	+677.550	x
7.2 Other securities	9,334.447	5,443.031	+3,891.416	+71.5
of which				
Marketable securities other than held-to-maturity	6,642.323	4,077.843	+2,564.480	+62.9
Marketable securities classified as held-to-maturity	2,692.124	1,365.188	+1,326.936	+97.2
Total	10,011.997	5,443.031	+4,568.966	+83.9

425/1996. Table 12 shows the change in 2009.

Any amount outstanding on December 31, 2040, will have to be repaid in the five following years (2041 to 2045) in five equal installments. The maximum theoretical federal liability came to EUR 1,170.7 million on December 31, 2009.

9 Intra-Eurosystem Claims

Closing balance	EUR million	
December 31, 2009	18,145.821	
December 31, 2008	14,838.447	
Change	+3,307.374	(+22.3%)

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 13 shows the development of *intra-Eurosystem claims* on

December 31, 2008, and December 31, 2009.

9.1 Participating Interest in the ECB

This subitem shows the share that the OeNB holds in the capital of the ECB. The OeNB's percentage share in the fully paid-up capital of the ECB declined from 2.8924% to 2.7821% both as a result of the regular adjustment of the weights of NCBs' shares in the ECB's capital key⁷ and as a result of Národná banka Slovenska joining the Eurosystem on January 1, 2009. The OeNB's participating interest in the ECB decreased by EUR 4.275 million to EUR 111.854 million.

Following the approval of the ECB's annual accounts by the Governing Council of the ECB, an amount of EUR 12.654 million was transferred to the OeNB in March 2009 when the redistribution of the NCBs' percentage shares in the key for subscription to the ECB's capital was effected. EUR 1.058 million of this amount were used to

Table 12

	EUR million
Government remuneration for silver commemorative coins returned to Münze Österreich AG	+10.569
Proceeds from metal recovery	-6.375
Redemptions made out of the central government's profit share in 2008	-5.814
Total	-1.620

Table 13

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
9.1 Participating interest in the ECB	111.854	117.187	-5.333	-4.6
9.2 Claims equivalent to the transfer of foreign reserves	1,118.546	1,161.290	-42.744	-3.7
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	16,915.421	13,559.970	+3,355.451	+24.7
Total	18,145.821	14,838.447	+3,307.374	+22.3

⁷ The NCBs' capital key weights are adjusted every five years under Article 29.3 of the Statute of the ESCB and of the ECB.

offset compensatory payments to be made following the adjustments to the ECB's capital in 2004 and 2007; the remaining EUR 11.596 million were recognized under profit and loss item 4 *Income from equity shares and participating interests*.

See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about additional capital contributions transferred to the ECB.

9.2 Claims Equivalent to the Transfer of Foreign Reserves

This item 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.⁸ As the OeNB's subscribed share of the ECB's capital decreased in percentage terms, the OeNB's claims diminished by EUR 42.744 million to EUR 1,118.546 million. See the *Notes on Transactions Not Disclosed in the Balance Sheet* for information about additional capital contributions transferred to the ECB.

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*).

10 Items in Course of Settlement

This claim results from net float items settled the next year.

11 Other Assets

Table 14 shows the development of *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 and equipment* (including computers, related hardware and software, and motor vehicles), *tangible real assets* and *intangible fixed assets*.

Table 14

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
11.1 Coins of euro area	112.090	139.088	-26.998	-19.4
11.2 Tangible and intangible fixed assets	141.920	143.491	-1.571	-1.1
11.3 Other financial assets	6,529.190	6,419.247	+109.943	+1.7
11.4 Off balance sheet instruments' revaluation differences	2.107	802.977	-800.870	-99.7
11.5 Accruals and prepaid expenses	584.574	635.789	-51.215	-8.1
11.6 Sundry	1,051.510	1,065.587	-14.077	-1.3
Total	8,421.391	9,206.179	-784.788	-8.5

⁸ The claims equivalent to the transfer of foreign reserves are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted by 15%.

Table 15 shows the development of premises.

Table 15	
EUR million	
Cost incurred until December 31, 2008 ¹	115.908
Purchases in 2009	0.332
Sales (cost incurred) in 2009	–
Accumulated depreciation	38.622
Book value on December 31, 2009	77.618
Book value on December 31, 2008	81.660
Annual depreciation in 2009	4.374

¹ 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 16 shows the development of equipment.

Table 16	
EUR million	
Cost incurred until December 31, 2008	81.933
Purchases in 2009	10.297
Sales (cost incurred) in 2009 ¹	8.759
Accumulated depreciation	58.226
Book value on December 31, 2009	25.245
Book value on December 31, 2008	22.786
Annual depreciation in 2009	7.361

¹ The balance between the book value of the sales and the underlying historical costs less accumulated depreciation is EUR 0.477 million.

Table 17 shows tangible real assets (the OeNB's collection of antique string instruments and the coins of the OeNB's Money Museum).

Table 17	
EUR million	
Cost incurred until December 31, 2008	34.570
Purchases in 2009	0.027
Sales (cost incurred) in 2009	–
Accumulated depreciation	1.600
Revaluation	5.494
Book value on December 31, 2009	38.491
Book value on December 31, 2008	38.464
Annual depreciation in 2009	–

On December 31, 2009, the OeNB's collection of valuable instruments encompassed 28 violins, 5 violoncellos and 3 violas, as in 2008. The string instruments are on loan to renowned musicians under the OeNB's cultural promotion program.

Table 18 shows the development of intangible fixed assets (right of use).

Table 18	
EUR million	
Cost incurred until December 31, 2008	0.720
Purchases in 2009	–
Sales in 2009	–
Accumulated depreciation ¹	0.154
Book value on December 31, 2009	0.566
Book value on December 31, 2008	0.581
Annual depreciation in 2009 ¹	0.015

¹ Depreciation is over a period of 46.75 years.

11.3 Other Financial Assets

Table 19 shows the development of other financial assets.

Table 19				
	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Securities	5,412.332	5,520.157	–107.825	–2.0
Participating interests	971.991	901.314	+70.677	+7.8
Other investments	225.351	70.035	+155.316	+221.8
Items in course of settlement	–80.484	–72.259	+8.225	+11.4
Total	6,529.190	6,419.247	+109.943	+1.7

Of the OeNB's securities portfolio, EUR 1,532.950 million represent investments of pension reserve assets, another EUR 1,579.568 million reflect investments of the *OeNB Anniversary Fund for the Promotion of Scientific Research and Teaching* (of which EUR 1,546.939 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 2,299.814 million on the balance sheet.⁹ Revaluations of the portfolios resulted in unrealized price gains of EUR 30.186 million and unrealized price losses totaling EUR 2.912 million.

Of the *participating interests*, EUR 660.611 million formed part of the own funds portfolio and EUR 311.380 million part of the investment portfolio relating to investments of the pension reserve.

Table 20 shows the development of *participating interests*.

Net asset value on December 31, 2008	901.314
Purchases in 2009	19.000
Sales in 2009 (at book value)	0.119
Annual depreciation in 2009	–
Revaluation in 2009	51.796
Net asset value on December 31, 2009	971.991

Other investments include investments of the pension reserve (EUR 109.145 million), investments to promote the National Foundation (EUR 76.006 million), investments of the initial OeNB Anniversary Fund (i.e. exclusive of the National Foundation endowment; EUR 19.757 million) and the own funds portfolio (EUR 20.443

million) and consisted mainly of overnight and short-term funds.

11.4 Off Balance Sheet Instruments' Revaluation Differences

Closing balance	EUR million	
December 31, 2009	2.107	
December 31, 2008	802.977	
Change	–800.870	(–99.7%)

EUR 1.004 million of the amount shown on December 31, 2009, was attributable to valuation gains on gold interest rate swaps. The remainder results from book value reconciliations and realized gains on forward sales and purchases totaling EUR 1.103 million (–EUR 799.373 million compared to December 31, 2008).

11.6 Sundry

Table 21 shows the development of *sundry* assets.

Pursuant to Article 3 paragraph 2 ERP Fund Act, the 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 629.617 million on December 31, 2009). The ERP loan portfolio managed by the OeNB thus totaled EUR 971.572 million on December 31, 2009. 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 generally exceed one year. All advance payments are secured by life insurance plans.

Other claims on December 31, 2009, mainly comprised advances, accounts

⁹ The OeNB's own funds shown under liabilities include its capital, the reserve for nondomestic and price risks, the profit-smoothing reserve, earmarked ERP capital and the risk provisions.

Table 21

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Claims arising from ERP loans to companies	739.230	872.212	-132.982	-15.2
Money market investment with the Oesterreichische Kontrollbank (OeKB) for ERP lending	232.342	92.690	+139.652	+150.7
ERP loan portfolio managed by the OeNB	971.572	964.902	+6.670	+0.7
Settlement account with the tax authorities	–	52.640	-52.640	-100.0
Schilling coins	5.511	7.081	-1.570	-22.2
Shareholder loans	48.500	–	+48.500	x
Advances on salaries	7.216	7.415	-0.199	-2.7
Other claims	18.711	33.549	-14.838	-44.2
Total	1,051.510	1,065.587	-14.077	-1.3

receivable and claims arising from day-to-day business.

Liabilities

1 Banknotes in Circulation

Closing balance	EUR million	
December 31, 2009	20,640.090	
December 31, 2008	20,297.443	
Change	+342.647	(+1.7%)

This item reflects the value of euro banknotes in circulation allocated to the OeNB. Table 22 shows how this share is calculated and how it developed in 2009.

See the sections *Banknotes in Circulation* and *Intra-Eurosystem Balances* for further explanations on this item.

Table 23 shows the annual averages of banknotes in circulation during the past five years.

Table 23

	Banknotes in circulation, annual average	Change	
	EUR million	EUR million	%
2005	13,618	+1,867	+15.9
2006	15,128	+1,510	+11.1
2007	16,614	+1,486	+9.8
2008	18,458	+1,844	+11.1
2009	19,323	+865	+4.7

Table 22

	December 31, 2009	December 31, 2008	Change
	EUR million	EUR million	EUR million
Total value of euro banknotes actually put in circulation by the OeNB	+3,724.669	+6,737.473	-3,012.804
Adjusted for:			
Liability resulting from the share of euro banknotes in circulation allocated to the ECB's balance sheet (8%)	-1,794.841	-1,765.004	-29.837
Claims related to the allocation of euro banknotes within the Eurosystem	+18,710.262	+15,324.974	+3,385.288
Net claims related to the allocation of euro banknotes within the Eurosystem	+16,915.421	+13,559.970	+3,355.451
Banknotes in circulation	20,640.090	20,297.443	+342.647

2 Liabilities to Euro Area Credit Institutions Related to Monetary Policy Operations Denominated in Euro

Table 24 shows the development of *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 transaction accounts of credit institutions that are required to hold minimum reserves.

Banks' minimum reserve balances have been remunerated since January 1, 1999, at the prevailing interest rate for the Eurosystem's main refinancing operations.

2.2 Deposit Facility

The *deposit facility* item refers to overnight deposits placed with the OeNB by Austrian banks that access the Eurosystem's liquidity-absorbing standing facility at the prespecified rate. In 2009, the volume of such transactions averaged EUR 2,253.379 million.

2.3 Fixed-Term Deposits

In 2009, fixed-term deposits of between EUR 316 million and EUR 3,595 million were made at interest rates of between 0.35% per annum and 2.50% per annum.

9 Counterpart of Special Drawing Rights Allocated by the IMF

Closing balance	EUR million	
December 31, 2009	1,890.151	
December 31, 2008	197.809	
Change	+1,692.342	(+855.5%)

This item represents the counterpart in euro of the SDR 1,736 million allocated gratuitously to the OeNB, measured at current market values at the reporting date. The OeNB was allocated SDRs from 1970 to 1972, from 1979 to 1981 and on August 28 and September 9, 2009. The increase resulted mainly from the allocation of additional SDRs and valuation changes.

10 Intra-Eurosystem Liabilities

Closing balance	EUR million	
December 31, 2009	19,583.869	
December 31, 2008	35,662.181	
Change	-16,078.312	(-45.1%)

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 and EUR/CHF 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

Table 24

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
2.1 Current accounts (covering the minimum reserve system)	6,041.732	8,018.007	-1,976.275	-24.6
2.2 Deposit facility	9,470.909	7,624.350	+1,846.559	+24.2
Total	15,512.641	15,642.357	-129.716	-0.8

with losses incurred in respect of monetary policy operations of the Eurosystem.

The ECB remunerates *intra-Euro-system 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.

11 Items in Course of Settlement

This claim results from 2009 net float items settled the next year.

12 Other Liabilities

Table 25 shows the development of *other liabilities*.

12.1 Off Balance Sheet Instruments' Revaluation Differences

Off balance sheet instruments' revaluation differences subsumes the revaluation losses arising on off balance sheet positions, which are posted to the profit

and loss account, and book value reconciliation.

12.3 Sundry

Table 26 shows the development of *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.

The reduction of the subitem *schilling banknotes in circulation with an exchange deadline* is attributable to the amount of 20 schilling banknotes with the portrait of *Carl Ritter von Ghega* submitted for exchange and to the end of the exchange period for this banknote.

According to the General Meeting's decision, EUR 2.553 million of the profit for the year 2008 had been apportioned to the OeNB's *Anniversary Fund for the Promotion of Scientific Research and Teaching*. Adjusted for the return on investment for 2009 and re-

Table 25

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
12.1 Off balance sheet instruments' revaluation differences	0.056	0.096	-0.040	-41.7
12.2 Accruals and income collected in advance	26.358	87.203	-60.845	-69.8
12.3 Sundry	413.832	199.649	+214.183	+107.3
Total	440.246	286.948	+153.298	+53.4

Table 26

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Central government's share of profit (without dividends)	192.920	28.378	+164.542	+579.8
Liability from schilling banknotes in circulation with an exchange deadline	120.369	137.684	-17.315	-12.6
Earmarked funds of the OeNB Anniversary Fund				
OeNB Anniversary Fund (initial funding)	19.105	27.643	-8.538	-30.9
OeNB Anniversary Fund National Foundation endowment	75.000	1.115	+73.885	n.a.
Other	6.438	4.829	+1.609	+33.3
Total	413.832	199.649	+214.183	+107.3

payments made, the initial OeNB Anniversary Fund thus received funds of EUR 31.741 million. Of these funds, EUR 12.636 million were paid out in 2009; on the balance sheet date, EUR 15.502 million of the remaining undisbursed funds of EUR 19.105 million had been pledged. In 2009, the General Council voted to allocate an additional

EUR 8.564 million to fund 136 projects. This means that since funds were first pledged as financial assistance in 1966, a total of EUR 719.921 million has been paid out.

The amounts appropriated each year for the National Foundation (EUR 75 million) are transferred the day after the General Meeting.

13 Provisions

Table 27

	December 31, 2008	Transfer from	Transfer to	December 31, 2009
	EUR million	EUR million	EUR million	EUR million
Pension reserve	1,815.598	-105.581	+132.936	1,842.953
Personnel provisions				
Severance payments	58.456	-2.872	+4.060	59.644
Anniversary bonuses	11.096	-0.435	+1.628	12.289
Residual leave entitlements	10.451	-0.190	+0.586	10.847
Other	4.329	-0.589	+1.344	5.084
Statutory or contractual social charges	0.092	-0.092	+0.102	0.102
Salary cost revisions in 2008 and 2009	0.421	-0.421	+0.421	0.421
Provisions				
Financial risk	674.033	-	+549.894	1,223.927
In respect of monetary policy operations of the Eurosystem	165.909	-49.894	-	116.015
Schilling banknotes without an exchange deadline	186.076	-5.995	-	180.081
Corporate income tax	-	-	+67.390	67.390
Accounts payable	1.136	-1.077	+1.169	1.228
Accounts payable to subsidiaries	6.341	-6.341	+2.536	2.536
Other	5.485	-5.422	+0.403	0.466
Total	2,939.423	-178.909	+762.469	3,522.983

Under its initial retirement plan, the OeNB assumed full liability to provide retirement benefits to all employees recruited up to April 30, 1998. To cover this liability, 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 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 also applies retroactively to employees taken on in the 12 months

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. In addition to transfers under the National-bank Act, the income on investment relating to the *pension reserve* was transferred to the *pension reserve* on December 31, 2009. Retirement benefit payments came to EUR 105.572 million in 2009 (+2.2%). These payments include the remuneration of 14 retired board members or their dependants (totaling

EUR 3.969 million; 2008: 14 persons at EUR 4.229 million).

The pension reserve is shown at its actuarial present value, based on a discount rate¹⁰ of 3.25% per annum (unchanged from 2008) and on the most recent mortality tables.¹¹ The pension scheme liability for current employees was stated pro rata in the 2009 financial statements, which is equivalent to a reduction by EUR 136.439 million. On December 31, 2009, the pension scheme liability came to EUR 2,020.936 million; pension reserve assets (including hidden reserves in the real estate portfolio) amounted to EUR 1,987.280 million.

Provisions for severance payments and anniversary bonuses are calculated according to actuarial principles; the discount rate of 3.50% per annum is the same as that applied in 2008.

To strengthen the OeNB's risk-bearing capacity, EUR 549.9 million were transferred to risk provisions to cover financial risks (*risk provisions*) in the 2009 financial statements.

Given that under Article 32.4 of the Statute of the ESCB and of the ECB, NCBs incur costs in connection with any losses arising from monetary policy operations in proportion to their paid-up shares in the capital of the ECB, *provisions in respect of monetary po-*

lity operations of the Eurosystem were established in 2008. Initially, a total of EUR 5.736 billion was set aside, with the OeNB's share coming to EUR 165.9 million. The Governing Council of the ECB decided on February 4, 2010, to adjust these provisions to a total of EUR 4.011 billion for 2009. The respective share of the OeNB was also adjusted, bringing *provisions in respect of monetary policy operations of the Eurosystem* to EUR 116.0 million in the OeNB's annual accounts in 2009 (–EUR 49.9 million).

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

No provisions for pending lawsuits were made, as none are expected to have a material impact.

14 Revaluation Accounts

The amounts on the *revaluation accounts* reflect the valuation gains established in the course of the valuation of assets as on December 31, 2009. 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.

Table 28 shows the development of *revaluation accounts*.

¹⁰ The discount rate is evaluated annually. It is calculated on the basis of the actual investment yield, taking into account general increases in salaries and expected yields. Marginal deviations in the future need not automatically entail an adjustment of the actuarial rate.

¹¹ AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler (actuarial basis for pension insurance published by the Austrian actuaries association AVÖ).

Table 28

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Revaluation accounts				
Gold	4,680.906	3,377.356	+1,303.550	+38.6
Foreign currency	223.425	157.740	+65.685	+41.6
Securities	257.856	394.826	-136.970	-34.7
Participating interests	328.371	276.575	+51.796	+18.7
Off balance sheet instruments	1.004	2.501	-1.497	-59.9
Total	5,491.562	4,208.998	+1,282.564	+30.5
Unrealized valuation gains from January 1, 1999 (initial valuation)				
Participating interests	265.170	265.170	–	–
Total	5,756.732	4,474.168	+1,282.564	+28.7

15 Capital and Reserves

According to Article 8 paragraph 1 Nationalbank Act, the *capital* of the OeNB (liability item 15.1) is EUR 12 million and is divided equally into 150,000 registered shares.

Table 29 shows the development of reserves.

The *reserve for nondomestic and price risks* serves to cover the risks associated with foreign currency and security prices. The section *Risk Management* contains more information on the OeNB's risk management principles.

Since 2003, the capital of the OeNB's Anniversary Fund for the Promotion of Scientific Research and Teaching (EUR 1.532 billion) has consisted of its initial funding (EUR 31.5 million) and of an endowment to support the National Foundation (EUR 1.5 billion).

The initial funding of EUR 31.5 million consists of EUR 7.3 million apportioned from the net income for the year 1965 in April 1966 and of EUR 24.2 million allocated from the profit for the year 2002 in May 2003.

The endowment of EUR 1.5 billion for the National Foundation was established in 2003 by earmarking funds re-appropriated from the *freely disposable reserve fund* (EUR 545 million) and from the *general reserve fund* (EUR 955 million).

Earmarked ERP capital funded with net interest income from 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.

Table 29

	December 31, 2009	December 31, 2008	Change	
	EUR million	EUR million	EUR million	%
Profit-smoothing reserve	2.226	2.226	–	–
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	629.616	622.947	+6.669	+1.1
Total	4,136.605	4,129.936	+6.669	+0.2

Notes on Transactions Not Disclosed in the Balance Sheet

The financial assets and liabilities of the OeNB that were recorded off the balance sheet on December 31, 2009 are shown in table 30.

At the current juncture, the possible material impact on the OeNB of the lawsuit pending against the Republic of Austria in a bankruptcy case cannot be quantified accurately.

Table 31 shows *holdings of derivatives* on December 31, 2009.

Table 31

	Underlying value	Market value gains	Market value losses
	EUR million	EUR million	EUR million
Gold interest rate swaps			
Sales	122.616	0.948	–

The market values represent the valuation of December 31, 2009, with gains of EUR 1.004 million (entered in the *revaluation accounts*, liability item 14) less a depreciation of EUR 0.056 million effected in previous years.

Table 30

	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	3,764.825
Contingent liabilities to the IMF under the New Arrangements to Borrow (NAB)	444.149
Obligation to make supplementary contributions to the stake in the capital of the BIS in Basel consisting of 8,564 shares of SDR 5,000 each	34.960
Forward purchases (euro and foreign currency-denominated swaps)	1,067.023
Forward sales (euro and foreign currency-denominated swaps)	1,065.920
Contingent liabilities arising from the coverage of gold investments	802.399
Liabilities from foreign currency investments effected in the OeNB's name for third account	9.043
Contingent liabilities in respect of the funding gap in the pension reserve	33.656
Repayment obligation arising from the interest share on pension contributions paid by staff members who leave the OeNB	8.673
Contingent liability 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	970.850
Contingent liability equivalent to the OeNB's share of EUR 5 billion by which the ECB may increase its paid-up capital under Article 28.1 of the Statute of the ESCB and of the ECB	97.085
Contingent liabilities arising from bank guarantees and other guarantees given	144.740
Contingent assets arising from bank guarantees received	5.795
Contingent assets from a guarantee of the OeKB in respect of payment transactions	1,000.000

Notes to the Profit and Loss Account

Table 32

	2009	2008	Change ¹	
	EUR million	EUR million	EUR million	%
1 Net interest income	625.901	815.811	-189.910	-23.3
2 Net result of financial operations, writedowns and risk provisions ²	-223.343	-636.679	-413.336	-64.9
3 Net income from fees and commissions	0.815	1.822	-1.007	-55.3
4 Income from equity shares and participating interests	67.240	90.726	-23.486	-25.9
5 Net result of pooling of monetary income ²	74.579	+2.188	+72.391	n.a.
6 Other income	16.077	20.675	-4.598	-22.2
Total net income	561.269	294.543	+266.726	+90.6
7 Staff costs	-119.262	-112.694	+6.568	+5.8
8 Expenses for retirement ³	-4.089	-3.295	+0.794	+24.1
9 Administrative expenses	-82.654	-82.294	+0.360	+0.4
10 Depreciation of tangible and intangible fixed assets	-11.751	-12.724	-0.973	-7.6
11 Banknote production services	-25.205	-15.634	+9.571	+61.2
12 Other expenses	-0.744	-21.190	-20.446	-96.5
Total expenses	-243.705	-247.831	-4.126	-1.7
Operating profit	317.564	46.712	+270.852	+579.8
13 Corporate income tax	-79.391	-11.678	+67.713	+579.8
	238.173	35.034	+203.139	+579.8
14 Transfers to the pension reserve and central government's share of profit	-216.737	-31.881	+184.856	+579.8
15 Profit for the year	21.436	3.153	+18.283	+579.8

¹ Absolute increase (+) or decrease (-) in the respective item.
² Starting with the 2009 financial statements, transfers to/from Provisions in respect of monetary policy operations of the Eurosystem have been recorded under profit and loss account item 5 Net result of pooling of monetary income (formerly, they were indicated under profit and loss account item 2.3).
³ Shown separately starting with the 2009 financial statements.

1 Net Interest Income

Net interest income represents the balance of interest income and interest expense (table 33).

2 Net Result of Financial Operations, Writedowns and Risk Provisions

Table 34 shows *realized gains/losses arising from financial operations* (profit and loss account item 2.1).

Table 35 shows *writedowns on financial assets and positions* (profit and loss account item 2.2).

Transfers to *risk provisions* had an impact of EUR 549.9 million on the item *transfer to/from provisions for foreign exchange, interest rate, credit and gold*

price risks (profit and loss account item 2.3).

4 Income from Equity Shares and Participating Interests

Table 36 shows *Income from equity shares and participating interests*.

5 Net Result of Pooling of Monetary Income

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. Any inter-

est paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The liability base consists of the following items: banknotes in circula-

tion; liabilities to credit institutions related to monetary policy operations denominated in euro; net intra-Eurosystem liabilities resulting from TARGET2 transactions; net intra-

Table 33

	2009	2008	Change	
	EUR million	EUR million	EUR million	%
Net interest income from foreign currency investments	162.094	357.413	-195.319	-54.6
Net interest income from euro investments	381.834	393.532	-11.698	-3.0
Net interest income from monetary policy operations	241.261	482.032	-240.771	-50.0
Net interest income from intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem	186.285	729.273	-542.988	-74.5
Net interest income from the transfer of foreign reserve assets to the ECB	12.327	40.505	-28.178	-69.6
Net interest income from minimum reserves	-84.614	-265.856	-181.242	-68.2
Net interest income from TARGET2 transactions	-279.564	-880.737	-601.173	-68.3
Other	6.278	-40.351	+46.629	+115.6
Total	625.901	815.811	-189.810	-23.3

Table 34

	2009	2008	Change	
	EUR million	EUR million	EUR million	%
Foreign currency transactions	215.923	-0.154	+216.077	n.a.
Securities transactions	145.015	154.078	-9.063	-5.9
Total	360.938	153.924	+207.014	+134.5

Table 35

	2009	2008	Change	
	EUR million	EUR million	EUR million	%
Foreign currency	-9.644	-556.313	-546.669	-98.3
Securities	-24.743	-68.381	-46.638	-63.8
Total	-34.387	-624.694	-590.307	-94.5

Table 36

	2009	2008	Change	
	EUR million	EUR million	EUR million	%
BIS	2.492	2.353	+0.139	+5.9
Münze Österreich AG	18.000	20.000	-2.000	-10.0
Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS)	9.000	3.500	+5.500	+157.1
Austria Card Plastikkarten und Ausweissysteme GmbH	0.848	0	+0.848	n.a.
Reallocation of shares in SWIFT	0.032	-	+0.032	x
Sale of the share in Austria Card	-	30.000	-30.000	-100.0
Redistribution of ECB seigniorage income	21.900	34.873	-12.973	-37.2
Distribution of ECB profit	3.372	-	+3.372	x
Adjustment of the subscribed capital of the ECB	11.596	-	+11.596	x
Total	67.240	90.726	-23.486	-25.9

Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem.

The earmarkable assets consist of the following items: lending to euro area credit institutions 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; and a limited amount of the OeNB's gold holdings in proportion to its capital key share (gold is considered to generate no income). 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 to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is allocated among NCBs according to the subscribed ECB capital key. Table 37 shows the net result for the OeNB arising from the calculation of monetary income in the Eurosystem.

	2009
	<i>EUR million</i>
Net monetary income to be pooled	-292.759
Net redistribution of monetary income ¹	316.010
Net income (+) /expenditure (-) from the redistribution of monetary income in the review year	+23.251
Net income from the revision of monetary income of the previous years	1.434
Transfers from provisions in respect of monetary policy operations of the Eurosystem ¹	49.894
Total	74.579

¹ In the financial year 2008, transfers to provisions in respect of monetary policy operations of the Eurosystem came to EUR 165.909 million under profit and loss account item 2.3.

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 6.306 million (+6.8%) net to EUR 99.649 million against the previous year. The OeNB's outlays were reduced by recoveries of salaries totaling EUR 7.270 million for staff members on secondment to subsidiaries and foreign institutions.

The four members of the Governing Board received emoluments totaling EUR 1.067 million (2008: EUR 1.059 million). Table 38 shows a breakdown of these items:

	Emoluments
	<i>EUR million</i>
Governor Ewald Nowotny	0.2856
Vice Governor Wolfgang Duchatczek	0.2692
Executive Director Peter Zöllner	0.2619
Executive Director Andreas Ittner	0.2500

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. Remuneration in kind (tax value of the private use of company cars, subsidies to health and accident insurance) and other benefits totaled EUR 0.038 million in 2009. The emoluments of the OeNB's President and Vice President amounted to EUR 0.114 million in 2009 (2008: EUR 0.113 million).

Table 39 shows the development of staff in full-time equivalents (FTEs).

Statutory or contractual social charges totaling EUR 15.638 million (+EUR 1.461 million) contain social security contributions of EUR 8.158

Table 39

	December 31 ¹			Annual average ¹		
	2009	2008	Change	2009	2008	Change
Staff employed in core business areas ²	984.1	968.2	+15.9	984.9	939.8	+45.1
Total	1,151.7	1,136.9	+14.8	1,156.0	1,107.9	+48.1

¹ Including part-time employees on a pro rata basis.

² Excluding employees on secondment or leave (such as maternity and parental leave).

million (+EUR 0.899 million), contributions of EUR 4.407 million (+EUR 0.261 million) to the Family Burden Equalization Fund and municipal tax payments of EUR 2.975 million (+EUR 0.183 million).

8 Expenses for Retirement

This item includes pension plan contributions and provisions for such contributions.

9 Administrative Expenses

Administrative expenses include rent, operating expenses, maintenance and repair costs of EUR 29.997 million (+EUR 2.241 million) as well as bank-

note processing expenses of EUR 10.189 million (–EUR 0.038 million). Moreover, expenses in particular for public relations activities and for external staff fell by EUR 1.330 million. Administrative expenses for auditing the financial statements came to EUR 0.216 million (2008: EUR 0.212 million), and to EUR 0.092 million (2008: EUR 0.113 million) for assurance services.

11 Banknote Production Services

Expenses for *banknote production services* result above all from the purchase of euro banknotes from Oesterreichische Banknoten- und Sicherheitsdruck GmbH (OeBS).

14 Transfers to the Pension Reserve and Central Government's Share of Profit

Table 40

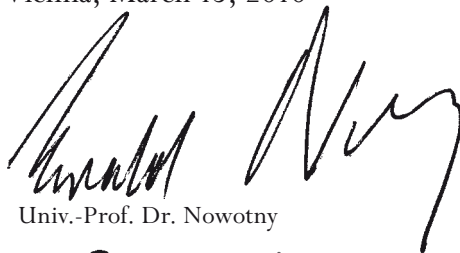
	2009	2008	Change	
	EUR million	EUR million	EUR million	%
Transfers to the pension reserve under Article 69 paragraph 2 Nationalbank Act	23.817	3.503	+20.314	+579.8
Central government's share of profit of 90% under Article 69 paragraph 3 Nationalbank Act	192.920	28.378	+164.542	+579.8
	216.737	31.881	+184.856	+579.8

Post-Balance Sheet Events

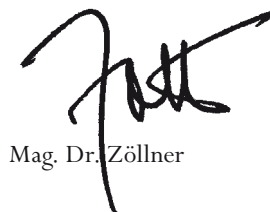
Planned Sale of a Hotel Owned by the OeNB

On the basis of a binding sales agreement, the OeNB will sell Hotel Post in Weißenbach am Attersee in 2010.

Vienna, March 15, 2010



Univ.-Prof. Dr. Nowotny



Mag. Dr. Zöllner



Mag. Dr. Duchatzek



Mag. Ittner

Audit Opinion

Bestätigungsvermerk der Abschlussprüfer

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Bericht zum Jahresabschluss

Wir haben den beigefügten Jahresabschluss der **Oesterreichischen Nationalbank, Wien**, für das Geschäftsjahr vom 1. Jänner 2009 bis zum 31. Dezember 2009 unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2009, die Gewinn- und Verlustrechnung für das am 31. Dezember 2009 endende Geschäftsjahr sowie den Anhang.

Verantwortung der gesetzlichen Vertreter für den Jahresabschluss und für 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 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 10 November 2006 on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks (ECB/2006/16)“ in der Fassung vom 14. Dezember 2009 (ECB/2009/28) 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 durchgeführt. Diese Grundsätze erfordern, dass wir die Standesregeln einhalten und die Prüfung so planen und durchführen, dass wir uns mit

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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 2009 sowie der Ertragslage der Gesellschaft für das Geschäftsjahr vom 1. Jänner 2009 bis zum 31. Dezember 2009 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung.

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Aussagen zum Geschäftsbericht

Der gemäß § 68 Abs. 1 NBG zu erstellende Geschäftsbericht ersetzt den Lagebericht gemäß § 243 UGB.

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 19. März 2010

TPA Horwath
Wirtschaftsprüfung GmbH



Mag. Thomas Schäfer, CPA
Wirtschaftsprüfer

MOORE STEPHENS AUSTRIA
Wirtschaftsprüfungsgesellschaft mbH



Dr. Peter Wundsam
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Für abweichende Fassungen (zB Verkürzungen) gelten die Bestimmungen des § 281 UGB.

OeNB translation of the external auditors' report from German into English for information purposes. In case of discrepancies, the German text signed by TPA Horwath Wirtschaftsprüfung GmbH and MOORE STEPHENS AUSTRIA Wirtschaftsprüfungsgesellschaft mbH shall prevail.

Audit Opinion

Report on the Financial Statements

We have audited the accompanying financial statements of the Oesterreichische Nationalbank in Vienna for the fiscal year from January 1, 2009, to December 31, 2009, including the accounting system. These financial statements comprise the balance sheet as of December 31, 2009, the profit and loss account for the fiscal year ended December 31, 2009, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The management of the company is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles, and under the Nationalbank Act 1984, as amended, as well as the supplementary regulations 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, as set forth in the Guideline of the European Central Bank of 10 November 2006 on the legal framework for accounting and reporting in the European System of Central Banks (ECB/2006/16), as amended by the ECB's Guideline of 14 December 2009 (ECB/2009/28). 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.

Auditor's 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 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.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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, 2009, and of its financial performance for the fiscal year from January 1, 2009, to December 31, 2009, in accordance with Austrian Generally Accepted Accounting Principles.

Statement on the Annual Report

The Annual Report to be prepared under Article 68 paragraph 1 Nationalbank Act replaces the report of the Management Board to be drawn up pursuant to Article 243 Commercial Code.

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's 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 19, 2010

TPA Horwath
Wirtschaftsprüfung GmbH

Thomas Schaffer, CPA
external auditor

MOORE STEPHENS AUSTRIA
Wirtschaftsprüfungsgesellschaft mbH

Peter Wundsam
external auditor

The Financial Statements including our audit opinion may be published or distributed only as audited by us. Summaries or excerpts etc. are subject to Article 281 Commercial Code.

Profit for the Year and Proposed Profit Appropriation

With the statutory allocations of the OeNB's profit including the central government's share of EUR 192.920 million (2008: EUR 28.378 million) having been made in conformity with Article 69 paragraphs 2 and 3 Nationalbank Act (item 14 of the profit and loss

account), the balance sheet and the profit and loss account show a profit for the year 2009 of EUR 21,435,581.14.

On March 24, 2010, 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	8,000,000.00
to transfer to the profit-smoothing reserve	12,235,581.14
	21,435,581.14

Report of the General Council on the Annual Report and the Financial Statements for 2009

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 Oesterreichische Nationalbank's operations and results, on the conditions on 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 2009 were given an unqualified auditor's opinion after examination by the auditors elected at the General Meeting of May 26, 2009, TPA Horwath

Wirtschaftsprüfung GmbH and MOORE STEPHENS AUSTRIA Wirtschaftsprüfungsgesellschaft mbH, on the basis of the books and records of the Oesterreichische Nationalbank as well as the information and evidence provided by the Governing Board.

In its meeting of April 29, 2010, the General Council approved the Annual Report of the Governing Board and the Financial Statements for the business year 2009. The General Council submits the Annual Report and moves that the General Meeting approve the Financial Statements of the Oesterreichische Nationalbank for the year 2009 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 2009 (as mentioned above).

Notes

Abbreviations, Legend

AMS	Arbeitsmarktservice Österreich (Austrian Public Employment Service)	HGGA	Hypo Group Alpe Adria
ASFINAG	Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft (Austrian highway authority)	HICP	Harmonised Index of Consumer Prices
ATM	automated teller machine	ICAAP	internal capital adequacy and assessment process
ATX	Austrian Traded Index	IMF	International Monetary Fund
BCBS	Basel Committee on Banking Supervision	IPA	Instrument for Pre-Accession Assistance
BI	Bilateral Intervention	JVI	Joint Vienna Institute
BIS	Bank for International Settlements	kWh	kilowatt hour
CEBS	Committee of European Banking Supervisors	LIBOR	London Interbank Offered Rate
CESEE	Central, Eastern and Southeastern Europe	LTRO	longer-term refinancing operation
CHF	Swiss franc	MFI	monetary financial institution
CIS	Commonwealth of Independent States	MRO	main refinancing operation
CRD	Capital Requirements Directive	MWh	megawatt hour
DARWIN	Documents and Records Web-based Information Network	National Foundation	National Foundation for Research, Technology and Development
EBRD	European Bank for Reconstruction and Development	NCB	national central bank
ECB	European Central Bank	NMS	new Member State
EMAS	Eco-Management and Audit Scheme	OeBS	Oesterreichische Banknoten- und Sicherheitsdruck GmbH
EMU	Economic and Monetary Union	OECD	Organisation for Economic Co-operation and Development
EONIA	Euro OverNight Index Average	OeCAG	Oesterreichische Clearingbank AG
eps	e-payment standard	OeNB	Oesterreichische Nationalbank
ERP	European Recovery Program	OTC	over the counter
ESCB	European System of Central Banks	RAMP	Reserves Advisory and Management Program
ESE	European Supervisor Education Initiative	RCA	revealed comparative advantage
ESFS	European System of Financial Supervisors	SDD	SEPA direct debit
ESRB	European Systemic Risk Board	SDR	Special Drawing Right
EU	European Union	SEE	Southeastern Europe
EUR	euro	SEPA	Single Euro Payments Area
EURIBOR	Euro Interbank Offered Rate	SPOC	single point of contact
EWE	External Work Experience	Tacis	Technical Assistance to the Commonwealth of Independent States
Eurostat	Statistical Office of the European Communities	TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer
FIMBAG	Finanzmarkt-beteiligung Aktiengesellschaft	TAF	Term Auction Facility
FMA	Financial Market Authority	TOP	Tender Operation System
FSB	Financial Stability Board	T2S	TARGET2-Securities
FSF	Financial Stability Forum	USD	U.S. dollar
FTE	full-time equivalent	WIFO	Austrian Institute of Economic Research
FYR		wiiw	The Vienna Institute for International Economic Studies
Macedonia	Former Yugoslav Republic of Macedonia	WWF	World Wide Fund for Nature
G-20	Group of Twenty		
GDP	gross domestic product		
GSA	GELDSERVICE AUSTRIA Logistik für Wert-gestionierung und Transportkoordination GmbH		

- x = No data can be indicated for technical reasons
- .. = Data not available at the reporting date
- 0 = The numerical value is zero or smaller than half of the unit indicated
- = The numerical value is zero (legend entry in the Financial Statements only)
- n.a. = Not applicable (legend entry in the Financial Statements only)

Discrepancies may arise from rounding.

Periodical Publications

For further details on the periodical publications of the OeNB see www.oenb.at

Monetary Policy & the Economy

quarterly

This quarterly publication, issued both in German and English, offers analyses of current cyclical developments, medium-term macroeconomic forecasts and studies on central banking and economic policy topics. It also provides summary findings of macroeconomic workshops and conferences organized by the OeNB.

Focus on European Economic Integration

quarterly

The Focus on European Economic Integration (FEEI) is a channel for communicating the OeNB's ongoing research on Central, Eastern and Southeastern European (CESEE) countries, thus reflecting a strategic regional research priority of the OeNB. Contributions to the quarterly FEEI include peer-reviewed studies dealing primarily with macrofinancial and monetary integration as well as economic country analyses and cross-regional comparisons.

Statistiken – Daten & Analysen

quarterly

This publication contains brief reports and analyses focusing on Austrian financial institutions, cross-border transactions and positions as well as financial flows. The contributions are in German, with executive summaries of the analyses in English. The statistical part covers tables and explanatory notes on a wide range of macroeconomic, financial and monetary indicators (these indicators and others are also available online in both German and English). In addition, this series includes special issues on selected statistics topics published at irregular intervals.

Research Update

quarterly

The quarterly English-language research update is published only on the Internet and informs an international readership about selected findings, research topics and activities of the OeNB's Economic Analysis and Research Department. This publication addresses colleagues from other central banks or international institutions, economic policy researchers, decision makers and anyone with an interest in macroeconomics. Furthermore, the research update offers information on publications, studies or working papers as well as events (conferences, lectures and workshops).

For further details see www.oenb.at/research.update

Financial Stability Report

semiannual

Issued both in German and English, the Financial Stability Report contains first, a regular analysis of Austrian and international developments with an impact on financial stability and second, studies designed to provide in-depth insights into specific topics related to financial market stability.

Workshops – Proceedings of OeNB Workshops three to four issues a year

The Proceedings of OeNB Workshops were introduced in 2004 and typically comprise papers presented at OeNB workshops at which national and international experts, including economists, researchers, politicians and journalists, discuss monetary and economic policy issues. Workshop proceedings are generally available in English only.

Working Papers about ten papers a year

The OeNB's Working Paper series is designed to disseminate, and provide a platform for discussing, findings of OeNB economists or outside contributors on topics which are of special interest to the OeNB. To ensure the high quality of their content, the contributions are subjected to an international refereeing process.

Conference Proceedings of the Economics Conference annual

The Economics Conference hosted by the OeNB is an international platform for exchanging views and information on monetary and economic policy as well as financial market issues. It convenes central bank representatives, economic policy-makers, financial market players, academics and researchers. The conference proceedings comprise all papers presented at the conference.

Conference Proceedings of the Conference on European Economic Integration annual

The OeNB's Conference on European Economic Integration (CEEI) focuses on Central, Eastern and Southeastern European issues and the ongoing EU enlargement process. The Conference Proceedings comprise contributions to the CEEI and are published in English by a renowned international publishing house.

For further details see <http://ceec.oenb.at>

Annual Report (Sustainability Report) annual

The Annual Report of the OeNB provides a broad review of Austrian monetary policy, economic conditions, new developments in the financial markets in general and in financial market supervision in particular as well as of the OeNB's changing responsibilities and its role as an international partner in cooperation and dialogue. It also contains the OeNB's financial statements, its Intellectual Capital Report and its Environmental Statement.

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The Annual Report of the OeNB provides information about the monetary policy of the Eurosystem and reviews economic developments and developments in financial markets, including payment systems. Furthermore, it details the OeNB's national and international responsibilities and role as well as the broad range of services the OeNB offers. The OeNB's Financial Statements and the Notes to 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.

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Paper

Printed on environmentally friendly paper

Cover and divider pages

Wolfgang Hollegga, Blaue Mütze im Wind (Blue Cap in the Wind), 2006, oil on canvas, 215 x 220 cm, from the OeNB's collection of post-1945 Austrian sculptures and paintings

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Imprint

*Publisher and editor:
Oesterreichische Nationalbank
Otto-Wagner-Platz 3, 1090 Vienna, Austria
Günther Thonabauer, Communications Division
Internet: www.oenb.at
Printed by: Oesterreichische Nationalbank, 1090 Vienna, Austria
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This Sustainability Report of the OeNB has been validated and has been found to meet the requirements of the current G3 Sustainability Reporting Guidelines of the Global Reporting Initiative.



DVR 0031577

Vienna, 2010